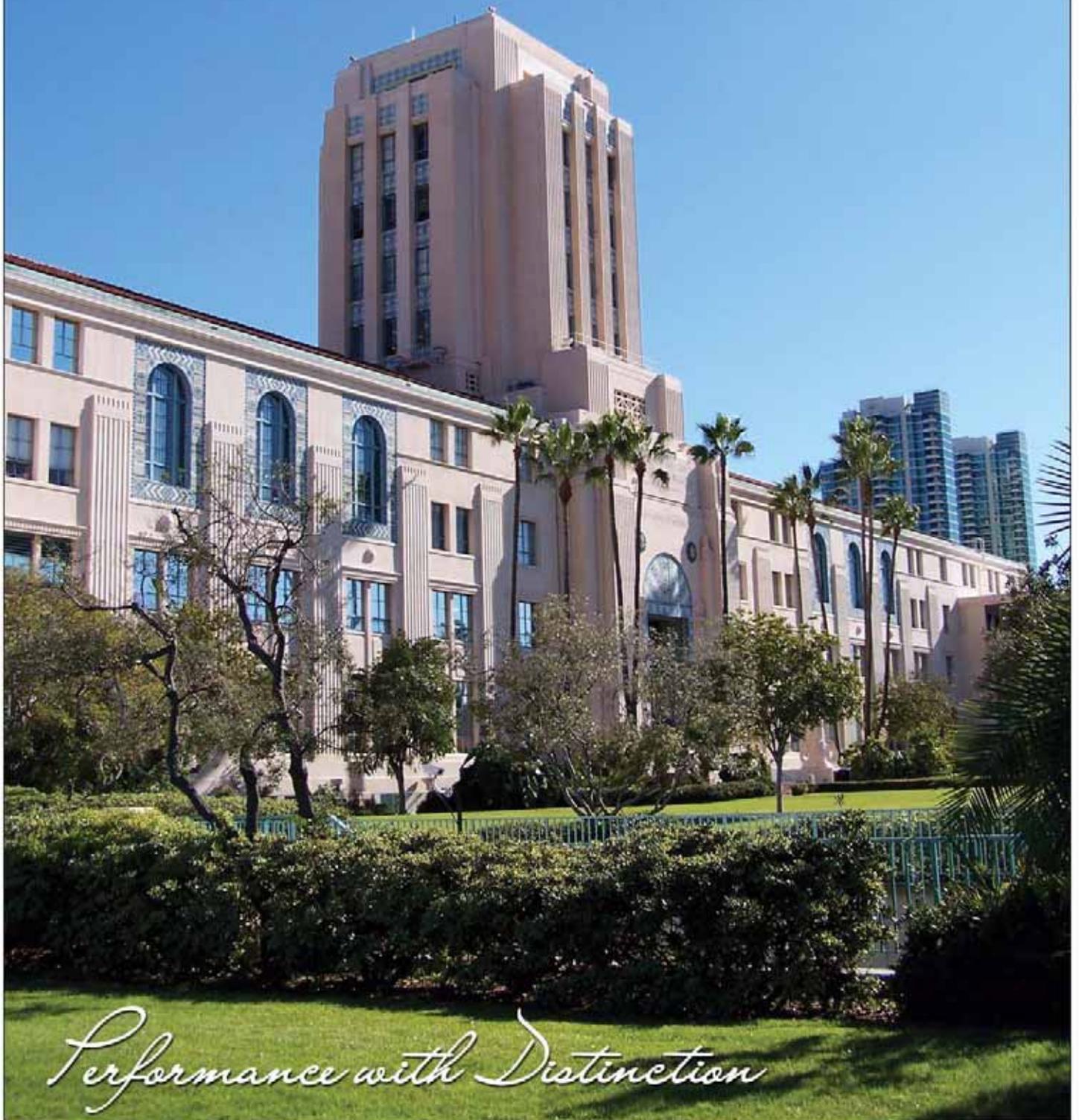


County of San Diego, California

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007



Performance with Distinction

County of San Diego - California

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2007

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Chief Administrative Officer

Compiled under the direction of

Donald F. Steuer
Chief Financial Officer

Tracy M. Sandoval
Auditor and Controller

Board of Supervisors

Greg Cox	<i>First District</i>
Dianne Jacob	<i>Second District</i>
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Introductory Section



County of San Diego

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December 17, 2007

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, 2007 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 & O'Connell LLP which has issued an unqualified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2007. The Independent Auditor's Report is located at the front of the financial section of this report.



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 the County is highly dependent on imported water.

The County population in January 2007 was estimated to be 3,098,269, an increase of 1.1% over the adjusted January 2006 figure of 3,064,113, and it is 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 a population of approximately 1.317 million, and Del Mar is the smallest, with a population of approximately 4.5 thousand. In addition, Tijuana, Mexico, with an estimated population of 1.4 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

County Government

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 and the Auditor and Controller. 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 and state as well as local programs. The County supports a wide range of services to its residents including regional services such as elections, public health and welfare, and environmental services. The County also provides to 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.



Economy and Outlook

In recent years, the County has enjoyed economic stability. For example, the unemployment rate for the County has been lower than that of the State for the last 7 years, and at July 2007 was 4.8% as compared to 5.5% for the State. Since the early 1990's San Diego County has seen an increasing diversification of economic activity, research and development and product manufacturing in the telecommunications, biotechnology, military products, electronics and information technology areas.

Much of San Diego's economic strength has been derived from employment gains, commercial and industrial development and steady population growth. The current downturn in the housing construction and real estate industries have contributed to the overall slowdown in the growth of the State economy in 2007. Looking forward, in 2008, the San Diego economy is expected to grow moderately, in line with the expansion of the state and national economies. San Diego is also expected to maintain a favorable position relative to unemployment and its gross regional product versus the state and national gross domestic products.

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 2007 are listed below. One trend the County is monitoring is the changing occupational statistics of the key industry groups of employed persons in the region. Highlights of County employment as of July 2007 are listed below:

- Non-agricultural employment totaled 1,306,500 jobs.

- The services industry constitutes the largest employment sector and accounted for approximately 46% of non-agricultural employment, with a total of 598,300 employed.
- The wholesale and retail trade industries were the second largest, with the non-government sector, comprising approximately 14.6% of non-agricultural employment totaling of 191,300 jobs.
- Government accounted for approximately 16.3% of non-agricultural employment. Due to San Diego's military presence it is anticipated to remain relatively stable.
- Manufacturing accounted for an additional 7.8% of non-agricultural employment.
- The construction sector is greatly influenced by the general health of the economy, and in particular population and housing growth. Construction employment, which accounted for 6.9% of total non-agricultural employment or 90,000 jobs, was down 3,900 jobs from July 2006. Continued slowing in residential building permits, increased foreclosures and marginally declining home prices are all expected to continue to negatively impact construction jobs through the end of 2007 and into 2008.
- Agriculture accounted for approximately 0.82% of total employment
- It is anticipated that employment growth over the next year will be led by increases in the government and services' sectors including professional, business, leisure, hospitality and health services. From July 2006 to July 2007, the San Diego County region experienced an increase of 11,500 jobs, down from 15,400 new jobs in the prior year. Job creation is expected to continue to be moderate in 2008 adding approximately 10,000 to 12,000 new jobs in the region.

County revenues that are affected by the state of the local economies include property taxes, sales taxes, and charges for services. Key



factors impacting these revenues include real estate activity and consumer spending which are in turn greatly influenced by interest rates and the general economy. Although short and long-term interest rates are low by historical standards and are expected to moderate further, there is continued uncertainty about the general direction that the national, state and local economies are headed in 2008.

Based on the California Association of Realtors' First Time Buyer Housing Affordability Index, San Diego's housing affordability index, (the percentage of households that can afford to purchase an entry-level home) stood at 23% in June 2007, unchanged from December 2006, but up from 21% in June 2006. This index is based on an adjustable rate mortgage and assumes a 10% down payment and a first-time buyer purchase of a home equal to 85% of the prevailing median price.

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 had an adopted annual budget of \$4.37 billion and almost seventeen thousand employees (staff years) 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. 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 et seq. During the year, departments may request budget adjustments for new and existing programs. In addition, the Chief Administrative Officer reviews the status of the County's performance against budget in a quarterly status report to the Board of Supervisors.

FINANCIAL (BUDGETARY) POLICIES

Government Code Sections §29000 through §30200 provide the statutory requirements pertaining to the form and content of the State Controller's prescribed Line-Item Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing".

County Charter Section 703 establishes the Chief Administrative Officer as responsible for all Group/Agencies and their departments (except departments with elected officials as department heads) and responsible for supervising the expenditures of all departments and reporting to the Board of Supervisors on whether specific expenditures are necessary.

The County has the following financial policies that serve as guidelines for the budget process:

Administrative Code

Sections 115-117: The Chief Administrative Officer is responsible for budget estimates and submits recommendations to the Board of Supervisors.

Board of Supervisors Policies

A-136 Use of County of San Diego General Management System for Administration of County Operations: Establishes the General Management System (GMS) as the formal guide for the administration of County departments, programs and services, and ensures that all County departments and offices operate in compliance with the GMS.

B-29 Fees, Grants, Revenue Contract: Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.



B-71 Fund Balance and Reserves: Establishes guidelines regarding the use of fund balance and the maintenance of reserves in order to protect the fiscal health and stability of the County. Expenditures for services are subject to fluctuations in demand and revenues are influenced by changes in the economy and by State and federal regulations. This policy ensures the County is prepared for unforeseen events by establishing and maintaining prudent levels of fund balance and reserves.

M-26 Legislative Policy: Long-Term Financing of Local Agencies: Calls on the Legislature to redress inequitable State funding formulas.

Administrative Manual

0030-01 Full Cost Recovery of Services: Establishes a procedure within the framework of Board of Supervisors Policy B-29, to serve as guidance in the process of recovering full costs for services provided to agencies or individuals outside the County of San Diego organization under grants or contracts or for which fees may be charged.

0030-03 Application and Acceptance of Grants: Establishes a procedure within the framework of Board of Supervisors Policy B-29, to serve as guidance when requesting the Board of Supervisors approval of the application and acceptance of grants, awards, or revenue contracts.

0030-06 State Mandated Cost Recovery: Establishes guidelines to attempt full recovery of all State mandated costs resulting from chaptered legislation and executive orders.

0030-12 Mid-Year Appropriations: Establishes guidelines for funding new or modified programs, projects, or proposals outside of the annual budget process.

0030-13 Budget Program/Project Follow-Up: Sunset dates will be placed on programs intended to have limited duration, and related

staff and other resources will not be shifted to other activities without the Board of Supervisors' approval.

0030-14 Use Of One-Time Revenues: One-time revenue will be appropriated only for one-time expenditures such as capital projects or equipment, not to ongoing programs.

0030-17 General Fund Reserves: Provides a plan for the maintenance and ongoing enhancement of a General Fund reserve. This reserve would provide a source of funds for long-term extraordinary events and enhance the County's position with rating agencies.

0030-18 Transfers Of Excess Cash Balances To General Fund: Provides for transfer of excess cash balances to the General Fund from funds within the County's area of financial and cash management which contain earnings or moneys in excess of those funds' requirements.

0030-19 Revenue Match Limitation: Revenue matches will be limited to the mandated level unless clear justification is provided which results in a waiver of this policy by the Board of Supervisors.

0030-22 Revenue Management: Chief Financial Officer and Auditor and Controller are responsible for reviewing and evaluating revenues from all sources in order to maximize these revenues within legal provisions and to institute internal controls and systems to be used by departments to estimate, claim, and collect revenues.

STRATEGIC INITIATIVES AND ACHIEVEMENTS

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 2006-07 (2007) and is expected to remain.

In spite of this, 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** - Manage resources to ensure environmental preservation, quality of life, and economic development.
- **Safe and liveable 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 and Diverse Workforce
- Essential Infrastructure
- Information Technology
- 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

- The Department of Child Support Services was one of only 12 of the 52 child support agencies in the State, and the only "very large" county, to achieve an increase in 2006 distributed child support collections.
- The District Attorney's Office, local law enforcement officials, and child welfare and health professionals convened to sign the San Diego County Child Victim-Witness Protocol for the uniform investigation of child abuse cases.
- Public Safety Group departments collaborated to promote the well-being of children and self-sufficiency of families by working together to establish a procedure addressing child support issues involving incarcerated felons.
- To provide accurate and timely service to low income children and families, the Health and Human Services Agency successfully converted nearly 300,000 cases, impacting 2,100 end users, to the California Work Opportunity and Responsibility to Kids (CalWORKs) Information Network, a system for tracking and determining monthly eligibility for welfare services. To safeguard taxpayer dollars, the Agency established interfaces with the District Attorney's Public Assistance Fraud Division, Auditor and Controller's Revenue and Recovery Division, and the Department of Child Support Services.
- Based on the San Diego Association of Governments "Camp and Ranch Evaluation Study," the Probation Department instituted evidence based practices in programs for work readiness and substance abuse recovery at the Juvenile Ranch and Camp Barrett facilities.
- Land Use and Environment Group staff supported the County's Childhood Obesity Action Plan by providing 116 health related



events, classes, and activities throughout the San Diego region and conducting awareness of the link between nutrition and improved health through the garden-based nutrition education programs at 10 local schools.

- The Department of Public Works significantly enhanced safe routes to schools for children by reviewing and inspecting private developments to ensure that all new school developments, as well as new developments near schools include pedestrian facilities such as sidewalks, pathways and other traffic safety features. In Fiscal Year 2007 there were six schools and 75 other developments near schools reviewed and inspected. In addition, Public Works completed the construction of five projects worth approximately \$4.5 million, to improve pedestrian and bicycle safety to provide safe routes to school.

THE ENVIRONMENT

- The Parks and Recreation Department improved and expanded park facilities and increased recreational experiences, by completing 25 major projects totaling \$12.0 million, in 14 park facilities in 13 communities.
- The Parks and Recreation Department expanded and protected park resources by acquiring over 470 acres of park land; added 30 miles of trails and rehabilitated over 75 miles of trails.
- The Department of Public Works enhanced the access to road information for the public, County, and other public agencies by converting 100% of the existing data to a Geographic Information System (GIS) County Maintained Roads layer. This online tool provides a more efficient way for staff to research road data and provide prompt information and maps to the public and other agencies.

- The County Library increased access to library services by opening for Sunday hours in 10 branch libraries, implemented the San Diego County Library Literacy Program, and established a baseline of \$200,000 for the acquisition of specialized program materials.
- The Housing and Community Development Department conducted 10 Community Revitalization Committee meetings to bring their clients together to improve and stimulate involvement and funded 37 projects involving new public facilities or improvements that contributed to the revitalization of lower-income neighborhoods.
- The Department of Animal Services teamed with the County Library in the “Paws, Claws, Scales, & Tales” youth reading program. Each time a child enrolled in the program achieved a goal of reading 500 books, a free pet adoption was provided to a shelter customer. Twenty animals were adopted.
- The Department of Public Works enhanced water quality by removing over 55 acres of invasive vegetation from the headwaters of the Tijuana River (meeting goal). The department removed 2.56 acres of non-native vegetation, including *Arundo donax*, from various sites throughout the county. These invasive species clog rivers downstream, degrade water quality, and impact native vegetation.
- The Department of Public Works supported the Watershed Protection Program by conducting 568 dry weather site investigations (exceeding the goal of 240 investigations). These investigations provide crucial data for understanding the condition of receiving waters in all eight watersheds, and how they are impacted by discharges from unincorporated communities. Information gained from these site investigations also provides guidance in



determining areas that could potentially cause greater pollution and therefore require increased stormwater quality management.

SAFE AND LIVEABLE COMMUNITIES

- The Sheriff's Department participated in the development and co-location of regional public safety agencies into the San Diego Law Enforcement Coordination Center (SD LECC), an all-crimes intelligence center focused on significant threats to the region.
- The Sheriff's Department completed the ASTREA aviation facility in Fallbrook that will provide a presence for aircraft in the North County to combat wildfires.
- The District Attorney developed an Internet-based crime mapping application allowing the public to easily search and view crime information.
- Public Safety Group departments partnered with local and federal law enforcement agencies to fight gang-related crime through joint efforts with the following: the East County Gang Task Force, the Violent Crime Task Force, the Federal Bureau of Investigations, the San Diego Police Department, the Oceanside Police Department, the City of San Diego Commission on Gang Prevention and Intervention and various community organizations.
- To combat identity theft and protect employees and the public, the Public Safety Group Executive Office led a county-wide review of policies regarding sensitive data in County records.
- The Probation Department created the Warrant Unit to decrease the number of adult and juvenile probation violation warrants, working with the Regional Fugitive Task Force to clear active and pending warrants.
- The District Attorney led the multi-agency implementation of the Community Prison Re-entry Program (SB 618) to facilitate the successful return of offenders released from prison into the community. Accomplishments to date include the development of individual Life Plans to guide activities that promote rehabilitation.
- The Public Safety Group, Community Services Group and Land Use and Environment Group collaborated on the design of the Medical Examiner/Forensic Center projected to open in Spring, 2009.
- The Department of Planning and Land Use improved emergency response capabilities of rural fire agencies by providing approximately \$10 million in funding to continue service agreements with 15 fire agencies and add three additional fire agencies, bringing the total number of agreements to 18. This funding enhanced rural fire protection in communities by providing funding for the service agreements and the purchase of eight engines, nine water tenders, one light and air apparatus, and two rescue engines. This brings a combined new fleet inventory to 20 pieces of apparatus purchased since the program began.
- To protect the public's health, a public information campaign was launched to educate and prepare the public for a possible flu pandemic, which included a website, television ads, brochures, posters, and community presentations. Trainings and exercises were conducted to prepare the HHS workforce in responding to a pandemic. Additionally, the Public Health Laboratory was enhanced to facilitate



heightened response to public health threats through rapid identification and processing of suspicious infectious agents.

- To identify and address the County's future capacity and demand for health care by at-risk and vulnerable populations, a comprehensive assessment of the Healthcare Safety Net serving San Diego's uninsured and underinsured was completed during this fiscal year and implementation of the Board-approved action plan was started. Four major public-private partnership workgroups have been established to address the findings and recommendations on the four priority areas of funding, legislative advocacy, best practices/care coordination, and South region. From the more than 200 participants that attended the regional forums during the assessment process, more than 50 have continued to work in the various groups to identify specific and tangible actions in the four priority areas.
- To improve the operational productivity of the County's regional public health nursing services, we expanded the Mobile Remote Workforce project, which called for reengineering work processes and incorporating the use of the latest technology. The successful North Region pilot project from Fiscal Year 2005-06 (2006) was duplicated in the remaining regional public health centers during Fiscal Year 2007, resulting in a reduction in time spent on administrative tasks and more time available for direct client services.
- To better integrate mental health and substance abuse treatment services, we continued our progress in implementing the Behavioral Health Services (BHS) model to enhance the alcohol and drug and mental health systems of care. During Fiscal Year 2007, BHS established one centralized access and crisis line for both alcohol and drug and mental health services that operates 24 hours a day, 7 days a week, with 99% of calls

answered within 30 seconds. BHS also consolidated administrative functions such as contracts, financial management, and budgeting.

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, 2006. 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 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

OTHER AWARDS AND RECOGNITIONS

Even with the financial and environmental challenges of Fiscal Year 2007, 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.

- "Last year the County of San Diego set a personal record of 41 awards at the annual Achievement Awards competition sponsored by the National Association of Counties (NACo). When the winners of the



2007 competition were announced in June, the County once again led the nation with 41 programs recognized. This was the third straight year that San Diego had earned the highest number of awards, but the gap between the County and its competition widened substantially. Los Angeles County received the second-most recognition, winning 28 Achievement Awards. The winning programs, which span all five groups within the organization, were recognized for being innovative and successful, and for promoting quality, efficiency and a responsive county government. The programs receiving awards included Read for a Reason (a County Library partnership with the Department of Animal Control), Family Disaster Plan/Public Awareness Campaign, GPS Sex Offender Monitoring Program, Local Banking Initiative and the Identity Theft Project.

- For the fifth consecutive year, The Government Finance Officers Association of the United States and Canada (GFOA) recognized the County with the Distinguished Budget Presentation Award for the 2007 & 2007-08 (2008) Operational Plan.
- The GFOA also recognized the County Treasury with the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006.
- San Diego County won two Merit Awards from the California State Association of Counties (CSAC). The County programs selected include The Intergenerational Games, created to address health and social issues in the county, namely the alarming rate of overweight youth and the high rate of seniors diagnosed with diabetes and heart disease and The Tutor Connection, which provides free high quality tutoring services to current and former foster youth between the ages of 5 and 21.
- The San Diego County Taxpayers Association recognized the County of San Diego with the Grand Golden Watchdog Award for the San Diego County Board of Supervisors' proposal to control retiree health care costs.
- The Center for Digital Government recognized the County Health and Human Services Agency with the 2006 Innovative Use of Technology Award for the Mobile Remote Workforce (MRW) Project, a project which streamlined and improved the way County public health nurses receive, process, and manage their cases. The MRW Project was also recognized by the E-Gov Institute for "Successfully Using Innovative Knowledge Management Practices in a Knowledge Management Solution".
- The County received one of five national Model Community awards from the Terrorism Injuries: Information, Dissemination and Exchange (TIIDE) program of the Centers for Disease Control and Prevention. The award was in recognition of the County's integration of Public Health and Emergency Medical Services, and reflects the steps taken to strengthen partnerships to better protect the community in a mass casualty event. The recognition was particularly meaningful because selections were made by the TIIDE member agencies, which include prestigious medical organizations such as the American Medical Association, American College of Surgeons, American Trauma Society and the National Association of Emergency Medical Services Physicians.
- Parks and Recreation received an award for Outstanding Resource Document from The State Association of Environmental Professionals for the Otay Valley Regional Park (OVRP) Habitat Restoration Plan and Non-native Plant Removal Guidelines.
- The Fire Safe Council of San Diego County honored the Department of Planning and Land Use (DPLU) with the Distinguished



Service Partner Award in recognition of DPLU's assistance towards the preparation of Community Wildfire Protection Plans for 14 communities within the county. San Diego County now leads the State, with more approved Plans than any other county.

- The Sheriff's Department received a National Law Enforcement Challenge Award from the International Association of Chiefs of Police. The department was recognized as having one of the best overall traffic safety programs because of its ability to combine officer training, public information and enforcement efforts to reduce motor vehicle accidents and injuries.
- Agriculture, Weights, and Measures won an Achievement in Consumer Education (ACE) Award from the National Association of Consumer Agency Administrators (NACAA). The award recognized San Diego County's efforts to post consumer rights information at every commercial/retail scanner, to post failed scanner inspection notices at businesses, and the optional posting of successful scanner inspection notices.
- The American Society on Aging awarded Pfizer 2007 Healthcare and Aging Awards to two Aging and Independence Services (AIS) programs: the popular Cool Zone Program which offers locations throughout the county where seniors can "beat the heat" during the summer-time months; and the Matter of Balance program which focuses on developing yoga/exercise routines to decrease falls among the senior population.
- For the second consecutive year and the third time in the past four years, the Department of Child Support Services has been honored by the California Department of Child Support Services for the "Most Improved Performance by a Very Large Local Child Support Agency in the Federal Measure of Current Support Collections in Federal Fiscal Year 2006." San Diego County

improved its rate of collection for current support to 49.8% in 2006, a 7.3% increase over the previous year and the largest improvement among the "very large" designated counties. San Diego was the only county with that designation, whose total amount of child support payments distributed increased from 2005 to 2006. Collections totaling \$164.4 million were distributed by San Diego County during Federal Fiscal Year 2006.



ACKNOWLEDGMENTS

We would like to express our appreciation to the accounting staff 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 & O'Connell 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 staff 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, 2006

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.



President

Executive Director

Board of Supervisors

Ron Roberts
District 4
Chairman



Greg Cox
District 1
Vice-Chairman



Dianne Jacob
District 2



Pam Slater-Price
District 3

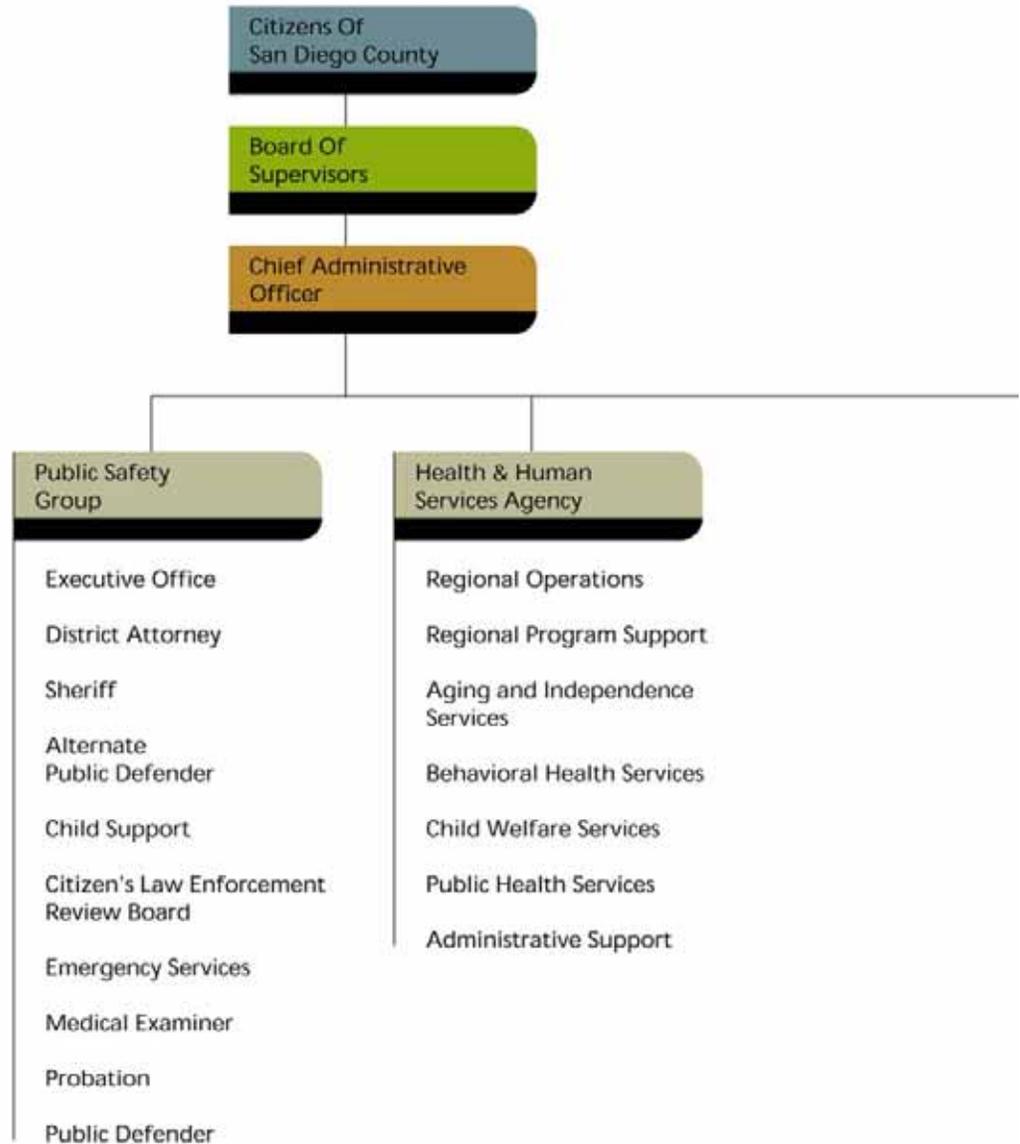


Bill Horn
District 5





Organizational Chart



Organizational Chart





Other Elected and Appointed Officials

OTHER COUNTY OFFICERS

Chief Administrative Office

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

Elected Officials

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

General Managers

DCAO/General Manager Community Services Group..... Mikel D. Haas
 Chief Financial Officer/General Manager Finance & General Government Group Don Steuer
 Agency Director Health & Human Services Agency Jean M. Shepard
 DCAO/General Manager Land Use & Environment Group..... Chandra Wallar
 DCAO/General Manager Public Safety Group..... W. Harold Tuck Jr.

Department Heads

Agriculture, Weights & Measures..... Robert Atkins
 Air Pollution Control District Ray Fernandez*
 Alternate Public Defender Timothy A. Chandler
 Animal Services..... Dawn Danielson
 Auditor & Controller/ACFO Tracy Sandoval
 Chief of Staff - CAO Janice Graham
 Child Support Services Jeff Grissom
 Civil Service Commission Patt Zmary
 Clerk of the Board Thomas J. Pastuszka
 County Counsel..... John J. Sansone

Other Elected and Appointed Officials



County Technology Office	William Crowell
Emergency Services	Ron Lane
Environmental Health	Gary Erbeck
Farm & Home Advisor	Terrell P. Salmon
General Services	April Heinze
AIS & HHS-A-East Region	Pamela B. Smith
HHS-A-Central & South Regions	Rene Santiago
HHS-A-North Coastal, Inland & Central Regions	Nick Macchione
Public Health Officer	Wilma Wooten, M.D.*
Adult & Children's Mental Health	Alfredo Aguirre
Housing & Community Development	Cathy Trout Lichterman
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	Eric Gibson*
Probation	David Cranford*
Public Defender	Steve Carroll
Public Works	John L. Snyder
Purchasing & Contracting	Winston F. McColl
Registrar of Voters	Deborah Seiler
Strategy & Intergovernmental Affairs	Sarah Aghassi

*Acting Department Head



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, 2007, 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 as of and for the year ended June 30, 2007. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



The San Diego County Employees' Retirement Association (SDCERA) was previously reported as a component unit of the County, however based on a reevaluation of the financial accountability criteria SDCERA was determined not to be a component unit of the County. Accordingly, beginning in fiscal year 2007, SDCERA is excluded from the County's fiduciary funds and is no longer reported as a pension trust fund in the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2007, 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 29 through 45, 107 through 112 and 113, 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 17, 2007

Management's Discussion and Analysis



Donald F. 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, 2007.

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 2006-07 (2007) by \$2.95 billion (net assets). Of this amount, \$2.52 billion is invested in capital assets, net of related debt; \$162 million is restricted for specific purposes (restricted net assets); and the remaining portion represents unrestricted net assets of \$263 million.
- Total net assets increased by \$374 million. For governmental activities, revenues exceeded expenses by \$355 million. For business type activities, revenues exceeded expenses, before transfers, by \$19.6 million.
- General revenues for governmental activities were \$1.37 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for \$838 million or 61 percent; other taxes, sales and use taxes for roads, sales and use taxes for public protection, sales and uses taxes, interest and other general revenues accounted for \$530 million or 39 percent.

- Program revenues for governmental activities were \$2.3 billion. Of this amount, \$1.8 billion or 80 percent was attributable to operating grants and contributions while charges for services accounted for \$453 million or 20 percent.
- The total expenses for governmental activities were \$3.29 billion. Public protection accounted for \$1.08 billion or 32.8 percent of this amount, while public assistance accounted for \$1.04 billion or 31.7 percent. Additionally, health and sanitation accounted for \$580 million or 17.6 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.

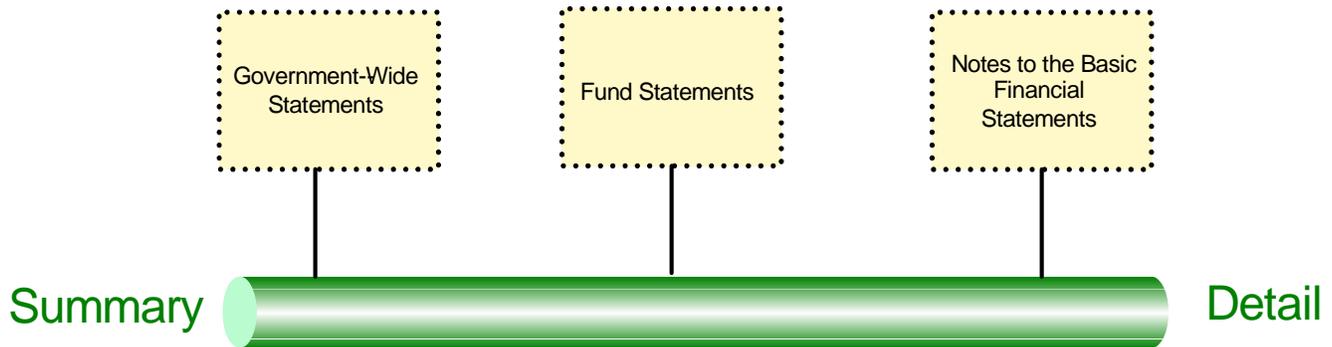
The Government-wide financial statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

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



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



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, health and sanitation, public assistance, education and recreation and cultural. 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-seven 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-five 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 supplemental 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 supplemental 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 public liability and employee benefits 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. 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 *nine 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 supplemental 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 (RSI) is also presented. It provides budgetary comparisons for the General Fund and the Tobacco Securitization Special Revenue Fund (a major fund) in separate Schedules of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual. Additionally, the *RSI* provides trend information on the County's funding progress of its pension system, the San Diego County Employees Retirement Association (SDCERA), for the last three actuarial evaluations.



Combining financial statements/schedules and supplemental 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, internal service funds and fiduciary funds and are presented immediately following the required supplementary information section of this report.

Government-wide Financial Analysis

Table 1

Net Assets June 30, 2007 (In Thousands)	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
ASSETS						
Current and other assets	\$ 2,888,810	2,610,156	87,186	84,646	2,975,996	2,694,802
Capital assets	2,755,506	2,710,793	115,100	100,174	2,870,606	2,810,967
Total assets	5,644,316	5,320,949	202,286	184,820	5,846,602	5,505,769
LIABILITIES						
Long-term liabilities	2,385,188	2,396,272	2,893	3,134	2,388,081	2,399,406
Other liabilities	509,529	530,516	2,065	3,349	511,594	533,865
Total liabilities	2,894,717	2,926,788	4,958	6,483	2,899,675	2,933,271
NET ASSETS						
Invested in capital assets, net of related debt	2,409,050	2,367,442	112,549	97,212	2,521,599	2,464,654
Restricted	162,318	224,635			162,318	224,635
Unrestricted	178,231	(197,916)	84,779	81,125	263,010	(116,791)
Total net assets	\$ 2,749,599	2,394,161	197,328	178,337	2,946,927	2,572,498

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 \$2.95 billion at the close of fiscal year 2007.

The largest portion of the County's net assets (85 percent) reflects its investment of \$2.52 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, \$162 million, represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments. The remaining portion of the County's net assets includes \$263 million in unrestricted net assets.

At June 30, 2007, changes in net assets before transfers (revenues minus expenses) equaled \$374 million, a \$13.7 million or 3.5% decrease from the previous year. Principal revenue sources contributing to the change in net assets were operating grants and contributions of \$1.83 billion and taxes of \$1.072 billion (including: property taxes; sales and use taxes for public protection; and property taxes in lieu



of vehicle license fees.) These revenue categories accounted for 78% of total revenues. Principal expenses were in the following areas: public protection, \$1.08 billion;

public assistance, \$1.04 billion; and health and sanitation, \$580 million. These expense categories accounted for 81% of total expenses.

Table 2

Changes in Net Assets June 30, 2007 (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 453,414	455,559	32,024	29,006	485,438	484,565
Operating grants and contributions	1,821,349	1,792,663	8,257	9,994	1,829,606	1,802,657
Capital grants and contributions	7,559	5,283	464	58	8,023	5,341
General revenues:						
Property taxes	559,726	516,569			559,726	516,569
Other taxes	26,760	34,219			26,760	34,219
Sales and use taxes for roads	57,439	38,702			57,439	38,702
Sales and use taxes for public protection	234,797	236,438			234,797	236,438
Property taxes in lieu of vehicle license fees	277,930	261,695			277,930	261,695
Sales and use taxes	26,534	23,475			26,534	23,475
Interest	88,974	63,810	4,189	7,048	93,163	70,858
Other	95,343	78,651	2,909	160	98,252	78,811
Total revenues	3,649,825	3,507,064	47,843	46,266	3,697,668	3,553,330
Expenses:						
Governmental Activities:						
General government	249,993	240,158			249,993	240,158
Public protection	1,079,320	1,021,464			1,079,320	1,021,464
Public ways and facilities	133,148	128,268			133,148	128,268
Health and sanitation	580,384	559,709			580,384	559,709
Public assistance	1,043,454	1,015,481			1,043,454	1,015,481
Education	33,223	32,488			33,223	32,488
Recreation and cultural	28,469	23,376			28,469	23,376
Interest expense	146,997	116,692			146,997	116,692
Business-type Activities:						
Airport			8,209	7,699	8,209	7,699
Wastewater Management			4,422	4,733	4,422	4,733
Sanitation Districts			15,620	15,133	15,620	15,133
Total expenses	3,294,988	3,137,636	28,251	27,565	3,323,239	3,165,201
Changes in net assets before transfers	354,837	369,428	19,592	18,701	374,429	388,129
Transfers	601	1,090	(601)	(1,090)		
Change in net assets	355,438	370,518	18,991	17,611	374,429	388,129
Net assets at beginning of year	2,394,161	2,023,643	178,337	160,726	2,572,498	2,184,369
Net assets at end of year	\$ 2,749,599	2,394,161	197,328	178,337	2,946,927	2,572,498

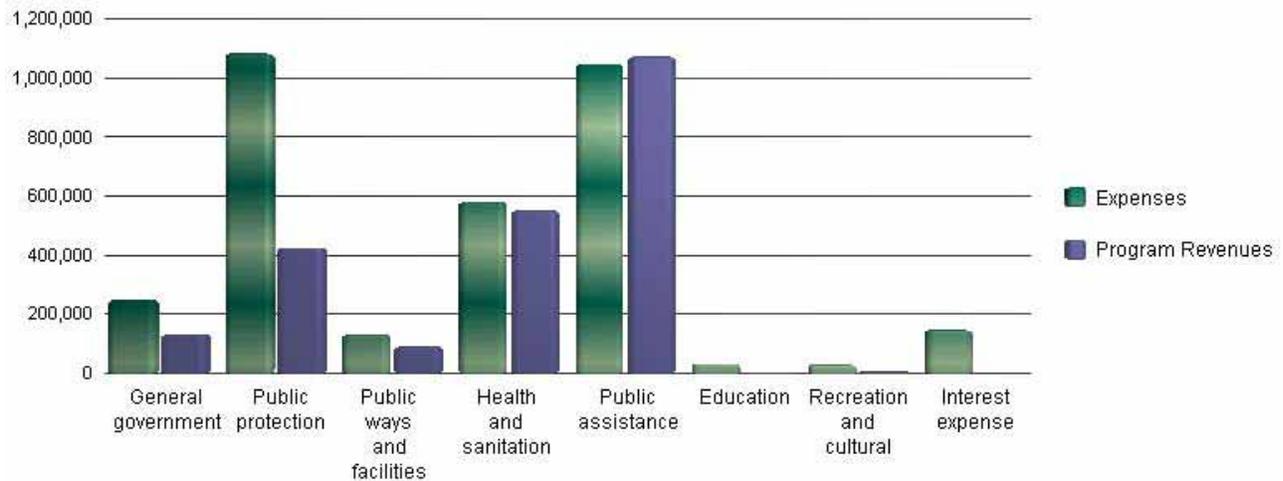
Analysis of Changes in Net Assets

The County's total net assets increased by \$374 million during fiscal year 2007. The increase of \$374 million was attributed to: increases of \$341 million in total assets (includes an increase of

\$281 million in current and other assets and a \$60 million increase in capital assets); and a decrease in total liabilities of \$33 million (includes a decrease of \$22 million of other liabilities and a decrease in long-term liabilities of \$11 million).



**Chart 1
Expenses and Program Revenues - Governmental Activities
(In Thousands)**



Governmental activities:

Governmental activities increased the County's net assets by \$355 million, accounting for 95% of the total increase in net assets (Business-type activities accounted for the remaining 5%, \$19 million).

Expenses:

- Total expenses for governmental activities were \$3.29 billion, an increase of \$157 million or 5% (\$127 million in functional expenses and \$30 million in interest expense) over the prior year. Public protection was the largest functional expense (32.8 percent), followed by public assistance (31.7 percent) and health and sanitation (17.6 percent).

Increases in program expenses were attributed to the following:

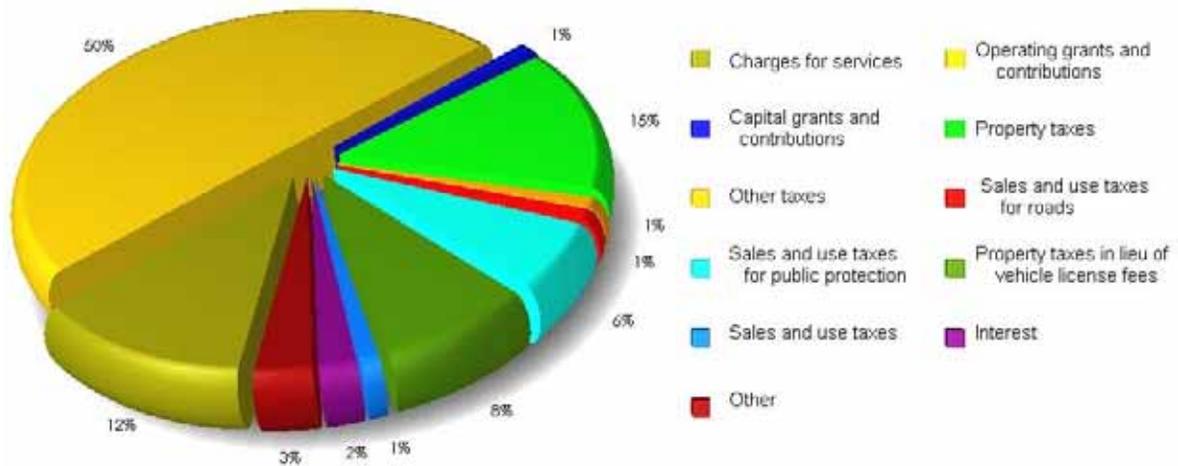
- \$82 million was due to an increase in contracted services including: \$48 million in public protection activities principally due to an increase in Sheriff adult detention and police protection activities of \$37 million and

Planning and Land Use fire protection activities of \$11 million; and \$34 million in health and sanitation activities due in large part to increases in mental health and other assistance activities of \$19 million and \$15 million, respectively.

- \$46 million was attributable to an increase in salaries and benefit costs of approximately 3% over the previous year. As a service delivery entity, the County's major cost component is salaries and benefits, which accounts for approximately 46% of the total expenses. The County's overall strategy of deleting, freezing and temporarily funding positions has minimized the impact of negotiated salary increases and increased benefit costs.
- A \$30 million increase in interest expenses principally occurred as a result of new debt issued during the current fiscal year, and increased amortization of debt issuance related costs such as issuance discounts and deferred amounts on refundings.



Chart 2
Revenues by Sources - Governmental Activities
(As a percent)



Revenues:

Total revenues for governmental activities were \$3.65 billion, an increase of 4 percent or \$143 million from the previous year.

Program revenues increased by \$29 million due primarily to increases in operating grants and contributions.

General revenues increased by \$114 million. This increase was primarily due to the following:

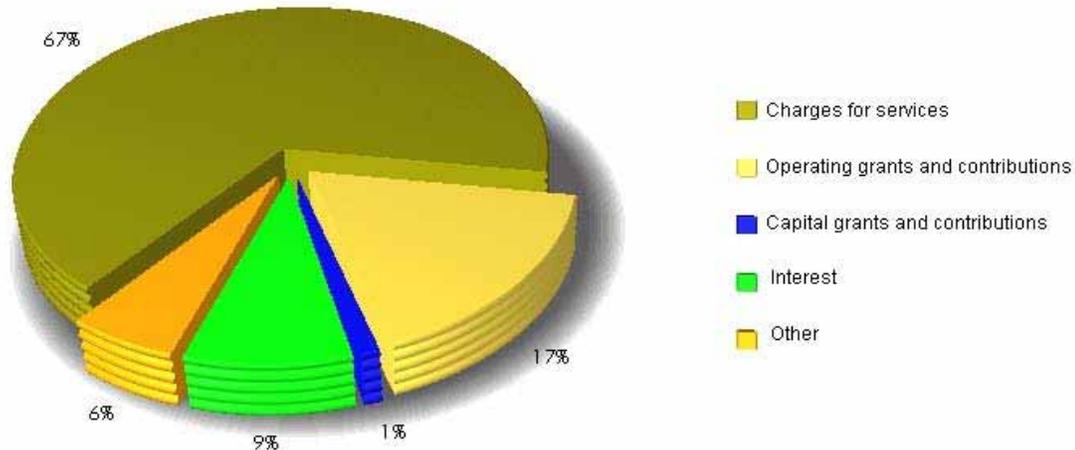
- \$43 million of the increase was due to increases in current and delinquent property taxes chiefly because of the growth in assessed property values.
- \$25 million of the increase was attributable to an increase in interest earnings as the annual pool investment earnings rate increased to 5.00% from the prior year of 3.47%.
- \$19 million of the increase was due to an increase in sales and use taxes for roads, principally due to an increase in the one-half percent TransNet taxes received by the County.

- \$16 million of the increase was due to property taxes in lieu of vehicle license fees. This revenue source replaced the previous distribution of vehicle license fees to local governments.
- \$3 million of the increase was due to an increase in general sales and use taxes.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in **Chart 2** above, operating grants and contributions of \$1.8 billion accounted for 50%, the largest share of this revenue. These monies are 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 health and sanitation programs. 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.



Chart 3
Revenue By Source - Business Type Activities
(As a percent)



Combined, these general revenues of \$838 million account for 23% of governmental activities. Additionally, \$453 million applicable to charges for services accounted for 12%, while sales and use taxes for public protection of \$235 million accounted for 6% of these revenues.

At the end of fiscal year 2007, total revenues for the governmental activities were \$3.65 billion, while total expenses for governmental activities were \$3.29 billion.

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:

Business-type activities are intended to recover all or a significant portion of their costs through user fees and charges. As shown in **Chart 3**, charges for services represent \$32 million or 67% while grants (\$8 million) and interest earnings (\$4 million) represent 17% and 9% of total revenues respectively.

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 2007, the County's governmental funds reported combined ending fund balances of \$2.13 billion, an increase of \$251 million in comparison with the prior year fund balance. Of the total June 30,



2007 amount, \$1.44 billion constitutes unreserved fund balance, which is available for spending at the County's discretion. The remaining \$684 million of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. These reservations include: (1) \$253 million in encumbrances for existing contracts and purchase orders; (2) \$253 million in Special Fund reserves, see **Table 32**, "Reserved for Other Purposes" in Notes to Financial Statements for details; (3) \$113 million reserved for debt service, (4) \$55 million reserved for loans, advances and prepaids; and \$10 million reserved for: inventories (\$9 million); and landfill closure costs (\$1 million).

Revenues for governmental functions overall totaled \$3.59 billion representing a 5% increase. Expenditures for governmental functions, totaled \$3.4 billion, a 5% increase from the fiscal year ended June 30, 2006.

- *General Fund:*

The General Fund is the chief operating fund of the County. At the end of fiscal year 2007, the unreserved fund balance of the General Fund was \$745 million, while total fund balance was \$1.16 billion, an increase of \$256 million from fiscal year 2005-06 (2006).

This was primarily attributed to a \$273 million increase in Aid from other governmental agencies - State (principally realignment monies); a \$43 million increase in Aid from other governmental agencies - Federal (principally Title 19 Medi-cal); partially offset by a \$59 million increase in public protection expenditures, due in large part to increases in Sheriff police protection and adult detention. 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 27 percent of total General Fund expenditures of \$2.81 billion, while total fund balance represents 41 percent of that same amount.

- *Tobacco Securitization Special Revenue Fund:*

This special revenue fund is used to account for the \$411 million the County received from the Tobacco Asset Securitization Corporation (Corporation) related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002; and an additional \$123 million the County received from Corporation resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds in fiscal year 2006. 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 2007, fund balance was \$431 million, a decrease of \$9 million from fiscal year 2006. This decrease was attributable to interest earnings of \$15 million; and transfers out of \$24 million to support health related program expenditures.

- *Other Governmental Funds:*

Other governmental funds consist of twenty-five 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 supplemental information section of this report. As of the end of fiscal year 2007, the fund balance of the other governmental funds totaled \$542 million, an increase of \$4 million over the prior year. This \$4 million net increase to fund balance was primarily due to the following.

Increases to fund balance were principally due to the activity in the following funds: The \$10 million Road fund's increase in fund balance represents \$137 million of revenues from taxes, the State and other revenue sources offset by \$70 million of costs incurred for road related activities, \$55 million in capital outlay, and \$2 million in transfers made out of the road fund to the Pension Obligation Debt Service Fund; \$10 million of the increase is related to SANCAL debt service (\$6 million) and capital related activities (\$4 million); \$7 million increase in the Flood Control Districts Fund (Flood) is for transfers made into Flood in to be used for flood related



expenditures; \$7 million increase to the Housing Authority's fund balance consists of expenditures of \$97 million, principally \$88 million in tenant assistance offset by Federal grants of \$99 million and other revenue of \$5 million; \$5 million increase in Edgemoor development capital project activities; \$4 million increase due to air pollution related activities; \$2 million increase in County Library related activities; \$1 million for County Service District activities; and, \$1 million for Tobacco Securitization Joint Special Revenue Fund activities.

Decreases to fund balance were due to the activity in the following funds: \$23 million in Pension Obligation Bond Debt Service Fund's decrease in fund balance is due primarily to debt service payments of \$99 million offset by transfers in of \$67 million and other revenue of \$9 million; \$17 million decrease in the Public Safety fund balance represents \$234 million in 2007 tax revenues offset by a transfer out to other governmental funds of \$251 million to be spent on public protection activities; and, \$3 million decrease in the Inactive Wastesites fund balance of represents expenditures in inactive wastesite management costs of \$10 million offset in part by interest income of \$5 million and tonnage fee and other revenues of \$2 million.

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. Individual proprietary fund data is presented in the combining financial statements/schedules and supplemental information section of this report.

The net assets of business-type activities Enterprise Funds increased by \$19 million or 11%, indicating that these activities generated

revenues sufficient to cover the costs of operations. \$4 million of this increase represents operating income. The remaining \$15 million increase is primarily due to \$8 million in Airport Enterprise Fund grant revenue; \$4 million in interest and dividends (\$1 million Airport Enterprise Fund and \$3 million in the Sanitation Districts Fund); and, a \$3 million gain on disposal of assets in the Sanitation Districts Fund.

Net Assets of the internal service funds totaled \$106 million, an increase of \$23 million from the prior year. This increase was primarily due to net asset increases of \$11 million in the Employee Benefits Fund and \$11 million in the Public Liability Insurance Fund.

Fiduciary Funds:

The County maintains fiduciary funds for the assets of the *Specific Investments - Investment Trust Fund*, the *Pool Investments - Investment Trust Fund*, and the *Agency Funds*.

- *Specific Investments - Investment Trust Fund:*

The Specific Investments - Investment Trust Fund was created in 2007 for the purpose of reporting individual investments which are offered as an alternative to a pooled position. In general, external entities include school districts, independent special districts and various other governments. The Specific Investments - Investment Trust Fund 's net assets totaled \$344 million, a decrease in net assets of \$513 million, primarily due to distribution from investments of \$571 million offset by contributions on investments of \$37 million and investment earnings of \$21 million.

- *Pool Investments - 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 Pool Investments - Investment Trust Fund's net assets totaled \$2.62 billion, an increase in net assets of \$179 million, primarily resulting from contributions on pooled



investments of \$17.052 billion and investment earnings of \$134 million offset by distribution from pooled investments of \$17.007 billion.

- *Agency Funds:*

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 (see Notes to required supplementary information) 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 offset by the amount of budget carried forward to the subsequent fiscal year. At June 30, 2007 net expenditure appropriations increased by \$7.6 million and appropriations for transfers-out decreased \$132.2 million for a net decrease of \$124.6 million. (The net appropriation decrease included \$130.9 million in net budget amendments offset by \$255.5 million for the amount of budget carried forward to the subsequent fiscal year.)

Appropriation increases of note to the original adopted budget were the following:

- \$10.0 million in the Office of Emergency Services for the purchase of equipment to enhance the response to chemical, biological and radiological incidents, to conduct exercises and for emergency planning and administration, based on revenue from the California Office of Homeland Security.
- \$9.5 million for the payment of costs related to the transition of information technology from Computer Sciences Corporation to Northrup Grumman Information Technology, Inc., funded by fund balance.
- \$6.9 million in the Sheriff to upgrade the County's Wireless Data System based on Proposition 172 revenue and Asset Forfeiture funds.
- An additional \$5.4 million in Proposition 172 funding for various projects within the Public Safety Group. This includes \$2.5 million in the Probation Department for maintenance projects at the various detention facilities, a new document management system and continuation of the global positioning and home supervision contracts to monitor and track high-risk sex offenders, \$1.5 million in the District Attorney's Office for Continuity of Operations Planning (COOP) for information technology enhancements and equipment, \$1.0 million in the District Attorney's Office for costs associated with the design and development of the new document management and \$0.4 million for various other projects in the Public Safety Group.
- \$21.1 million for salaries and benefits for incentives earned through the County's Fiscal Year 2006 Quality First program, funded by fund balance.
- \$5.4 million in the District Attorney's Office for salary and benefits costs related to temporary help, graduate law clerks and student workers, the purchase of equipment to support employees' health and safety needs, equipment for the Regional Law Enforcement Training Center and the District Attorneys' training division and information technology upgrades, funded by fund balance.
- \$7.2 million in the Health and Human Services Agency to enhance Child Welfare Services as described in the Board approved State-mandated System Improvement Plan and augment staffing needs to address recent state and federal Mandates. The funding source is State Child Welfare funding and Adoptions Basic Funding.
- \$3.0 million in the Health and Human Services Agency for alcohol and drug services funded through a California Screening, Brief Intervention, Referral and Treatment Services Grant from the State Department of Alcohol and Drug Programs.



- \$2.5 million in the Registrar of Voters to fund the additional costs of the November, 2006 General Election and March, 2007 Special Elections based on elections services revenues received from jurisdictions that participated in the elections and November, 2005 Special Statewide Election reimbursements from the Secretary of State.
- \$4.0 million for the renovation and remodeling of existing structures in Heritage Park, funded by fund balance.
- \$3.9 million in the Assessor/Recorder/County Clerk for remodeling and facilities maintenance in the County Administration Center and various other departmental maintenance projects, ergonomic workstations and for application services which include the development and upgrade of information technology services and the replacement of microfilm/printers based on funding from the Property Tax Administration, Modernization and Vital Statistics Trust Funds.

Actual revenues fell short of the final budgeted amounts by \$49.5 million, while expenditures fell short of the budgeted amount by \$380.4 million. The combination of the revenue and expenditure shortfalls resulted in a net favorable operating variance of \$330.9 million. Other financing sources and uses of funds resulted in a favorable variance from budget of \$17.6 million and there was no variance in the increase to the reserve for inventories of materials and supplies. These combined amounts resulted in a variance in the net change in fund balance of \$348.5 million.

Highlights of actuals compared to budgeted amounts are discussed below:

- *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 \$58.1 million and \$82.2 million respectively. The expenditure variances result from demand for services being less than the budgeted level. This includes Child Care payments, CalWORKS and Welfare to Work and

Refugee Assistance payments. These lowered expenditures were offset by corresponding reductions in federal and State revenue.

- *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. In addition, the Sheriff's department is having recruiting difficulties due to a nationwide shortage of peace officers. The total favorable variance across all functions in this category is \$55.7 million of which \$15.3 million is attributable to the Sheriff's department.

- *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 in the new fiscal year. For example, in the Department of Planning and Land Use, re-budgets include: \$1.0 million for the removal of dead, dying and diseased trees; \$1.0 million for the Fire Prevention Program to provide funding to fire districts and County Service Areas; \$1.7 million for costs related to the completion of the General Plan 2020 and subsequent Zoning ordinance revisions and \$0.8 million for various projects related to the Multiple Species Conservation Program. The Department of Parks and Recreation has re-budgeted \$1.6 million for various projects in local parks and community centers. The District Attorney has re-budgeted \$4.0 million for approved information technology projects to be completed in the upcoming year. Additional re-budgeted amounts include \$0.5 million in the Public Safety Group for various projects including the California Multi-Jurisdictional Methamphetamine Team and for information technology enhancements in the Probation Department and \$0.2 million for the relocation of the Purchasing and Contracting Property Disposal warehouse to a new facility.



Appropriated Management 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 \$54.7 million. In addition, in fiscal year 2007, the County set aside \$36.3 million for economic uncertainty with the intent that it not be spent unless unusual needs arose; of that amount, \$32.5 million was unexpended at year end.

Capital Assets and Commitments

Capital Assets

At June 30, 2007, the County's capital assets for both governmental and business-type activities was \$2.76 billion and \$115 million, respectively, 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 2007 was as follows:

Governmental Activities:

- \$54.4 million towards the construction and improvement of County maintained roads, bridges, and other road related infrastructure. An additional \$15.1 million in infrastructure was donated by developers.
- \$30.1 million towards the construction of the Edgemoor Skilled Nursing Facility in Santee. Total project costs are estimated at \$118.8 million.
- \$9.1 million towards the construction of flood control drainage channels.
- \$4.1 million towards the construction of a new Medical Examiner Building in Kearny Mesa. Total project costs are estimated at \$85.4 million.

- \$4.1 million towards the construction of a Sheriff station in Alpine. Total project costs are estimated at \$6.0 million.
- \$3.8 million for expansion of the Public Health Laboratory. Total project costs are estimated at \$4.3 million.
- \$2.9 million for acquisition of real property in Lakeside for a future sports park.
- \$1.6 million towards the construction of the Spring Valley Gymnasium. Total projects costs are estimated at \$2.6 million.
- \$1.2 million for open space habitat restoration at the Goodan Ranch Compound. Total projects costs are estimated at \$1.7 million.
- \$8.3 million towards the construction of numerous other Capital Outlay Fund projects.

Business-Type Activities:

- \$2.1 million to complete the rehabilitation of the taxiway at Gillespie Field Airport in El Cajon.
- \$1.8 million towards improvements in the Spring Valley Sanitation District including outfall manhole replacement. Total project costs are estimated at \$2.2 million.
- \$1.5 million towards the construction of the Palomar Airport North Ramp. Total project costs are estimated at \$8.8 million.

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, 2007, can be found in Note IV-D of the notes to the basic financial statements.



Capital Commitments

As of June 30, 2007, capital commitments included the following:

- \$80 million for the construction of Edgemoor Skilled Nursing Facility, Valley Center Road, Wildcat Canyon road, route 54/94, Central Avenue Flood Control System, and Resurfacing/Culvert Replacement on various county roads.
- \$2 million for the Jamacha Boulevard Sewer Improvements and the Flow Monitoring Systems in Alpine, Lakeside, and Spring Valley Sanitation Districts.

More detailed capital commitments information, including depreciation as of June 30, 2007, can be found in Note IV-D.2 of the notes to the basic financial statements.

Long-Term Obligations

At June 30, 2007, for governmental activities, the County had outstanding long-term obligations of \$2.385 billion. Of this amount, \$364 million pertained to outstanding certificates of participation, and the remaining \$2.021 billion pertained to the following obligations: \$1.207 billion of taxable pension obligation bonds; \$584 million of San Diego County Tobacco Asset Securitization Corporation Bonds; \$15 million of Redevelopment Agency bonds; \$8 million for loans; \$7 million of unamortized issuance premiums; \$(21) million of unamortized issuance discounts; \$(27) million of unamortized deferred amounts on refundings; \$30 million for capital leases; \$111 million for claims and judgments; \$83 million for compensated absences; and, \$24 million for landfill closure and postclosure costs.

Long-term obligations for business-type activities totaled \$2.9 million and consisted of \$2.6 million for capital loans and \$342 thousand for compensated absences.

During fiscal year 2006, the County's total principal amount of bonds, loans and notes payable for governmental activities decreased

by \$24 million, before giving affect to the unamortized issuance, issuance premiums, unamortized issuance discounts and unamortized deferred amounts on refundings. The \$24 million decrease was due to the following debt issuances, offset by debt service payments discussed below:

Increases - \$50 million

The County's issued \$42.4 million in certificates of participation for the 2006 Edgemoor Completion Project; \$344 thousand Landavo Zone PRD #1015 Capital Loan; and a \$118 thousand El Sereno Way Zone PRD #1016 Capital Loan.

Additionally \$7 million of principal was accreted (added) to the outstanding CAB principal balances outstanding. These issuances and the accreted amount totaled \$50 million.

Decreases - \$74 million

Decreases to debt included \$74 million in principal debt service payments.

The long-term obligations for business-type activities decreased by \$241 thousand due to \$194 thousand debt service payments on capital loans, and a decrease of \$47 thousand in compensated absences.

More detailed long-term obligation activity, including interest rates and maturity dates, can be found in Note IV-I through IV-I-5 of the notes to the basic financial statements.

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

Table 3

Credit Ratings			
	Moody's	Standard & Poor's	Fitch Ratings
Issuer Rating	Aa2	AA	AA+
Certificates of Participation	A1	AA-	AA
Pension Obligation Bonds	Aa3	AA-	AA

In May 2007, Fitch Ratings upgraded the County's ratings on its outstanding Certificates of Participation and Pension Obligation Bonds from AA- to AA and assigned the County an



AA+ Issuer rating. According to Fitch Ratings credit research report issued in May 2007, "The rating upgrade is based on the County's positive financial trend, marked by consistent operating surpluses and resulting high fund balances, disciplined pension system funding, and positive actions to limit other post-employment benefit costs, sound underlying economy, and conservative debt management"

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2007-08 (2008) General Fund budget utilized as funding sources for one-time expenditures \$123.3 million out of \$561.4 million in unreserved undesignated fund balance and \$1.5 million out of \$183.4 million unreserved designated fund balance. In addition, \$55.5 million in unreserved designated fund balance was shifted to a general reserve.
- The development of the fiscal year 2008 budget was based on current expectations for demand for services and availability of funding to support those services. The fiscal year 2008 General Fund budget contains total appropriations of \$3.521 billion. This is an increase of \$231.4 million or 7.0% from the fiscal year 2007 General Fund budget. A number of risk factors continue to be tracked: the U.S. economy, the State of California's projected budget imbalance for fiscal year 2009, 2010 and beyond; significant weaknesses in the housing sector; uncertainty in short and long-term interest rates; continued pressure of high energy prices; and the impact of legislation and propositions on the State of California's budget particularly in the areas of Health Care and Corrections Reform.
- The U.S. economy's Gross Domestic Product (GDP) for 2006 showed an increase of 2.9% versus a revised growth rate of 3.1% in 2005. The projected GDP growth for 2007 is approximately 1.9%.
- The State of California's economy has been doing well for the last two years. Overall, 2006 was another good year for California: payroll jobs experienced healthy growth at 1.9%; the job growth also contributed to real personal income growth of 2.9%; but taxable sales grew by only 1.9%.
- The San Diego economy continues to show positive growth (i.e., gross regional product at 6.1% for 2004, 3.9% in 2005, 4.1% in 2006, but slowing growth is forecasted at 2.5% for 2007 and 3.1% for 2008).
- The State's budget outlook continues to be strained by an ongoing structural imbalance between revenues and expenditures. According to a review of the Governor's budget by the State of California's Legislative Analyst (August 2007), the state will again face projected operating shortfalls of more than \$5.0 billion in both fiscal years 2009 and 2010.
- The 2006 Budget Act required counties to transfer undesignated fees to the local trial court. This transfer was to occur for only 2004 and 2005, but was extended for four more years, albeit at declining amounts. The County's share was \$2.1 million for 2004 and 2005, \$0.8 million in 2006, and \$0.6 million in 2007. For fiscal years 2008 and 2009, the County's share is \$0.4 million and \$0.2 million, respectively. One-time resources will be used to fund this requirement.
- Since fiscal year 1996, the State Property Tax Administration Grant program supported counties' maintenance of timely property assessments. The 2008 Budget Act did not include funding for counties' property tax



administration programs. For fiscal year 2008, general purpose revenues continue to replace the loss of these grant funds.

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

- The largest source of general purpose revenues is property taxes (\$511.4 million in fiscal year 2008), representing 53.1% of the total. The housing boom that had been driving the California and U.S. economies has faded, and the "housing construction/real estate" slowing will contribute to slowing in the growth of the State economy in 2007 and 2008. For the last seven years, property tax growth has been high (9.7% average annual growth) due to the County's strong overall economy and healthy real estate market. Current property taxes consist of three components: current secured property taxes, current supplemental property taxes, and current unsecured property taxes.
- The budgeted amount of current secured property tax revenues (\$474.6 million) assumes a net assessed value growth of 7.5% over the prior year and includes an allowance for tax increment allocations to redevelopment agencies and an allowance for delinquent property tax payments. Actual gross assessed value growth exceeded 9.0%, meaning that actual current secured property tax revenues in fiscal year 2008 will likely exceed budget. The demand for housing in the County is also slowing, as evidenced by a reduction in residential building permits, marginally declining housing prices, and increases in foreclosures and defaults. These factors are offset by relatively low interest rates and the area's population growth. Overall, property tax growth is expected to decelerate over the next two years.
- Current supplemental property taxes (\$20.8 million in Fiscal Year 2008) are derived from additions to the tax roll during the budget year and are therefore more difficult to predict. The actual amount of these revenues in Fiscal Year 2007 was 26.3% less than budgeted (\$23.4 million actual versus \$31.7 million budgeted) as a result of weakness in assessed value growth from the slowing in the real estate market. The budget assumes that this weakness will continue through the next two fiscal years with the Fiscal Year 2008 amount being less than the actual for Fiscal Year 2007 followed by a small recovery in Fiscal Year 2009.
- Current unsecured property taxes (\$16.0 million in Fiscal Year 2008) do not build on a prior year base. The roll is forecasted based on trends and available information at the time the budget is developed. Growth of 4.3% is budgeted for Fiscal Year 2008 over the Fiscal Year 2007 adopted budget.
- Property taxes in lieu of vehicle license fees (VLF) comprises 30.8% (an estimated \$297.1 million) of general purpose revenues in fiscal year 2008. This revenue source was established by the state in fiscal year 2005 to replace the previous distribution of vehicle license fees to local governments. Growth in this revenue source is based on the growth in the County's gross taxable assessed value. The certified growth rate for 2008 is 9.2525%, but as for current secured property tax revenue, the rate of growth is expected to decline over the next two years.
- Real Property Transfer Tax Revenue (RPTT) for fiscal year 2008 was budgeted at \$21.5 million, which is 2.2% of general purpose revenues. RPTT is paid when any lands, tenements, or other realty exceeding \$100 in value are sold and granted, assigned, transferred or conveyed to the purchaser. The tax rate set by the State is \$1.10 per \$1,000 of assessed valuation. The County collects 100% of the revenues from all transactions in the unincorporated area and 50% of the revenues from transactions in the incorporated areas.



- Sales & use tax revenue & in lieu local sales & use tax (\$24.7 million in fiscal year 2008) represents about 2.6% of general revenues and is derived from taxable sales by businesses located in unincorporated County areas. Its growth is generally impacted by population and income, but is primarily due to economic development and new business formation in the County. These amounts reflect both the Sales Tax revenues and the in lieu local sales & use tax replacement funding that will be transferred from ERAF. Again, effective July 1, 2004, provisions of AB7 X1, one of the 2004 State budget bills referred to as the "triple flip", took effect. It enabled the state to redirect one-quarter cent of the local sales and use tax to the state to repay up to \$15 billion in bonds authorized by Proposition 57 (March 2004) to help the state refinance its past debt. In turn, the lost revenues are replaced on a dollar-for-dollar basis with countywide property tax revenues shifted back from the ERAF. Retail sales show moderate growth in the unincorporated area with a projected before-triple-flip-adjustment sales tax growth of \$1.2 million (5.2%) over the fiscal year 2007 budget.
- Other revenues budgeted for fiscal year 2008 total \$108.9 million. Various revenue sources make up this category including interest on deposits, fines, fees and forfeitures, redevelopment agency tax increment, prior year adjustments on property taxes, franchise revenue, aid from the City of San Diego in lieu of booking fees, and other miscellaneous revenues. The fiscal year 2008 budget represents an increase of 39% over the fiscal year 2007 budget. The increased revenues are primarily due to growth in redevelopment agency tax increment, prior year secured supplemental property taxes, penalties and costs related to delinquent taxes, and interest on deposits, and to a shift

in the budgeting and accounting for delinquent property tax revenues associated with the Teeter Plan.

The County's *Operational Plan for Fiscal Years 2008 and for Fiscal Year 2009* can be found on the internet at <http://www.sdcountry.ca.gov/auditor>.

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



STATEMENT OF NET ASSETS June 30, 2007 (In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	First 5 Commission Fund
ASSETS				
Current assets:				
Pooled cash and investments	\$ 1,442,244	81,028	1,523,272	21,517
Cash with fiscal agents	6,054		6,054	
Investments with fiscal agents	34,816		34,816	174,755
Receivables, net	406,247	3,218	409,465	9,875
Property taxes receivables, net	158,753		158,753	
Internal balances	(2,940)	2,940		
Inventories	9,921		9,921	
Deposits with others	97		97	
Deferred charges	1,425		1,425	
Prepaid items	6,189		6,189	2
Restricted assets:				
Cash with fiscal agents	373		373	
Investments with fiscal agents	356,258		356,258	
Total current assets	2,419,437	87,186	2,506,623	206,149
Noncurrent assets:				
Restricted assets:				
Investments with fiscal agents	430,843		430,843	
Investments with fiscal agents	18,780		18,780	
Deferred charges	19,750		19,750	
Capital assets:				
Land and construction in progress	473,770	53,826	527,596	
Other capital assets, net of depreciation	2,281,736	61,274	2,343,010	
Total noncurrent assets	3,224,879	115,100	3,339,979	
Total assets	5,644,316	202,286	5,846,602	206,149
LIABILITIES				
Current liabilities:				
Accounts payable	157,734	1,825	159,559	18,402
Accrued payroll	25,815	109	25,924	
Amount due for tax and revenue anticipation notes	220,000		220,000	
Accrued interest	30,929		30,929	
Unearned revenue	75,051	131	75,182	
Current portion of long-term obligations	124,727	343	125,070	53
Total current liabilities	634,256	2,408	636,664	18,455
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	2,260,461	2,550	2,263,011	30
Total noncurrent liabilities	2,260,461	2,550	2,263,011	30
Total liabilities	2,894,717	4,958	2,899,675	18,485
NET ASSETS				
Invested in capital assets, net of related debt	2,409,050	112,549	2,521,599	
Restricted for:				
Loans receivable	47,422		47,422	
Landfill closure costs	1,446		1,446	
Defray administrative costs, other general reserves	13,517		13,517	
Emergency medical services, various construction costs	11,530		11,530	
Mental health	66,887		66,887	
Social programs	4,119		4,119	
Domestic violence and child abuse prevention	5,823		5,823	
Sheriff vehicle maintenance and replacement	645		645	
Fingerprinting equipment purchase and operation	5,986		5,986	
Delinquency and juvenile crime prevention	2,624		2,624	
Donations	2,024		2,024	
Housing repairs and improvements	295		295	
Unrestricted	178,231	84,779	263,010	187,664
Total net assets	\$ 2,749,599	197,328	2,946,927	187,664

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



Basic Financial Statements

STATEMENT OF ACTIVITIES
For the year ended June 30, 2007
(In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit First 5 Commission Fund
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business- type Activities		
Governmental Activities:								
General government	\$ 249,993	98,365	28,041	7,559	(116,028)		(116,028)	
Public protection	1,079,320	201,332	224,600		(653,388)		(653,388)	
Public ways and facilities	133,148	56,219	36,684		(40,245)		(40,245)	
Health and sanitation	580,384	80,601	471,333		(28,450)		(28,450)	
Public assistance	1,043,454	8,472	1,059,450		24,468		24,468	
Education	33,223	1,380	1,003		(30,840)		(30,840)	
Recreation and cultural	28,469	7,045	238		(21,186)		(21,186)	
Interest expense	146,997				(146,997)		(146,997)	
Total governmental activities	3,294,988	453,414	1,821,349	7,559	(1,012,666)		(1,012,666)	
Business-type Activities:								
Airport	8,209	9,367	8,257	421		9,836	9,836	
Wastewater Management	4,422	4,662		28		268	268	
Sanitation Districts	15,620	17,995		15		2,390	2,390	
Total business-type activities	28,251	32,024	8,257	464		12,494	12,494	
Total primary government	3,323,239	485,438	1,829,606	8,023	(1,012,666)	12,494	(1,000,172)	
Component Unit:								
First 5 Commission	\$ 51,804		40,805					(10,999)

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

Basic Financial Statements



STATEMENT OF ACTIVITIES
For the year ended June 30, 2007
(In Thousands)
(Continued)

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission Fund
Changes in net assets:				
Net (expense) revenue	\$ (1,012,666)	12,494	(1,000,172)	(10,999)
General revenues:				
Taxes:				
Property taxes	559,726		559,726	
Other taxes	26,760		26,760	
Intergovernmental restricted:				
Sales and use taxes for roads	57,439		57,439	
Sales and use taxes for public protection	234,797		234,797	
Intergovernmental unrestricted:				
Property taxes in lieu of vehicle license fees	277,930		277,930	
Sales and use taxes	26,534		26,534	
Total general tax revenues	1,183,186		1,183,186	
Interest	88,974	4,189	93,163	9,817
Other	95,343	2,909	98,252	
Total general revenues	1,367,503	7,098	1,374,601	9,817
Transfers	601	(601)		
Total general revenues and transfers	1,368,104	6,497	1,374,601	9,817
Change in net assets	355,438	18,991	374,429	(1,182)
Net assets at beginning of year (Component Unit restated)	2,394,161	178,337	2,572,498	188,846
Net assets at end of year	\$ 2,749,599	197,328	2,946,927	187,664

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



Basic Financial Statements

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007
(In Thousands)

	General Fund	Tobacco Securization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash and investments	\$ 936,658	17,499	334,298	1,288,455
Cash with fiscal agents	33		6,021	6,054
Investments with fiscal agents	2		53,594	53,596
Receivables, net	265,425	5,799	131,372	402,596
Property taxes receivables, net	157,936		817	158,753
Due from other funds	97,033		10,111	107,144
Advances to other funds	884		64	948
Inventories	7,048		1,874	8,922
Deposits with others			97	97
Prepaid items	5,509		680	6,189
Restricted assets:				
Cash with fiscal agents	185		188	373
Investments with fiscal agents	221,026	408,857	157,218	787,101
Total assets	1,691,739	432,155	696,334	2,820,228
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	88,038		29,911	117,949
Accrued payroll	23,885		1,353	25,238
Amount due for tax and revenue anticipation notes	220,000			220,000
Due to other funds	27,889	1,292	94,063	123,244
Advances from other funds			4,390	4,390
Deferred revenues	107,702		19,357	127,059
Unearned revenue	69,143		5,180	74,323
Total liabilities	536,657	1,292	154,254	692,203
Fund balances				
Reserved fund balance:				
Reserved for encumbrances	212,090		41,281	253,371
Reserved for loans, advances and prepaids	12,523		42,036	54,559
Reserved for landfill closure costs	1,446			1,446
Reserved for inventories	7,048		1,874	8,922
Reserved for debt service			112,544	112,544
Reserved for other purposes	177,137		76,289	253,426
Unreserved:				
Designated for subsequent years' expenditures	182,499			182,499
Designated for landfill postclosure and landfill closure costs	910			910
Undesignated	561,429	430,863		992,292
Unreserved, reported in nonmajor:				
Special Revenue Funds				
Designated for subsequent years' expenditures			626	626
Designated for landfill postclosure and landfill closure costs			69,694	69,694
Undesignated			123,813	123,813
Capital Projects Funds				
Undesignated			73,923	73,923
Total fund balances	1,155,082	430,863	542,080	2,128,025
Total liabilities and fund balances	\$ 1,691,739	432,155	696,334	2,820,228

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, 2007
(In Thousands)**

Total fund balances - governmental funds	\$ 2,128,025
Capital assets used in governmental activities (excluding internal service funds) are not current financial resources and, therefore, are not reported in the balance sheet. This amount represents capital assets net of accumulated depreciation.	2,666,775
Accrued interest on long-term debt	(30,929)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities.	127,059
Long-term liabilities, including bonds, notes, and loans payable, are not due and payable in the current period and, therefore, are not reported in the balance sheet	(2,246,288)
Internal Service Funds are used by management to charge the costs of information technology, vehicle operations and maintenance, employee benefits, public liability, and communications services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	104,957
Net assets of governmental activities	\$ 2,749,599

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



Basic Financial Statements

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2007
(In Thousands)

	General Fund	Tobacco Securization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 842,396		304,541	1,146,937
Licenses, permits and franchise fees	33,752		10,055	43,807
Fines, forfeitures and penalties	55,248		3,107	58,355
Revenue from use of money and property	51,894	15,125	26,227	93,246
Aid from other governmental agencies:				
State	851,309		76,541	927,850
Federal	704,440		116,411	820,851
Other	92,769		7,554	100,323
Charges for current services	269,282		55,767	325,049
Other revenue	33,227		43,453	76,680
Total revenues	2,934,317	15,125	643,656	3,593,098
Expenditures:				
Current:				
General government	224,261		9,210	233,471
Public protection	1,059,826		6,158	1,065,984
Public ways and facilities	1,369		72,950	74,319
Health and sanitation	539,954		37,435	577,389
Public assistance	928,234		115,059	1,043,293
Education	1,157		31,804	32,961
Recreation and cultural	24,509		2,265	26,774
Capital outlay	17,190		120,827	138,017
Debt service:				
Principal			73,816	73,816
Interest and fiscal charges	10,843		105,252	116,095
Bond issuance costs			885	885
Total expenditures	2,807,343		575,661	3,383,004
Excess (deficiency) of revenues over (under) expenditures	126,974	15,125	67,995	210,094
Other financing sources (uses)				
Sale of capital assets	130		1,471	1,601
Issuance of bonds and loans:				
Face value of bonds issued			42,390	42,390
Face value of loans issued			462	462
Premium on issuance of bonds			606	606
Transfers in	283,535		228,851	512,386
Transfers out	(152,854)	(24,200)	(337,626)	(514,680)
Total other financing sources (uses)	130,811	(24,200)	(63,846)	42,765
Net change in fund balances	257,785	(9,075)	4,149	252,859
Fund balances at beginning of year	898,885	439,938	537,822	1,876,645
Increase (decrease) in Reserve for inventories	(1,588)		109	(1,479)
Fund balances at end of year	\$ 1,155,082	430,863	542,080	2,128,025

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, 2007
(In Thousands)**

Net change in fund balances - total governmental funds	\$ 252,859
Governmental funds accrue property tax revenue which is deemed collectible within 60 days. However, for the statement of activities the total amount estimated to ultimately be collected is accrued.	7,436
Revenues that do not provide current financial resources are not reported as revenues in the funds (deferred revenue) but are recognized as revenue in the statement of activities	20,194
Adjustment to reserve for inventories	(1,479)
Change in accounting estimate for closure and postclosure costs - (public protection function) - San Marcos Landfill	831
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	50,152
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	6,131
The issuance of long-term debt (e.g. bonds, notes, and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	33,512
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(36,643)
Internal service funds are used by management to charge the costs of centralized services to individual funds. The net revenue (or expense) of internal service funds is reported within governmental activities.	22,445
Change in net assets - governmental activities	\$ 355,438

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



Basic Financial Statements

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007
(In thousands)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Pooled cash and investments	\$ 81,028	153,789
Receivables, net	3,218	3,651
Due from other funds	1,646	22,944
Advances to other funds		97
Inventories		999
Total current assets	85,892	181,480
Noncurrent assets:		
Advances to other funds	3,363	177
Capital assets:		
Land	11,243	
Construction and contracts in progress	42,583	
Buildings and improvements	47,503	
Equipment	1,341	170,269
Road network	235	
Sewer network	65,626	
Accumulated depreciation	(53,431)	(81,538)
Total noncurrent assets	118,463	88,908
Total assets	204,355	270,388
LIABILITIES		
Current liabilities:		
Accounts payable	1,825	39,785
Accrued payroll	109	577
Due to other funds	2,637	5,853
Unearned revenue	131	728
Bonds and loans payable	206	482
Compensated absences	137	886
Claims and judgments		37,245
Total current liabilities	5,045	85,556
Noncurrent liabilities:		
Advances from other funds	195	
Bonds and loans payable	2,345	3,847
Compensated absences	205	1,328
Claims and judgments		73,937
Total noncurrent liabilities	2,745	79,112
Total liabilities	7,790	164,668
NET ASSETS		
Invested in capital assets, net of related debt	112,549	88,731
Unrestricted	84,016	16,989
Total net assets	\$ 196,565	105,720

Reconciliation between net assets - enterprise funds and net assets of business-type activities as reported in the government-wide statement of net assets

Total net assets	\$ 196,565	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	763	
Net assets of business type activities	\$ 197,328	

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

Basic Financial Statements



**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007
(In Thousands)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$ 31,700	273,510
Miscellaneous	84	5,977
Total operating revenues	31,784	279,487
OPERATING EXPENSES		
Salaries	6,116	30,713
Repairs and maintenance	3,174	39,868
Equipment rental	487	1,693
Sewage processing	10,412	
Contracted services	3,401	115,713
Depreciation	2,472	23,201
Utilities	130	18,236
Cost of material	1	1,622
Claims and judgments		9,253
Fuel		9,534
Other operating expenses	2,067	18,737
Total operating expenses	28,260	268,570
Operating income (loss)	3,524	10,917
NONOPERATING REVENUES (EXPENSES)		
Grants	8,257	800
Interest and dividends	4,513	8,518
Interest expense	(165)	(281)
Gain (loss) on disposal of assets	2,825	(248)
Total nonoperating revenues (expenses)	15,430	8,789
Income (loss) before contributions and transfers	18,954	19,706
Capital contributions	464	18
Transfers in	326	5,385
Transfers out	(927)	(2,490)
Change in net assets	18,817	22,619
Net assets (deficits) at beginning of year	177,748	83,101
Net assets (deficits) at end of year	\$ 196,565	105,720

Reconciliation between changes in net assets - enterprise funds and changes in net assets of business-type activities as reported in the government-wide statement of activities

Change in Net Assets	\$ 18,817	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	174	
Change in net assets of business-type activities	\$ 18,991	

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



Basic Financial Statements

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007
(In Thousands)**

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 26,764	18,329
Cash received from other funds	4,255	262,639
Cash payments to suppliers	(17,334)	(189,976)
Cash payments to employees	(6,175)	(30,798)
Cash payments to other funds	(3,370)	(60,224)
Cash paid for judgments and claims		(20,403)
Other miscellaneous revenue	322	2,045
Net cash provided (used) by operating activities	4,462	(18,388)
Cash flows from noncapital financing activities:		
Operating grants	8,264	800
Transfers from other funds	326	5,445
Transfers to other funds	(927)	(2,490)
Advances to other funds		114
Net cash provided (used) by non-capital financing activities	7,663	3,869
Cash flows from capital financing activities:		
Capital contributions		18
Acquisition of capital assets	(15,663)	(11,411)
Proceeds from sale of assets	2,825	816
Retirement of capital leases, bonds and loans	(194)	(369)
Interest paid on long-term debt	(165)	(281)
Net cash provided (used) by capital and related financing activities	(13,197)	(11,227)
Cash flows from investing activities:		
Interest	3,814	5,142
Net increase (decrease) in cash and cash equivalents	2,742	(20,604)
Cash and cash equivalents - beginning of year	78,286	174,393
Cash and cash equivalents - end of year	81,028	153,789
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	3,524	10,917
Adjustments for non-cash activities:		
Other miscellaneous revenue	322	2,045
Inc (dec) in compensated absences	(47)	(75)
Inc (dec) in accrued payroll	(9)	28
Inc (dec) in due to other funds	1,432	(54,055)
Inc (dec) in accounts payable	(2,460)	10,508
Inc (dec) in claims and judgments		(11,150)
Inc (dec) in deferred credits and other liabilities	(82)	598
Dec (inc) in accounts and notes receivable	(44)	2,142
Dec (inc) in due from other funds	(646)	(2,274)
Dec (inc) in Inventories		(359)
Dec (inc) in other current assets		86
Depreciation	2,472	23,201
Net cash provided by (used in) operating activities	4,462	(18,388)
Non-cash investing and capital financing activities:		
Capital Acquisitions included in accounts payable	1,269	1,287
Contributions of Capital Assets:		
From governmental	464	
Total non-cash investing & capital financing activities	\$ 1,733	1,287

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

Basic Financial Statements



STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007
(In Thousands)

	Specific Investments - Investment Trust	Pool Investments - Investment Trust	Agency Funds
ASSETS			
Pooled cash and investments	\$	2,584,995	451,993
Cash with fiscal agents	5		3,685
Investments with fiscal agents	343,892		
Receivables:			
Accounts receivable		15,138	142
Interest receivable	152	36,831	47,152
Other receivables			
Total assets	344,049	2,636,964	502,972
LIABILITIES			
Accounts payable		15,456	45,212
Warrants outstanding			208,644
Accrued payroll			133
Due to other governments			248,983
Total liabilities		15,456	502,972
NET ASSETS			
Held in trust for other purposes	\$ 344,049	2,621,508	

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, 2007
(In Thousands)

	Specific Investments - Investment Trust	Pool Investments - Investment Trust
ADDITIONS		
Contributions:		
Contributions on investments	\$ 37,052	17,052,422
Total contributions	37,052	17,052,422
Investment earnings:		
Net increase (decrease) in fair value of Investments	274	8,885
Interest income	20,962	125,624
Total investment earnings	21,236	134,509
Total additions	58,288	17,186,931
DEDUCTIONS		
Distribution from investments	571,059	17,007,670
Total deductions	571,059	17,007,670
Change in net assets	(512,771)	179,261
Net assets at beginning of year (Specific Investments - Investment Trust restated)	856,820	2,442,247
Net assets at end of year	\$ 344,049	2,621,508

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" or "CoSD"), 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 "CoSD 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. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

1. Blended Component Units

Blended component units governed by the CoSD Board 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 CoSD Board 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 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*.

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



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 CoSD Board 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. Because of their relationship with the County and the nature of their operations, 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 CoSD Board.

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 CoSD Board. 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 a Board of Directors consisting of three members, two of which are employees of the County of 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 between the County of San Diego and the County of Sacramento pursuant to Government Code Sections 6500 et seq. 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



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

CoSD's future tobacco settlement revenues under the Purchase and Sale Agreement. The Authority is administered by a Board of Directors consisting of three members, two members who are appointed by the CoSD Board and the third member is appointed by the Sacramento County Board of Supervisors. This fund is included as a *special revenue fund*.

Separately issued financial reports of the County's blended component units can be obtained from the County Auditor and Controller's Office located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

The San Diego County Employees' Retirement Association (SDCERA) is a separate legal entity and is fiscally independent of the County. It is controlled and governed by the Board of Retirement and not by the County Board of Supervisors. In previous fiscal periods, SDCERA was reported as a component unit of the County. Based on a reevaluation of the financial accountability criteria established in Governmental Accounting Standards Board Statement Number 14 "The Financial Reporting Entity," SDCERA was determined not to be a component unit of the County. Accordingly, beginning in fiscal year 2006-07 (2007), SDCERA is excluded from the County's fiduciary funds and no longer reported as a pension trust fund in the basic financial statements. The SDCERA publishes a separately audited Comprehensive Annual Financial Report which may be obtained by writing to the San Diego County Employees Retirement Association, 2275 Rio Bonito Way Suite 200, San Diego, California 92108 or by calling (619) 515-0130.

2. Discrete Component Unit

The *First 5 Commission of San Diego (Commission)* was established by the Board as a separate legal entity under the authority of the California Children and Families First Act and Sections 130100 et seq. of the Health and Safety Code. It administers the County's share of tobacco taxes levied by the State for the purpose of

implementing early childhood development programs. The County appoints all of the Commission's board and can remove appointed members at will. The Commission is discretely presented because its Board is not substantively the same as the County's and it does not provide services entirely or almost entirely to the County. A separately financial report can be obtained by writing to The First 5 Commission, 1495 Pacific Highway, Suite 202, (MS-A211), San Diego, CA, 92101-6466 or at <http://www.first5sandiego.com/ContentPage.asp?ContentID=188>

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. However, interfund services provided and used are not eliminated in the process of consolidation. 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

Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)



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, public protection, public ways and facilities, public assistance, health and sanitation, recreation 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 are reported as separate columns in the fund financial statements.

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 recreation and cultural. Expenditures 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 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); start up services for new and existing county service districts; the County's public liability and employee benefits activities; the financing of fleet services; facilities management activities; the financing of information technology services; and the financing of clothing and personal sundry items for persons institutionalized at various county facilities. Goods or services provided by servicing County departments are paid for on a cost reimbursement basis by receiving departments.



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

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.

Investment Trust Funds account for two types of investment activities on behalf of external entities and include: the portion of the County Treasurer's investment pool applicable to external entities (Pool Investments- Investment Trust Fund); and the total amount of individual investment accounts held on behalf of external entities by the Treasurer (Specific Investments - Investment Trust Fund). In general, external entities include school districts, independent special districts and various other governments. The Specific Investments - Investment Trust Fund was created in 2007 for the purpose of reporting individual investments which are offered as an alternative to a pooled position, (also, see Note V., G., 2. Restatements, Specific Investments- Investment Trust Fund.)

Agency Funds are custodial in nature, 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and

similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 not to 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.

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

1. Deposits and Investments

For purposes of reporting the statement of cash flows, the County considers all short-term highly liquid investments (including restricted assets) to be cash equivalents. Investments held in the County Treasury's Investment Pool are available on demand to individual participants and are considered highly liquid and cash equivalents for purposes of the statements of cash flows.

Investments are stated at fair value. Securities, which are traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of investments is determined monthly and is provided by the custodial bank.

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.

Secured property taxes are levied based upon the assessed valuation as of the previous January 1st, (lien date) and the tax levy is recorded on July 1st. They are payable in two equal installments due on November 1st and February 1st and are considered delinquent with ten percent penalties after December 10th and April 10th, respectively. An additional penalty of one and one-half percent per month begins to accrue on July 1st and November 1st on delinquent secured property taxes. Unsecured property taxes are due as of the January 1st lien date and become delinquent, with 10 percent penalties, after August 31st. An additional penalty of one and one-half percent per month begins to accrue on October 31st on delinquent unsecured property taxes.

Governmental funds' property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year end, and are collected within 60 days after the fiscal year end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule.

Pursuant to State law, in fiscal year 1994 the County adopted the Teeter Plan, an alternative method of distributing secured property taxes to local agencies. Under this tax distribution method, the County General Fund annually advances to participating agencies the full amount of their share of current delinquent property taxes on the secured roll. In exchange, the General Fund receives all future delinquent tax payments, penalties and interest. While the County bears the risk of loss on delinquent taxes



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

that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, participating local agencies receive a stable cash flow and eliminate collection risk. Under the Teeter Plan, the County is required to establish a tax loss reserve fund, equal to 25% of the current year delinquent secured tax levy at June 30th, to cover losses that may occur as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The tax loss reserve requirement for fiscal year 2007 was \$16.7M.

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 consisting 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, SANCAL certificates of participation and Redevelopment Agency bonds 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 of a long-term character and include: land, buildings and improvements, construction in progress, equipment and infrastructure.

Infrastructure assets include roads, bridges, street lights, signals, flood channels and sewers.

Capital assets are recorded at *historical cost* if purchased or constructed. Donated capital assets are recorded at *estimated fair market value* at the date of donation. Capital assets with original unit costs equal to or greater than the *capitalization thresholds* shown in the following table are reported in the applicable *governmental* or *business-type activities* columns in the government-wide financial statements.

Table 1

Capitalization Thresholds	
Buildings and improvements	\$ 50
Infrastructure	25-50
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. Estimated useful lives are shown in

Table 2.



Table 2

Estimated Useful Lives	
Buildings and improvements	50 years
Infrastructure	10-15 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 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 type 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. Certificates of participation and bond premiums, discounts, deferred amounts on refunding and issuance costs are *deferred* and *amortized* over the life of the *straight-line method*. Bonds and certificates of participation payable are reported net of the applicable premium, discount, or deferred amount on refunding. In the fund financial statements, governmental fund types recognize bond and certificates of participation premiums and discounts, as well as 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 leave benefits. Each of these benefits is subject to certain limits based on employee class, except for sick leave and compensatory time that is subject to Fair Labor Standards Act (FLSA) rules. Each of these benefits is subject to certain limits. 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 cash out unused sick leave when employees separate from service with the County. However, employees eligible for retirement benefits that meet minimum balance requirements may apply unused sick



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

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 \$82.8 million for the governmental activities as of June 30, 2007, 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. Termination Benefits

Effective December 2000, County employees in the unclassified service may receive 50% of the cash value of all or a portion of their sick leave balances upon termination or retirement. The cash value of these benefits was \$6.8 million at June 30, 2007. This liability has been recorded in the current and long-term portion of compensatable absences in the appropriate proprietary funds and the statement of net assets. All County employees who have completed at least five years of continuous service in the County retirement system, and have a sick leave balance of at least one hundred hours, may convert, at retirement, all or a portion of their sick leave balance to retirement service credits on a hour-for-hour basis. The impact of the conversion of sick leave balances to retirement service credits on the County's actuarial accrued liability, as part of its defined benefit pension plan, is not estimatable, however, contribution requirements as determined in the actuarial valuation as of June 30, 2007 include assumptions regarding employee terminations, retirement, death, etc.

13. 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.

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

This amount is derived by subtracting the outstanding debts, (adjusted by any unamortized deferred charges (costs of issuances), premiums, discounts, deferred amounts on refunding, and unspent proceeds related to debt), 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.

15. 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. The government-wide statement of net assets reports \$208.665 million of restricted net assets, all of which was externally imposed.

16. 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.

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



17. Indirect Costs

Expenditures and expenses for functional activities include County indirect costs that are allocated to benefiting departments. Cost allocations were based on the County's Fiscal Year 2007 *County-wide Cost Allocation Plan* which was prepared in accordance with Federal Office of Management and Budget Circular A-87.

18. 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 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. Balance Sheet/Net Assets

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

Table 3

Governmental Fund Balance Sheet / Government-Wide Statement of Net Assets Reconciliation	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$2,246,288 difference are as follows:	
Bonds, notes and loans payable	\$ 2,427,781
Less: Unaccreted appreciation - capital appreciation bonds	(253,171)
Less: Unamortized deferred amounts on refundings (to be amortized as interest expense)	(26,922)
Less: Unamortized issuance discounts (to be amortized as interest expense)	(21,362)
Less: Unamortized issuance costs (to be amortized over the life of the debt)	(21,175)
Unamortized issuance premiums	7,351
Capital lease obligations (excluding Internal Service Funds)	29,623
Arbitrage	2
Compensated absences (excluding Internal Service Funds)	80,545
Landfill closure and postclosure - San Marcos landfill	23,616
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 2,246,288
Internal Service Funds (See description of Internal Service Funds in Note I. B. 2. Fund Financial Statements, <i>Internal Service Funds</i> .) The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. The details of this \$104,957 difference are as follows:	
Net assets of the internal service funds	\$ 105,720
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(589)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(174)
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 104,957



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

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

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

Table 4

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities Reconciliation	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$50,152 difference are as follows:	
Capital outlay	\$ 138,017
Depreciation expense	(87,865)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 50,152
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. The details of this \$6,131 difference are as follows:	
The proceeds from the sale of capital assets provide current financial resources but have no effect on net assets	\$ (1,601)
The loss on the disposal of capital assets does not affect current financial resources but decreases net assets	(7,391)
Donations of assets to the County do not provide current financial resources but resources increase net assets	15,123
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 6,131
The issuance of long-term debt (e.g. bonds, notes, and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$(33,512) difference are as follows:	
Debt issued or incurred:	
Face value of capital loans issued	\$ 462
Face value of bonds issued	42,390
Plus: Premiums	606
Less: Costs of issuances	(885)
Principal repayments	(73,816)
Capital lease payments	(2,271)
Arbitrage	2
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ (33,512)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$36,643 difference are as follows:	
Compensated absences	\$ 4,404
Accrued interest	1,055
Accretion of capital appreciation bonds	7,175
Amortization of premium	(512)
Amortization of deferred amounts on refundings	21,661
Amortization of issuance costs	1,620
Amortization of discounts	1,240
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 36,643
Internal Service Funds (See description of Internal Service Funds in Note I. B. 2. Fund Financial Statements, Internal Service Funds.) The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this \$22,445 difference are as follows:	
Change in net assets of the internal service funds	\$ 22,619
Less: Loss from charges to business activities	(174)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 22,445



III. Stewardship, Compliance and Accountability

A. Fund Deficits

The funds in **Table 5** below had accumulated deficits at June 30, 2007.

The deficit in the Employee Benefits fund resulted from the accrual of known and projected losses, allocated loss adjustment expenses and unallocated loss adjustment expenses based on actuarial studies. The deficit has decreased by \$11 million from the previous year due to interest earned in the fund, an increase in the premium rate, and lower claims and other expenses. The County intends to reduce the deficit through increased premium rate charges to County departments by \$4 million per year.

The deficit within the Facilities Management Internal Service fund decreased from \$7 million at June 30, 2006 to \$2.1 million. The decrease was primarily due to a contribution from the General Fund of \$3.9 million. The remaining deficit is due to the use of two California Energy Commission loans for expenses incurred for maintenance cost and energy conservation equipment. The deficit will be reduced by including it in the utility rates calculation charged to the departments. The loans will be repaid by FY 2014/2015.

Table 5

Fund Deficits - Various Funds	
Internal Service Funds:	
Employee Benefits Fund	\$ 26,363
Facilities Management	2,098

IV. Detailed Notes on all Funds

A. Deposits and Investments

The authority to conduct County investment activities is delegated to the Treasurer by the Board per Government Code 27000 et seq.

Accordingly, the Treasurer's office is responsible for the Investment Pool (Pool) and various specific investment accounts outside of the Pool. Additionally, the Treasurer has oversight responsibilities regarding debt covenant investments held with fiscal agents and is responsible for authorizing the establishment of all County bank accounts.

The Pool is available for use by all funds. Each fund type's portion of the Pool is displayed on the statements of net assets/balance sheets as "pooled cash and investments." The share of each fund's pooled cash and investments account is separately accounted for and interest earned, net of related expenses, is apportioned quarterly based on the fund's average daily balance in proportion to the total pooled cash and investments. In accordance with Government Code 53647, apportionments applicable to certain agency funds accrue to the benefit of the General Fund.

Pool participants include the County, local school districts, local community colleges, and other districts and agencies. Local school districts are required by State statutes to deposit their funds with the County. Mandatory participants in the Pool comprise approximately 98% of the Pool's assets. Voluntary agencies are not required to place their funds in the Pool but do so only as an investment option. Voluntary agencies include cities, fire districts and various special districts. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company and does not have any binding guarantees of share values.

The Pool operates under the prudent person standard. The primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of the participants. The third objective is to achieve an investment return on the funds with the parameters of prudent risk management.



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

Government Code 53601 governs the types of investments that may be purchased and makes certain restrictions on investment maturity, maximum portfolio percentages, term, value, and timing to minimize the risk of loss.

Permitted types of investments and financial instruments include: government obligations; banker's acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; medium-term notes; collateralized certificates of deposit; money market mutual funds; and mortgage pass-through securities, mortgage backed securities, and mortgage collateralized securities.

In addition to the restrictions cited in the Government Code, the Board annually adopts an Annual Investment Policy for the Pool. The policy is prepared by the Treasurer and is based on the criteria in Government Code 53601 and adds further specificity and restrictions to permitted investments. A comparison of Pool investment restrictions to investments permitted by the Government Code is shown on **Table 7A**.

Pursuant to Government Code 27130 et seq., the Board established a Treasurer's Oversight Committee (TOC) that monitors the management of funds and compliance with the Pool's investment policy. The TOC consists of members from the districts or offices they represent and up to five members of the public, having expertise in, or an academic background in public finance. The TOC requires an annual financial audit. In this regard, the Treasurer issues a separate stand-alone financial report for the Pool which can be obtained from the Treasurer's Office which is located at 1600 Pacific Highway, Room 162, San Diego, California 92101 or at http://www.sdtreastax.com/mcf_afreports.html

The Treasurer also holds specific investments on behalf of units inside and outside of the primary government that are referred to as individual

investment accounts. Earnings derived from these investments are credited separately to each fund.

Assets classified on the statements of net assets/balance sheets either as "cash with fiscal agent" or "investments with fiscal agents" (both restricted and unrestricted) include individual investment accounts held by the Treasurer on behalf of inside and outside units, amounts held by trustees as a result of primary government units' debt covenants and cash held in custodial banks separate from those that service the Treasurer's Pool.

Specifics regarding deposits and investments are discussed below. Please refer to **Table 7, Investments**, which provides details concerning the types of securities held by the Pool and fiscal agents at June 30, 2007 along with their; fair value; interest rate and maturity ranges; weighted average maturity (days); security rating; and percentage of portfolio. Also, refer to **Table 8, Deposits and Investments Reconciliation** which summarizes these balances by fund type.

1. Deposits

At June 30, 2007, the carrying amount of the Treasury's deposits were \$23.541 million while the related bank balance with various financial institutions totaled \$23.535 million. The bank balance amount with various financial institutions consisted of \$21.844 million in demand deposits and \$1.691 million in insured time deposits. Of the total bank balance amount, \$1.891 million was covered by federal deposit insurance and \$21.644 million was collateralized with securities held by the pledging financial institution in the County's name. The County is in compliance with State statutes that require depositories having public funds on deposit to maintain Pool securities with the agent of the depository having a market value of at least 10% in excess of the total amount of all public funds on deposit.

Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)



At June 30, 2007 the carrying amount of the Cash with Fiscal Agents was \$10.117 million, while the related bank balance with various financial institutions was \$11.742 million. Of this, \$6.029 million was uncollateralized and held in escrow accounts related to third party contracts. The remaining \$5.714 million was held in demand deposits, for which \$.335 million was covered by federal deposit insurance and \$5.379 million was collateralized with securities held by the pledging financial institution or their agents.

2. Investments

At June 30, 2007 the fair value of the Pool's investments was \$4.55 billion and the fair value of investments with fiscal agents was \$1.36 billion. Investments are stated at fair value. Securities, which are traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of investments is determined monthly and is provided by the custodial bank.

The Pool's investments were in compliance with the Treasurer's more restrictive policy. Specific investments held by the Treasurer for units inside and outside of the primary government and trustee held investments complied with the aforementioned Government Code 53601. Accordingly, the County believes it is not at measurable risk with respect to the risk areas discussed below.

3. Investment Risks

a. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment.

Declines in the fair value of investments are managed by limiting the length of the maturity of securities. In general, the maximum maturity allowed is five years unless the Board has granted express authority either specifically or as part of an investment program. The policy related to the maturity structure of Pool requires that 50% of the portfolio include short-term instruments up to one year (25% maturing within

90 days and 25% maturing within 91 to 365 days) and no more than 50% to mature in 1 to 5 years. In compliance with the policy, a weighted average of 74% of the Pool's investments had a maturity of 90 days or less at June 30, 2007.

Generally, investments with fiscal agents are structured in such a way that securities mature at the times and in the amounts that are necessary to meet scheduled expenditures and withdrawals.

b. Credit Risk

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations.

The Pool investment policy and the Government Code set minimum credit ratings for each type of security. Asset allocations with respect to the credit quality are based on Standard and Poor's Fund Credit Quality Rating Matrix as noted below:

Table 6

S & P Investment Rating		
Investment Pool		
Rating	Min. Fund%	Max. Fund %
AAA	67	100
AA	0	33
A	0	1
Investments with Fiscal Agents		
Short Term	A-1	
Long Term	A-1	

c. Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Pool Investment policy limits the amount of exposure to any one single issuer to five percent. 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 ten percent of the total portfolio. The Government Code requires specific percentage limitations for a particular category of investment and limits the purchase of commercial paper to no more than ten percent



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of the outstanding commercial paper of any single issuer. Investments are in compliance with State law. At June 30, 2007 the Pool's exposure to Negotiable Certificates of Deposit issued by Fortis Bank New York was 5.8%. On the date of purchase, these investments were 4.97% of the pool. Government Code 53601 requires that when determining a percentage limitation, that percentage is only applicable at the date of purchase. A later increase or decrease in a percentage resulting from a change in values or assets shall not constitute a violation of that restriction. The Pool's investment policy is silent in this area, but was applied consistent with State code. Please refer to **Table 7**.

d. Custodial Credit Risk

This is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

The investment policy does not permit investments in uninsured and unregistered securities not held by the County. Although the policy does permit securities lending transactions, the pool portfolio has not been exposed to securities lending transactions.

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(Amounts Expressed in Thousands Unless Otherwise Noted)



Table 7

Investments						
	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
Pooled Investments						
US treasury notes	\$ 319,459	4.54% - 5.08%	07/07 - 05/12	449	AAA	7.02%
Federal farm credit bank notes	49,150	3.50% - 4.96%	05/08 - 02/11	942	AAA	1.08%
Federal home loan bank notes (1)	259,247	2.50% - 5.71%	07/07 - 04/12	787	AAA	5.70%
Federal national mortgage assn. notes	49,915	3.80% - 4.00%	07/07 - 09/07	44	AAA	1.10%
Federal home loan mortgage corp. notes (1)	284,885	4.00% - 5.38%	08/07 - 03/12	539	AAA	6.26%
Medium-term notes	178,303	5.07% - 5.70%	10/07 - 12/09	285	A+	3.92%
Medium-term notes	50,000	5.30%	09/07	66	A-1+	1.10%
Commercial paper	1,708,348	5.26% - 5.45%	07/07 - 11/07	35	A-1	37.53%
Asset-backed notes (semi-annual)	32,368	5.13% - 5.34%	03/08 - 05/09	590	AAA	0.71%
Asset-backed notes (monthly)	13,773	5.55%	05/09	685	AAA	0.30%
Repurchase agreements and sweep	302,494	3.88% - 5.43%	07/07	2	N/A	6.65%
Negotiable certificates of deposit	1,190,259	5.28% - 5.61%	07/07 - 06/08	58	A-1+	26.15%
Open-end institutional money market funds	56,950	5.18% - 5.24%	07/07	1	AAA	1.25%
Collateralized certificates of deposit	35,000	5.17%	01/08	214	N/A	0.77%
Collateralized certificates of deposit	20,000	5.12% - 5.14%	02/08 - 05/08	286	N/A	0.44%
Time deposits	496	4.94% - 5.10%	08/07 - 05/08	190	N/A	0.01%
Time deposits	1,195	4.85% - 5.27%	07/07 - 05/08	191	N/A	0.03%
Total pooled investments	\$ 4,551,842					100%
County investments with fiscal agents						
Unrestricted:						
Federal home loan bank notes (1)	\$ 9,911	4.40%	07/08	394	AAA	1.18%
Federal home loan mortgage corp. notes	3,980	5.25%	02/11	1335	AAA	0.47%
Commercial paper	4,970	5.20%	08/07	38	A-1+	0.59%
Medium term notes	14,744	3.50%-3.77%	5/08-10/08	366	AAA	1.75%
Negotiable certificates of deposit	19,991	5.33%	10/07-01/08	146	A-1+	2.38%
Subtotal	53,596					
Restricted:						
US treasury notes	2,210	4.05%	02/08	216	AAA	0.26%
Federal home loan bank discount notes (1)	33,284	5.27%	11/07	151	N/A	3.96%
Federal home loan mortgage corp. discount notes	74	4.50%	09/07	89	N/A	0.01%
Federal national mortgage assn. discount notes	551	4.50%	07/07-09/07	40	AAA	0.07%
Fixed income tax exempt bonds	11,315	2.63%-3.45%	04/34-04/35	9930	A-1	1.35%
Fixed income tax exempt bonds	10,395	5.75%	09/09	794	A-1+	1.24%
Fixed income tax exempt bonds	19,069	5.00%-5.50%	01/08-12/11	870	AA	2.27%
Fixed income tax exempt bonds	13,173	5.00%-5.25%	09/07-05/10	826	AA-	1.57%
Fixed income tax exempt bonds	43,518	3.50%-5.50%	02/08-01/15	1406	AA+	5.18%
Fixed income tax exempt bonds	284,604	0.00%-6.50%	09/07-05/34	1407	AAA	33.85%
Fixed income tax exempt bonds	8,104	4.50%	07/07	31	SP1-	0.96%
Fixed income tax exempt bonds	2,504	5.50%-5.90%	01/08-03/10	617	N/A	0.30%
Guaranteed investment contracts	321,154	2.70%-5.52%	07/07-08/09	152	NA	38.20%
Mutual funds	16,175	3.57%	07/07	1	N/A	1.92%
Money market funds	20,971	4.05%-4.96%	07/07	1	AAA	2.49%
Subtotal	787,101					
Total County investments with fiscal agents	\$ 840,697					100.00%

(Table 7 continued on next page)



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

Investments

	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
(Table 7 continued)						
External specific investments:						
Federal home loan bank notes	\$ 3,467	3.88%-5.25%	09/07-06/12	847	AAA	1.01%
Federal home loan mortgage corp. notes	1,484	4.48%-4.75%	09/08-09/22	691	AAA	0.43%
Commercial paper	641	5.12%	01/08	199	A-1	0.19%
Guaranteed investment contracts	327,665	4.21%-5.15%	01/08-12/08	392	N/A	95.28%
Medium term notes	3,449	3.50%-4.88%	05/08-10/10	578	AAA	1.00%
Money market funds	4,686	4.51%-4.74%	07/07	1	AAAm	1.36%
Negotiable certificates of deposit	2,500	5.32%	08/07	46	N/A	0.73%
Total external specific investments	\$ 343,892					100.00%
Total investments with fiscal agents	\$ 1,184,589					

(1) More than 5% of the Pool's investments are with U.S. agencies whose debt is not guaranteed by the U.S. government .

Table 7A

Investment Pool Policy Restrictions versus Government Code 53601 Requirements

Investment Type	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
US agency obligations	5 years	5 years	None	None	None	25%	None	None
Local agency obligations	5 years	5 years	None	15%	None	10%	None	A
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	None	A
Commercial paper	270 days	270 days	40%	40%	10%	(1)	A	A
Negotiable certificates	5 years	5 years	30%	30%	30%	5%	None	A
Repurchase agreements	1 year	1 year	None	40%	None	(2)	None	None
Reverse repurchase agreements	92 days	92 days	20%	20%	None	5%	None	None
Local agency investment fund of California	N/A	N/A	None	10%	None	10%	None	None
Medium term notes/bonds	5 years	5 years	30%	30%	30%	5%	A	A
Mutual funds	N/A	N/A	20%	15%	10%	10%	AAA	AAA
Pass-through securities (3)	5 years	5 years	20%	20%	None	5%	A	A

(1) Maximum exposure per issuer - The maximum exposure to a single issuer shall be 5% of the portfolio when the dollar weighted average maturity is greater than 5 days, 10% of the portfolio when the dollar weighted average maturity is 5 days or less.

(2) Maximum exposure per issue - The maximum exposure to a single RP issue shall be 10% of the portfolio value for RP's with maturities greater than 5 days, 15% of the portfolio for RP's maturing in 5 days or less.

(3) Limited to equipment leasebacked certificates, consumer receivable pass-through certificates or consumer receivable-backed bonds.

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Table 8

Deposits and Investments Reconciliation								
Primary Government								
	Governmental Activities	Business-Type Activities	Total Primary	First 5 Commission	Specific Investments - Investment Trust	Pooled Investments - Investment Trust	Agency Funds	Total
Pooled cash and investments	\$ 1,442,244	81,028	1,523,272	21,517		2,584,995	451,993	4,581,777
Cash with fiscal agents:								
Unrestricted	6,054		6,054		5		3,685	9,744
Restricted	373		373					373
Total cash with fiscal agents	\$ 6,427		6,427		5		3,685	10,117
Investments with fiscal agents:								
Current - unrestricted	34,816		34,816					34,816
Current - restricted	356,258		356,258					356,258
Noncurrent - unrestricted	18,780		18,780					18,780
Noncurrent - restricted	430,843		430,843					430,843
Unrestricted External specific investments					343,892			343,892
Subtotal investments with fiscal agents	\$ 840,697		840,697		343,892			1,184,589
Current - First 5 Commission				174,755				174,755
Total investments with fiscal agents	\$ 840,697		840,697	174,755	343,892			1,359,344
Reconciliation of pooled cash and investments:								
Investments in county pool	\$ 4,550,151							
Add: Demand deposits	23,541							
Collection in transit	7,660							
Imprest cash	425							
Total pooled cash and investments	\$ 4,581,777							
Reconciliation of pooled investments to Table 7:								
Investments in county pool	\$ 4,550,151							
Add: Time deposits included in demand deposits above	1,691							
Investments in county pool - Table 7	\$ 4,551,842							

B. Receivables

GASB Statement No.38 requires identification of receivable balances not expected to be collected within one year. **Table 9** below presents receivables at June 30, 2007 for the County's individual major funds, nonmajor governmental and enterprise funds, internal service funds and the discrete component unit including the applicable allowances for uncollectible accounts. The details of the receivables reported in the government-wide statement of net assets that are not expected to be collected within the next fiscal year are identified below:

1. Due From Other Governmental Agencies

Of the \$306,747 due from other governmental agencies for governmental activities, \$42,867 is not expected to be received within the next fiscal year. This represents the amount the State of California owes to the County for Senate Bill (SB)90 mandated cost reimbursements for programs and services the State requires the County to provide. The State has deferred reimbursement to counties to future fiscal years, however, payment by the State began in Fiscal year 2007; hence this amount is expected to be received in the future.



Notes to the Financial Statements
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2. Loans Receivable

\$47.422 million of loans receivable for governmental activities consist of loans for low-income housing programs such as down payments for closing costs, community

development block grant loans, and various housing rehabilitation loan programs for low-income or special need residents. These loans are not expected to be repaid within the next fiscal year.

Table 9

Receivables								
Primary Government and Discretely Presented Component Unit								
	Accounts	Interest	Due From Other Gov't Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:								
General Fund	\$ 3,702	14,264	244,009	6,130		268,105	(2,680)	265,425
Tobacco Securitization Special Revenue Fund		5,799				5,799		5,799
Other Governmental Funds	25,490	6,205	61,130	41,292		134,117	(2,745)	131,372
Internal Service Funds	372	1,671	1,608			3,651		3,651
Total governmental activities	\$ 29,564	27,939	306,747	47,422		411,672	(5,425)	406,247
Business-type activities:								
Enterprise Fund	\$ 1,715	1,071	432			3,218		3,218
Component Unit:								
First 5 Commission	\$	3,067	6,502		306	9,875		9,875

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 \$4.7 million at June 30, 2007.

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 \$2.43 million in land at June 30, 2007.

Lease revenues for both non-cancelable and cancelable leases for the year ended June 30, 2007 were approximately \$21.4 million.

Future minimum *revenue* to be received under these noncancelable operating leases as of June 30, 2007 are noted below in **Table 10**. (One lease extends through 2091 for a two acre parcel leased to a non-profit public benefit corporation.)

Table 10

Lease Revenue		
County Property Leased To Others		
Fiscal Year	Minimum Lease Revenue	
2008	\$	13,706
2009		13,246
2010		12,489
2011		12,082
2012		11,442
2013-2091		174,976
Total	\$	237,941

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D. Capital Assets

1. Primary Government

Capital asset activity for the year ended June 30, 2007 was as follows:

Governmental Activities:

On **Table 11** below, building and infrastructure projects are recorded as construction in progress until completion.

Table 11

Capital Assets - Governmental Activities				
	Beginning Balance at July 1	Increases	Decreases	Ending Balance at June 30
Capital assets, not being depreciated:				
Land	\$ 270,505	4,767	(5)	275,267
Construction and contracts in progress	174,517	54,727	(30,741)	198,503
Total capital assets, not being depreciated	445,022	59,494	(30,746)	473,770
Capital assets, being depreciated:				
Buildings and improvements	979,070	28,139	(34)	1,007,175
Equipment	260,312	26,787	(13,769)	273,330
Road infrastructure	2,167,666	76,420		2,244,086
Bridge infrastructure	41,050	2,246		43,296
Total capital assets, being depreciated	3,448,098	133,592	(13,803)	3,567,887
Less accumulated depreciation for:				
Buildings and improvements	(311,247)	(18,801)	23	(330,025)
Equipment	(111,481)	(30,370)	7,219	(134,632)
Road infrastructure	(746,445)	(61,113)		(807,558)
Bridge infrastructure	(13,154)	(782)		(13,936)
Total accumulated depreciation	(1,182,327)	(111,066)	7,242	(1,286,151)
Total capital assets, being depreciated, net	2,265,771	22,526	(6,561)	2,281,736
Governmental activities capital assets, net	\$ 2,710,793	82,020	(37,307)	2,755,506

Depreciation expense was charged to governmental activities of the primary government as shown in **Table 12**.

Table 12

Depreciation Expense - Governmental Activities	
General government	\$ 2,092
Public protection	19,035
Public ways and facilities	61,494
Health and sanitation	2,351
Public assistance	1,081
Education	125
Recreation and cultural	1,687
Internal Service Funds	23,201
Total Depreciation Expense - Governmental Activities	\$ 111,066

Business Type Activities:

On **Table 13** below, building and infrastructure projects are recorded as construction in progress until completion.

Table 13

Capital Assets - Business Type Activities				
	Beginning Balance at July 1	Increases	Decreases	Ending Balance at June 30
Capital assets, not being depreciated:				
Land	\$ 10,709	534		11,243
Construction and contracts in progress	27,656	16,398	(1,471)	42,583
Total capital assets, not being depreciated	38,365	16,932	(1,471)	53,826
Capital assets, being depreciated:				
Buildings and improvements	47,128	375		47,503
Equipment	1,252	89		1,341
Road infrastructure	139	96		235
Sewer infrastructure	64,251	1,375		65,626
Total capital assets, being depreciated	112,770	1,935		114,705
Less accumulated depreciation for:				
Buildings and improvements	(21,430)	(1,130)	2	(22,558)
Equipment	(949)	(55)		(1,004)
Road infrastructure	(3)	(3)		(6)
Sewer infrastructure	(28,579)	(1,284)		(29,863)
Total accumulated depreciation	(50,961)	(2,472)	2	(53,431)
Total capital assets, being depreciated, net	61,809	(537)	2	61,274
Enterprise fund capital assets, net	\$ 100,174	16,395	(1,469)	115,100



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

Table 14

Depreciation Expense - Business Type Activities	
Airport Fund	\$ 1,115
Wastewater Management Fund	18
Sanitation Districts Fund	1,339
Total Depreciation expense - Business Type Activities	\$ 2,472

2. Capital Commitments

At June 30, 2007, outstanding major capital contract commitments existed for construction of buildings and infrastructure consisting of roads, flood channels, and sewer system improvements. They are listed by fund within *governmental and business-type activities* as shown below:

Table 15

Capital Commitments		Remaining Commitments
Governmental Activities		
Other Governmental Funds:		
Construction of Edgemoor Skilled Nursing Facility	\$	47,966
Construction of Valley Center Road, Phase II		23,946
Resurfacing and Culvert Replacement on Various County Roads		2,566
Construction of Route 54/94 Improvements		2,171
Construction of Central Avenue Flood Control Improvements		2,006
Construction of Wildcat Canyon Road Improvements		1,211
Subtotal		79,866
Business-type Activities		
Enterprise Funds:		
Flow Monitoring System in Alpine, Lakeside and Spring Valley		1,190
Jamacha Boulevard Sewer Improvements		1,052
Subtotal		2,242
Total	\$	82,108

E. Payables

The County's payables at June 30, 2007 are shown below for the General Fund, other governmental funds, internal service funds, business type activities' funds, and the discrete component unit:

Table 16

	Due to Other Gov't Agencies			Total Payables
	Vendors	Other		
Governmental Activities:				
General Fund	\$ 76,700	7,371	3,967	88,038
Other Governmental Funds	27,841	681	1,389	29,911
Internal Service Funds	39,620	165		39,785
Total governmental activities	\$ 144,161	8,217	5,356	157,734
Business-type activities:				
Enterprise Funds	\$ 1,804	19	2	1,825
Component Unit:				
First 5 Commission	\$ 15,338	2,679	385	18,402

F. Interfund Transactions

The composition of interfund balances as of June 30, 2007, is as follows:

1. Due To/Due From Other Funds

Due to/due from other funds shown in **Table 17** arise due to the exchange of goods or services between funds that were pending the transfer of cash as of June 30, 2007. 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, 2007.

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Table 17

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Tobacco Securitization Special Revenue Fund	\$ 1,292
	Nonmajor Governmental Funds	90,520
	Nonmajor Enterprise Funds	136
	Internal Service Funds	5,085
Total General Fund		97,033
Nonmajor Governmental Funds	General Fund	7,573
	Nonmajor Governmental Funds	1,737
	Nonmajor Enterprise Funds	688
	Internal Service Funds	113
Total Nonmajor Governmental Funds		10,111
Nonmajor Enterprise Funds	General Fund	68
	Nonmajor Governmental Funds	10
	Nonmajor Enterprise Funds	1,567
	Internal Service Funds	1
Total Nonmajor Enterprise Funds		1,646
Internal Service Funds	General Fund	20,248
	Nonmajor Governmental Funds	1,796
	Nonmajor Enterprise Funds	246
	Internal Service Funds	654
Total Internal Service Funds		22,944
Total		\$ 131,734

2. Advances

Advances to/from other funds at June 30, 2007 are noted on **Table 18** 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. 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, 2007.

Table 18

Advances		
	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 884	
Nonmajor Governmental Funds	64	4,390
Nonmajor Enterprise Funds	3,363	195
Internal Service Funds	274	
Total	\$ 4,585	4,585

3. Prior-Year Advance

The County Airport Enterprise Fund funded the initial expenditures of the San Diego County Redevelopment Agency's (Agency) two airport projects. The Agency is required to reimburse the Airport Enterprise Fund, which spent approximately \$9.6 million on the projects. The Agency pays interest on advances, but is not responsible for payment until funds are available for this purpose. In December 2005, the Agency issued \$16 million Revenue Refunding Bonds Series 2005A. A portion of the proceeds was used to pay \$4.6 million of interest accrued on these advances and \$5.7 million of principal to the County's Airport Enterprise Fund. As of June 30, 2007, the remaining principal balance on the Airport Enterprise advances to the Redevelopment Agency is \$3.4 million with \$167 thousand of accrued interest.

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, 2007 were as follows:



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(Amounts Expressed in Thousands Unless Otherwise Noted)

Table 19

Transfers In/Transfers Out		
From	To	Amount
General Fund	Nonmajor Governmental Funds	\$ 147,343
	Internal Service Funds	5,185
	Nonmajor Enterprise Funds	326
Total General Fund		152,854
Tobacco Securitization Special Revenue Fund	General Fund	24,200
Nonmajor Governmental Funds	General Fund	258,705
	Nonmajor Governmental Funds	78,796
	Internal Service Funds	125
Total Nonmajor Governmental Funds		337,626
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	852
	Internal Service Funds	75
Total Nonmajor Enterprise Funds		927
Internal Service Funds	General Fund	630
	Nonmajor Governmental Funds	1,860
Total Internal Service Funds		2,490
Total		\$ 518,097

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 3, 2006, the County of San Diego issued \$220 million of Notes with an interest and principal maturity date of July 27, 2007. The Notes carry an interest rate of 4.50% and a yield of 3.70%. The amount outstanding at June 30, 2007 is \$220 million.

Short-term obligation activity for the year ended June 30, 2007 was as follows:

Table 20

Short-Term Obligations				
	Beginning Balance at July 1	Issued	Redeemed	Ending Balance at June 30
Tax and revenue anticipation notes	\$ 250,000	220,000	250,000	220,000

H. Lease Obligations

1. Lease Commitments- Real Property

The County has commitments under long-term property operating lease agreements for facilities used for operations through fiscal year 2014 (**Table 21** 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, 2007, was approximately \$25.7 million.

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

Table 21

Lease Commitments - Real Property		
Fiscal Year	Minimum Lease Payments	
2008	\$	10,622
2009		10,241
2010		9,362
2011		8,788
2012		7,151
2013-2014		3,393
Total	\$	49,557

2. Lease Commitments- Personal Property

The County has also entered into long-term operating leases for personal property, a large portion of which represents security systems, duplicating equipment, and heavy duty construction 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

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



be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2007, was \$5.1 million.

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 22** below) under capital leases at June 30, 2007 were as follows:

Table 22

Capital Leases - Future Minimum Lease Payments	
Fiscal Year	Amount
2008	\$ 3,454
2009	3,068
2010	3,053
2011	3,130
2012	3,017
2013-2017	15,280
2018-2020	9,191
Total minimum lease payments	40,193
Less: Amount representing interest	(10,570)
Net lease payments	\$ 29,623

b. Book Value

The book value of capital lease property at June 30, 2007 consisted of the following:

Table 23

Capital Leases - Book Value			
Capital Lease Property	Original Cost	Accumulated Depreciation	Net Book Value June 30
Land	\$ 2,221		2,221
Buildings and improvements	52,314	18,288	34,026
Total	\$ 54,535	18,288	36,247

I. General Long-Term Obligations

Outstanding general long-term obligations at June 30, 2007 consist of certificates of participation, taxable pension obligation bonds, capital appreciation bonds (CABs), current Interest bonds, revenue bonds, capital loans, capital lease obligations, capital financing leases, and other long-term obligations.

As further explained below, CABs are bonds that are issued at a deep discount and are presented at their maturity value, less the unaccrued appreciation. Unaccrued appreciation represents the difference between the maturity value of the CABs and their face (par) value. The unaccrued appreciation is accrued as interest over the life of the CABs.

During prior fiscal years, the County refunded some of its existing debt. The difference between the reacquisition price and the net carrying amount of the refunded debt is the unamortized deferred amounts on refundings. The amortized amount is an adjustment to interest expense in the statement of activities over the remaining life of the refunded debt.

Premiums applicable to debt issued in excess of par value are amortized as a reduction of interest expense over the life of the debt issuance. Similarly, discounts applicable to debt issued at amounts less than the face (par) value are amortized as an increase to interest expense over the life of the debt issued.

All obligations listed, carry a fixed interest rate with the exception of \$505.125 million of the 2002 taxable pension obligation bonds series B1 and B2-4 which are variable rate and are subject to market fluctuations. The interest rate range listed in **Table 24** below displays the range of interest rates on the serial, term bonds or in the case of capital leases, the range of rates for various leases. The variable rate used to calculate the interest due on the 2002



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

taxable pension obligation bonds Series B1 is 5.208% which represents the auction rate bond coupon for June 2007. The variable rate used for the 2002 taxable pension obligation bonds Series B2-4 is 5.205%, which represents the average auction rate bond coupon for June 2007. The maximum interest rate on these bonds shall not exceed 17% per annum.

1. Outstanding Long-Term Obligations

Governmental Activities:

Long-term obligations for *governmental activities* at June 30, 2007 are presented in **Table 24**.

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 with 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 obligations (e.g. certificates of participation of SANCAL) are reported as San Diego County's assets and debt, respectively.

The Pension Obligation 2004 Series C Capital Appreciation Bonds (CABs) and the San Diego County Tobacco Asset Securitization Corporation CABs represent bonds that were issued at stated interest rates significantly below their effective interest rates, resulting in a substantial discount. The implicit interest, i.e. discount (unaccreted appreciation), is not paid until the bonds begin to mature. Therefore, the net value of the bonds "accreted" each year. In **Table 24** below, the CABs are shown at their maturity value (original amount issued plus total amount to be accreted (appreciated) over the life of the debt), less the unaccreted appreciation (total amount to be accreted over the life of the debt, less the amount accreted to date).

At June 30, 2007, the 2004 Taxable Pension Obligation Series C CABs outstanding balance was \$75.892 million which includes accreted interest of \$3.842 million. The San Diego County Tobacco Asset Securitization Corporation (Corporation) Series 2006 B CABs outstanding balance was \$21.139 million which includes accreted interest of \$1.265 million. The Corporation Series 2006 C CABs outstanding balance was \$9.302 million which includes accreted interest of \$569 thousand. The Corporation Series D CABs outstanding balance was \$22.186 million which includes accreted interest of \$1.499 million.

In compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, the County performed arbitrage rebate calculations via a third party to determine probable amounts due to the Federal government. At June 30, 2007, a \$2 thousand estimate of probable arbitrage rebate liability has been included in the statement of net assets.

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(Amounts Expressed in Thousands Unless Otherwise Noted)



Table 24

Long-Term Obligations - Governmental Activities

	Original Amount	Interest Rate	Final Maturity Date	Beginning Balance at July 1, 2006	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2007	Amounts Due Within One Year
Certificates of Participation:									
1993 Master Refunding	\$ 203,400	2.50 - 5.625%	2013	\$ 57,600		\$ (15,800)		\$ 41,800	\$ 12,400
1997 Central Jail	80,675	4.00 - 5.42%	2026	65,415		(2,320)		63,095	2,425
1998 Downtown Courthouse	73,115	4.00 - 5.25%	2023	51,905		(3,085)		48,820	3,210
1999 East Mesa	15,010	3.60 - 4.75%	2010	6,780		(1,580)		5,200	1,650
2000 ITS	51,620	4.50 - 5.125%	2010	23,715		(5,505)		18,210	5,775
2002 Motorola	26,060	2.00 - 5.00%	2011	15,320		(2,850)		12,470	2,940
2005 Edgemoor Facility Projects	83,510	3.00 - 5.00%	2030	83,510				83,510	2,210
2005 Refunding of Regional Communications System	28,885	3.00 - 5.00%	2019	24,235		(2,035)		22,200	2,090
2005 N&E Refunding	28,210	3.25 - 5.00%	2020	28,210		(1,550)		26,660	1,600
2006 Edgemoor Completion Project	42,390	4.00 - 5.00%	2030		42,390			42,390	
Total Certificates of Participation	\$ 632,875			356,690	42,390	(34,725)		364,355	34,300
Taxable Pension Obligation Bonds:									
1994 Series A	430,430	6.38 - 6.59%	2008	39,830		(25,755)		14,075	14,075
2002 Series A	132,215	3.88 - 4.95%	2016	132,215				132,215	
2002 Series B1	100,000	variable	2033	100,000				100,000	
2002 Series B2-4	405,125	variable	2031	405,125				405,125	
2002 Series C	100,000	6.125%	2033	100,000				100,000	
2004 Series A	241,360	3.28 - 5.86%	2023	241,360		(9,605)		231,755	8,660
2004 Series B1-2 (1)	147,825	5.911%	2025	147,825				147,825	
2004 Series C CABs	64,928	4.66 - 5.76%	2016	100,170				100,170	
2004 Series C Unaccreted Appreciation CABs				(28,120)			3,842	(24,278)	(4,048)
Total Taxable Pension Obligation Bonds	\$ 1,621,883			1,238,405		(35,360)	3,842	1,206,887	18,687
San Diego County Tobacco Asset Securitization Corporation:									
Series 2006A Senior Current Interest Bonds	534,610	4.75 - 5.125%	2016-2029	534,610		(3,100)		531,510	9,670
Series 2006B CABs	19,770	6.25%	2031	88,052	1,919			89,971	
2006B Unaccreted Appreciation CABs				(68,178)	(1,919)		1,265	(68,832)	(1,342)
Series 2006C CABs	8,686	6.40%	2032	43,893	1,097			44,990	
2006C Unaccreted Appreciation CABs				(35,160)	(1,097)		569	(35,688)	(605)
Series 2006D CABs	20,565	7.10%	2035	141,176	5,383			146,559	
2006D Unaccreted Appreciation CABs				(120,489)	(5,383)		1,499	(124,373)	(1,603)
Total San Diego County Tobacco Asset Securitization Corporation	\$ 583,631			583,904		(3,100)	3,333	584,137	6,120

(1) The interest rate for the Taxable Pension Obligation Bonds 2004 Series B1-2004 Series B1-2 was converted from a variable to a fixed interest rate of 5.911% during fiscal year 2007.

(Table 24 continued on next page)



Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

Long-Term Obligations - Governmental Activities

	Original Amount	Interest Rate	Final Maturity Date	Beginning Balance at July 1, 2006	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2007	Amounts Due Within One Year
(Table 24 continued)									
Redevelopment Agency:									
Revenue Refunding Bonds Series 2005A	16,000	3.65 - 5.75%	2033	16,000		(360)		15,640	320
Total Redevelopment Agency:	\$ 16,000			16,000		(360)		15,640	320
Capital Loans:									
Alpine Highlands Zone #1010	436	7.75%	2007	58		(58)			
Singing Trails Zone #1013	66	8.75%	2008	26		(13)		13	13
Pauma Heights PRD #21	160	7.75%	2009	96		(32)		64	32
Landavo Zone PRD #1015	344	8.25%	2016		344	(34)		310	34
El Sereno Way Zone PRD #1016	118	8.25%	2012		118			118	24
Firebird Manor	4,486	1.00%	2028	3,219		(133)		3,086	134
Total Capital Loans:	\$ 5,610			3,399	462	(270)		3,591	237
California Energy Comm Loans:									
California Energy Comm Loan 1 (Facilities ISF)	1,977	4.00%	2015	1,698		(172)		1,526	178
California Energy Comm Loan 2 (Facilities ISF)	3,001	3.95%	2015	3,001		(198)		2,803	304
Total California Energy Comm Loans	\$ 4,978			4,699		(370)		4,329	482
Total Bonds, Loans and Notes payable, before issuance discounts and premiums and deferred amounts on refundings:	2,864,977			2,203,097	42,852	(74,185)	7,175	2,178,939	60,146
Unamortized Issuance Premiums	8,639			7,257	606	(512)		7,351	472
Unamortized Issuance Discounts	(31,745)			(22,602)		1,240		(21,362)	(1,194)
Unamortized Deferred Amounts on Refundings	(52,990)			(48,583)		21,661		(26,922)	(8,016)
Total Bonds, Loans and Notes Payable, net	\$ 2,788,881			2,139,169	43,458	(51,796)	7,175	2,138,006	51,408
Capitalized Leases:									
San Diego Regional Building Authority	36,960	2.15 - 5.25%	2020	30,845		(1,595)		29,250	1,660
S&L Development	1,056	8.00%	2008	283		(136)		147	147
Koch Lighting	7,649	4.245 - 5.91%	2008	766		(540)		226	226
Total Capitalized Leases	45,665			31,894		(2,271)		29,623	2,033
Arbitrage					2			2	
Claims and judgments - ISF				122,332	9,253	(20,403)		111,182	37,245
Non Internal Service Funds Compensated Absences				76,141	58,370	(53,966)		80,545	32,218
Internal Service Funds Compensated Absences				2,289	1,391	(1,466)		2,214	886
Landfill closure and postclosure				24,447		(831)		23,616	937
Total Other Liabilities				225,209	69,016	(76,666)		217,559	71,286
Total Governmental Activities	\$ 2,834,546			\$2,396,272	\$ 112,474	\$ (130,733)	\$ 7,175	\$ 2,385,188	\$ 124,727

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



Business-Type Activities:

Long-term obligations for business-type activities at June 30, 2007 were as follows:

Table 25

Long-Term Obligations - Business-Type Activities								
	Original Amount	Interest Rate	Final Maturity Date	Beginning Balance at July 1, 2006	Additions	Reductions	Ending Balance at June 30, 2007	Amounts Due within One Year
Enterprise Funds:								
Capital loans:								
Department of Transportation Beginning March 2001	\$ 3,584	5.63%	2019	\$ 2,652		\$ (192)	\$ 2,460	\$ 205
US Department of Agriculture Beginning December 2003	100	4.63%	2040	93		(2)	91	1
Compensated absences				389	217	(264)	342	137
Total business-type activities	\$ 3,684			\$ 3,134	\$ 217	\$ (458)	\$ 2,893	\$ 343

2. Debt Service Requirements to Maturity

Governmental Activities:

Debt service requirements to maturity for *governmental activities'* long-term bond and note obligations outstanding at June 30, 2007 are shown below. (Note: **Table 26** does not reflect the County's exposure to the interest rate swap on the 2002 Taxable Pension Obligation Bonds. See Note IV-J Interest Rate Swap for further information.)

Table 26

Debt Service Requirements To Maturity - Governmental Activities				
Fiscal year	Principal	Unaccrued Appreciation	Interest	Total
2008	\$ 67,744	7,598	103,931	179,273
2009	66,942	8,055	101,028	176,025
2010	69,205	8,057	98,375	175,637
2011	64,190	7,912	95,661	167,763
2012	57,777	7,666	93,326	158,769
2013-2017	320,066	33,515	428,980	782,561
2018-2022	488,138	39,163	326,840	854,141
2023-2027	549,721	54,400	179,152	783,273
2028-2032	404,343	66,893	59,085	530,321
2033-2036	76,243	19,912	423	96,578
Subtotal	2,164,369	253,171	1,486,801	3,904,341
Add:				
Accrued appreciation through June 30	14,570			14,570
Subtotal	2,178,939	253,171	1,486,801	3,918,911
Add:				
Unamortized issuance premium	7,351			
Less:				
Unamortized issuance discount	(21,362)			
Unamortized deferred amount on refunding	(26,922)			
Total	\$ 2,138,006			



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Business-Type Activities:

Debt service requirements to maturity for *business-type activities'* capital loans obligations outstanding at June 30, 2007 were the following:

Table 27

Debt Service Requirements to Maturity -Business-Type Activities			
Fiscal Year	Principal	Interest	Total
2008	\$ 206	143	349
2009	218	131	349
2010	231	119	350
2011	243	106	349
2012	256	92	348
2013-2017	1,321	231	1,552
2018-2022	11	17	28
2023-2027	14	14	28
2028-2032	17	10	27
2033-2037	22	6	28
2038-2040	12	1	13
Total	\$ 2,551	870	3,421

3. Prior Year Defeasance of Long-Term Debt

In prior years, the County defeased certain taxable pension obligation bonds and tobacco settlement asset-backed 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, 2007, \$433.3 million of bonds and COPs were legally defeased and remain outstanding.

4. New Long-Term Debt

- *San Diego County Asset Leasing Corporation 2006 Edgemoor Completion Project*

In December 2006, the San Diego County Capital Asset Leasing Corporation (SANCAL) issued \$42.390 million of fixed rate serial and term certificates of participation titled, "2006 Edgemoor Completion Project" (the "Certificates"). These Certificates consist of \$19.485 million Serial Certificates issued at fixed interest rates ranging form 4.00% to 5.00% with

maturity dates ranging from February 1, 2010 through February 1, 2021; \$11.645 million Term Certificates issued at a fixed rate of 4.25% with maturity dates ranging from February 1, 2022 through February 1, 2026; and, \$11.260 Term Certificates issued at a fixed rate of 4.45% with maturity dates ranging from February 1, 2027 through February 1, 2030.

These Certificates were issued with a premium of \$606 thousand. Certificate proceeds of \$42.996 million along with County contributions of \$6.996 million were distributed as follows: 1) \$36.291 million to finance the completion of a skilled nursing facility to replace the existing skilled nursing facility in Santee California; 2) \$10.582 million to pay interest during the construction period on a portion of these Certificates and a portion of the SANCAL 2005 Edgemoor Project and 1996 Regional Communications System Refunding - "Series 2005 Certificates" (issued in September 2005), through March 1, 2009; 3) \$2.210 million to pay the principal portion of the base rental payment for the Series 2005 Certificates becoming due and payable in fiscal year 2007-08 (2008); 4) \$887 thousand to pay certain costs of issuance incurred in connection with these Certificates; and, \$22 thousand was set aside to be used for various ongoing debt related costs. The interest on these Certificates is excludable from gross income for federal income tax purposes and is exempt from State of California income taxes.

- *Landavo Permanent Road Division (PRD) Zone 1015 Loan Agreement*

In October 2006, the County of San Diego entered into a private bank loan agreement on its behalf and on behalf of the Landavo Permanent Road Division (PRD) Zone 1015 (Landavo), for \$344 thousand to finance the improvement and maintenance of roads in the Escondido area. Equal principal payments of \$17.2 thousand and fixed interest of 8.25% calculated on a 365-day year basis, are due semi-annually on June 30th and December 31st, until the loan matures on June 30, 2016.

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• *El Sereno PRD Zone 1016 Loan Agreement*

In October 2006, the County of San Diego entered into a private bank loan agreement on its behalf and on behalf of the El Sereno PRD Zone 1016 (El Sereno), for \$118 thousand to finance the improvement and maintenance of roads in the Vista area. Equal principal payments of \$11.8 thousand (beginning December 31st, 2007) and fixed interest of

8.25% calculated on a 365-day year basis, are due semi-annually on June 30th and December 31st until the loan matures on June 30, 2012.

5. Changes in Long-Term Obligations

Long-term obligation activity (Governmental Activities) for the year ended June 30, 2007 is presented in **Table 24**.

The following funds presented in **Table 28** below have typically been used to liquidate other long-term liabilities in prior years:

Table 28

Liquidated Liabilities	
Liability	Fund(s) Used to Liquidate in Prior Years
Claims & Judgments	Internal Service Funds - Employee Benefits Fund and Public Liability Insurance Fund
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

J. Interest Rate Swap

To manage interest rate risk and lower the County's borrowing cost for 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 Swap Confirmation. In fiscal year 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 amount.

Further details concerning this interest rate swap are discussed below:

1. 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



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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 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 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, 2007, the swap created a synthetic interest rate for the bonds as noted below:

Table 29

Interest Rate Swap - Synthetic Interest Rate		
	Terms	Rates
Fixed Rate to Counterparty	Fixed	5.300%
Variable Rate from Counterparty	1 month LIBOR	-5.320%
Net Interest Rate Swap Payments		-0.020%
Average Auction Rate Bond Coupon Payments		5.205%
Synthetic Interest Rate on Bonds		5.185%

2. Fair Value

As of June 30, 2007 the swaps had a mark to market fair value of \$21.1 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, 2007 the County was exposed to credit risk because the swap had a positive mark to market fair value of \$21.9 million. Citibank is rated Aaa/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, 2007 the fair value of the swap is \$21.1 million. Value is predominantly tied to changes in the market for the fixed swap rate for the remaining swap term.

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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 2007, the differential was \$512 thousand.

6. Swap Payments and Associated Debt

As of June 30, 2007, 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 30**. As rates vary, variable rate bond interest payments and net swap payments will vary.

Table 30

Interest Rate Swap - SWAP Payments and Associated Debt				
Fiscal Year	Principal	Interest 5.205%	Interest Rates Swaps, Net (.020%)	Total
2008	\$	21,028	(81)	\$ 20,947
2009		21,087	(81)	21,006
2010		21,087	(81)	21,006
2011		21,087	(81)	21,006
2012		21,087	(81)	21,006
2013-2017	18,275	104,601	(403)	122,473
2018-2022	108,325	85,095	(335)	193,085
2023-2027	143,275	51,879	(210)	194,944
2028-2031	135,250	11,032	(53)	146,229
Total	\$ 405,125	357,983	(1,406)	\$ 761,702

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. Formal closure of this landfill spanned from July 2004 through March 2006. Post closure maintenance began in September 2006.

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, 2007 for the San Marcos Landfill was \$23.616 million. This estimated amount is based on what it would cost to perform all closure and postclosure care in calendar year 2007 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 directed 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.



Notes to the Financial Statements
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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, 2007, \$24.274 million has been spent on closure costs and \$1.446 of the net assets of the government-wide statement of net assets has been restricted for remaining 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, 2007, the fund balances reserved for other purposes are presented in **Table 31** as follows:

Table 31

Fund Balances Reserved For Other Purposes	
General Fund	
Defray administrative costs, other general reserves	\$ 27,246
Improvement and maintenance of recorded document systems	18,561
Teeter tax losses	16,707
Emergency medical services, various construction costs	11,530
Mental health	66,887
Social programs	4,119
Vector control	8,014
Real estate fraud prosecution	1,172
Domestic violence and child abuse prevention	5,823
Sheriff vehicle maintenance and replacement	645
Fingerprinting equipment purchase and operation	5,986
Sheriff automated warrant system	3,922
Delinquency and juvenile crime prevention	2,624
Reserve for donations	3,901
Total General Fund	\$ 177,137
Special Revenue Funds	
Road-future road improvements	\$ 55,362
Lighting Maintenance	16
County Service Districts projects	1,271
Flood Control-future drainage improvements	19,095
Housing repairs and improvements	295
Total Special Revenue Funds	\$ 76,039
Capital Projects Funds	
Edgemoor capital projects	\$ 250
Total Capital Projects	\$ 250
Total Fund Balances Reserved for Other Purposes	\$ 253,426

M. Fund Balances Designated for Subsequent Years' Expenditures

At June 30, 2007, the fund balances designated for subsequent years' expenditures are presented in **Table 32** as follows:

Notes to the Financial Statements
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Table 32

Fund Balances Designated for Subsequent Years' Expenditures	
General Fund	
Sheriff Department's future capital expenditures	\$ 6,000
Assessor Department future expenditures	111
Clerk of the Board future expenditures	5
Planning and Land Use building services	1,505
Department of Environmental Health future expenditures	6,476
Unforeseen catastrophic events	55,500
Realignment health, mental health and social services	74,620
Housing Authority future lease payments	917
Registrar of Voters future expenditures	1,200
Management of the County's conduit financing program	319
Preventative health care for children	613
South County Shelter capital improvements	15
Senior Volunteer Patrols Program in the unincorporated communities	6
Regional communication system infrastructure enhancements	7,830
Replacement of Sheriff Department's helicopter	1,010
Edgemoor geriatric hospital reconstruction	2,674
Health based programs aimed at reducing adult and youth smoking	7,902
Equipment replacement/system enhancement- Call ID Remote Access Network	1,160
Future lease payments	2,624
FEMA and other agencies' reimbursement of costs to 2003 County fires	12,012
Total General Fund	\$ 182,499
Special Revenue Funds	
Equipment acquisition	\$ 626
Total Special Revenue Funds	\$ 626

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 Employee Benefits and Public Liability Insurance Internal Service Funds (ISF) are 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, 2007, the amount of these liabilities, including an estimate for claims incurred but not reported and allocated and unallocated loss adjustment expenses was estimated at \$111.2 million, including \$16.5 million in public liability and \$94.7 million in workers' compensation. Changes in the balances of claim liabilities for fiscal year 2006 and 2007 are shown below:

Table 33

Risk Management - Changes in Claim Liabilities		
	2006	2007
Employee Benefits Fund		
Unpaid claims, July 1	\$ 86,073	91,297
Incurred claims	38,233	20,374
Claim payments	(33,009)	(16,985)
Unpaid claims, June 30	\$ 91,297	94,686
Public Liability Insurance Fund		
Unpaid claims, July 1	\$ 17,496	31,035
Incurred claims	14,675	(11,121)
Claim payments	(1,136)	(3,418)
Unpaid claims, June 30	\$ 31,035	16,496

B. Subsequent Events

1. Tax and Revenue Anticipation Notes

In July 2007, the County issued tax and revenue anticipation notes (TRANS) totaling \$95.2 million due June 30, 2008 at a coupon rate of 4.50% and net interest cost of 3.60%. Proceeds from the notes will be used to meet fiscal year 2008 cash flow requirements. Fiscal year 2008 unrestricted revenues collateralize the notes.



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 \$24.8 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 (in Note V-A) include estimates of claims incurred but not reported at June 30, 2007.

2. Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately \$147.5 million in sick leave, holiday 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 \$1dollar 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 San Diego Geographic Information Source (SanGIS) was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are to create and maintain a geographic information system, marketing and licensing compiled digital geographic data and software, providing technical services and publishing geographic and land-related information. The annual budget is \$1.5 million. The City and the County have agreed to fund the budget equally.

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.

The County is a participant with eighteen incorporated cities to operate an emergency services organization for the purpose of providing regional planning and mutual assistance in the event of an emergency in the region including accidents involving hazardous waste. The region 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. Total participant contributions for fiscal year 2007 were \$1.6 million. The organization had a cumulative surplus of \$34 thousand at June 30, 2007.

E. Deferred Compensation Plans

County of San Diego Incentive Retirement Deferred Compensation Plan

The County of San Diego Incentive Retirement Deferred Compensation Plan is a defined contribution plan established and governed under the Internal Revenue Code Section 401(a). All permanent and part-time County employees are eligible to participate in the plan. Participants may elect to contribute between 2.5 and 25% of their federal taxable gross wages, up to \$44,000 a year, whichever is less. Plan participation is voluntary, however, once enrolled, the election percentage is irrevocable except under certain unforeseeable financial hardship provisions in the plan.

Under Internal Revenue Code rules, the amount of contributions by participants to the plan are considered employer contributions not subject to federal or state tax at the time of contribution. Participants direct the investment of all amounts contributed through two plan providers. All amounts held on behalf of participants are fully vested and held in trust at all times. Plan benefits for a participant who separates from County service or retires will be dependent upon the accumulated value of individual contributions and investment return. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements. The 401(a) actual contributions for the year ended June 30, 2007 were \$24.3 million.

San Diego County Deferred Compensation Plan

The County offers to its employees an optional deferred compensation plan created in accordance with Section 457 (b) of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of \$15,000 (in whole dollars), so as to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. The actual contributions for the year ended June 30, 2007 were \$23.7 million.

The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.



F. San Diego County Employees Retirement Association

1. Plan Description

The SDCERA administers a cost-sharing, multi-employer defined benefit plan, with County employees representing 89.6% of active members. Participating employers include: the County; the Air Pollution Control District; the Superior Court; the San Diego River Valley Joint Power Authority; the Local Agency Formation Commission; and the San Diego County Office of Education.

The plan provides retirement, disability, and death benefits for members and beneficiaries pursuant to the County Employees Retirement Act 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. The SDCERA Board does not set the pension benefit amounts or establish/amend plan provisions. SDCERA administers benefits that are set by the County Board of Supervisors through the collective bargaining process with County employees in accordance with the Retirement law.

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, 2275 Rio Bonito Way Suite 200, San Diego, California 92108 or by calling (619) 515-0130.

2. Funding Policy

In accordance with Board of Supervisors' resolutions, the County's funding policy is to make contributions to SDCERA in amounts such that, when combined with employee contributions and invested income, will fully provide for member benefits at retirement. State statutes require that County and member

contributions 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. Average member contribution rates, in effect at June 30, 2007, expressed as a percentage of salary are 9.19%-9.97% for general members and 11.94% 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 2007 rates, expressed as a percentage of covered payroll, are 18.70% for general members and 27.55% for safety members. Additionally, in accordance with various agreements with employee bargaining units, the County has contributed \$44.5 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 89.7% at June 30, 2007.

3. Actuarial Assumptions and Annual Pension Cost

For the fiscal year ended June 30, 2007, the County's annual pension cost was \$231.3 million. The County's actual contribution during the fiscal year ended June 30, 2007 totaled \$231.3 million, resulting in a net pension obligation of zero as of June 30, 2007, compared to zero at the end of the prior year. The required contribution rates, as adopted by the SDCERA Board of Retirement, were determined as part of the June 30, 2005 actuarial valuation based on entry-age actuarial cost method. The

Notes to the Financial Statements

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actuarial assumptions include: an inflation rate of 3.75%; an investment rate-of-return of 8.25%, projected salary increases of 5.25% per year; and cost-of-living increases for retirees of 3%.

Generally accepted actuarial methods and assumptions are used to evaluate SDCERA's assets, liabilities and future contribution requirements. Effective with the June 30, 2004 valuation, actuarial calculations reflect the Board of Retirement's funding policy to amortize the unfunded actuarial accrued liability as 20-year fixed/closed (i.e. decreasing) layered amortization periods.

4. 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 below:

Table 34

Three-Year Trend Information			
Fiscal Year Ended June 30	Annual Required Contributions	Percentage of ARC Contributed	Net Pension Obligation
2005	\$ 235,122	100.00%	\$ 0
2006	203,700	100.00%	0
2007	231,300	100.00%	0

5. 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 \$35.3 million for fiscal year 2007.

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 that is administered by SDCERA. 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 \$164.9 million at June 30, 2007, a \$42.4 million decrease from the previous fiscal year.

G. Restatements

1. First 5 Commission

The beginning net asset balance of the First 5 Commission is restated as shown in **Table 35** below in the amount of \$828 thousand resulting from an adjustment reflecting an unrealized loss of \$768 thousand on investments that should not have been recorded in 2006 and a correction of an overstated vacation accrual of \$60 thousand.

Table 35

Restatement - First 5 Commission	
Net asset balance as of June 30, 2006	\$ 188,018
Adjustment for restatement	828
Net asset balance, restated June 30, 2006	\$ 188,846

2. Specific Investments-Investment Trust Fund

The beginning net assets balance of the Specific Investments - Investment Trust Fund is restated as shown in **Table 36** below. Individual investments for School Districts and other agencies outside of the investment pool were not reported in the County's financial statements previously. Specifically, it was interpreted that these investments were not held by the Treasurer and as a result there was no fiduciary responsibility. Based on a reevaluation of Government Code 27000 et seq., and GASB Statement No. 31, it was determined that a fiduciary responsibility and a reporting requirement exists. Accordingly, this adjustment is reflected below in the restated beginning net assets balance of the Individual Investment Accounts - Investment Trust Fund.



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Table 36

Restatement - Specific Investments - Investment Trust Fund	
Net asset balance as of June 30, 2006	\$ 0
Adjustment for restatement	856,820
Net asset balance, restated June 30, 2006	\$ 856,820

H. Commitments

1. 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 \$8.6 million were still outstanding as of June 30, 2007.

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, 2007 are as follows:

Table 37

Certificates of Participation - Conduit Program			
	Date Issued	Original Amount Issued	Amount Outstanding at June 30
Sharp Hospital	April 1998	\$ 112,020	96,255
San Diego Natural History Museum	December 1998	15,000	13,200
San Diego Museum of Art (principal due at maturity)	March 2000	6,000	5,800
Salk Institute	April 2000	15,000	13,785
University of San Diego	May 2001	36,870	31,895
San Diego-Imperial Counties Developmental Services	September 2002	10,750	9,750
Chabad Jewish Academy (principal due at maturity)	January 2003	11,700	10,530
San Diego Jewish Academy (principal due at maturity)	December 2003	13,325	11,720
Bishop School	June 2004	25,000	25,000
Museum of Contemporary Art	December 2004	13,000	12,750
Sidney Kimmel Cancer Center (principal due at maturity)	October 2005	24,500	24,500
Burnham Institute for Medical Research	February 2006	59,405	58,450
San Diego Foundation	August 2006	13,500	13,500

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 \$10.39 million were still outstanding as of June 30, 2007.

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 bond resolutions. The amounts deposited belong to the specific agencies that 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 districts.

I. New Governmental Accounting Standards

1. Implemented

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 Fiscal Year 2007, the County determined that these requirements do not affect the financial reporting for the County of San Diego. The County will implement the requirements of GASB Statement 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; in the fiscal year ended June 30, 2008.

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 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 June 2005, GASB issued Statement 47, *Accounting for Termination Benefits*. This Statement establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement



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

should be implemented simultaneously with the requirements of Statement 45, and are therefore effective for the County's fiscal year ended June 30, 2008.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments - generally, a single lump sum. The financial reporting question addressed by this Statement is whether that transaction should be regarded as a sale or as a collateralized borrowing resulting in a liability. This statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Therefore, any assets (or future revenues) sold or donated within the same financial reporting entity should continue to be reported at their current carrying value when those assets or future revenues are transferred. Additionally, this statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. This disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. This statement is effective for the County's fiscal year ending June 30, 2008.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution

remediation. Liabilities and expenses would be estimated using an "expected cash flows" measurement technique, which is used by environmental professionals but will be employed for the first time by governments. Statement 49 also will require governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. This statement is effective for the County's fiscal year ending June 30, 2009.

In May 2007, GASB issued Statement 50, Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27. This Statement amends GASB Statement 25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans (GASB Statement 25) and GASB Statement 27 Accounting for Pensions by State and Local Governmental Employers (GASB Statement 27) to require defined benefit pension plans to present notes to financial statements that disclose the funded status of the plan as of the most recent actuarial valuation date. Defined benefit pension plans also should disclose actuarial methods and significant assumptions used in the most recent actuarial valuation in notes to financial statements instead of in notes to required supplementary information (RSI).

This Statement amends GASB Statement 25 to require defined benefit pension plans to disclose in the notes to financial statements the methods and assumptions used to determine the fair value of investments, if the fair value is based on other than quoted market prices. This Statement amends GASB Statement 27 to require cost-sharing employers to include, in the note disclosure of the required contribution rates of the employer(s) in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, how the contractually required contribution rate is determined (for example, by statute or by contract, or on an actuarially determined basis) or that the cost-sharing plan is financed on a pay-as-you-go basis.

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



This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. In the initial year of implementation, defined benefit pension plans that use the aggregate actuarial cost method to determine the ARC are required to present elements of information in the schedule of funding progress using the entry age actuarial cost method as of the most recent actuarial valuation date. In subsequent years, plans and employers should add to that schedule information as of subsequent actuarial valuation dates until the requirements of Statements 25 and 27, as amended, with regard to the minimum number of years or actuarial valuations to be included have been met. This statement is effective for the County's fiscal year ending June 30, 2008.

In June 2007, GASB issued Statement 51, Accounting and Financial Reporting for Intangible Assets. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. This Statement also provides guidance on recognizing internally generated computer software as an intangible asset. This guidance serves as an application of the specified-conditions approach described above to the development cycle of computer software.

This Statement also establishes guidance specific to intangible assets related to amortization. This Statement provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. If there are no factors that limit the useful life of an intangible asset, the Statement provides that the intangible asset be considered to have an indefinite useful life.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. This statement is effective for the County's fiscal year ending June 30, 2010.

In November 2007, GASB issued Statement 52, Land and Other Real Estate Held as Investments by Endowments. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement is effective for the County's fiscal year ending June 30, 2009.



Required Supplementary Information

Required Supplementary Information

See notes to 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, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 856,760	856,760	842,396
Licenses, permits and franchise fees	34,362	34,362	33,752
Fines, forfeitures and penalties	50,221	48,528	55,248
Revenue from use of money and property	25,939	26,087	51,894
Aid from other governmental agencies:			
State	1,003,135	1,005,695	851,309
Federal	593,470	617,286	704,440
Other	97,141	99,339	92,769
Charges for current services	261,306	269,813	269,282
Other revenue	25,248	25,890	33,227
Total revenues	2,947,582	2,983,760	2,934,317
Expenditures:			
Current:			
General government:			
Assessor/recorder/county clerk - finance	32,477	35,949	32,536
Auditor and controller	31,209	32,772	30,573
Board of supervisors district #1	1,108	1,209	1,043
Board of supervisors district #2	1,112	1,273	1,079
Board of supervisors district #3	1,073	1,134	1,064
Board of supervisors district #4	1,039	1,402	954
Board of supervisors district #5	1,182	1,642	1,094
Board of supervisors general office	1,067	1,065	825
CAC major maintenance	2,062	1,478	1,064
Chief Administrative office - legislative and administrative	4,372	4,451	4,186
Civil service commission	606	619	571
Clerk of the board of supervisors - legislative and administrative	2,740	2,839	2,361
Clerk of the board of supervisors - property management	4,012	3,810	2,818
Community enhancement	3,013	2,985	2,969
Community projects	11,648	8,351	8,341
Community services	9,924	14,424	4,140
Contributions to capital outlay	3,344	4,041	3,534
County counsel	20,405	20,888	19,782
County technology office	10,910	10,192	7,728
Countywide general expense	70,513	71,288	4,379
Financing and general government - legislative and administrative	40,458	15,663	13,397
Financing and general government - other general	415	9,782	4,130
Health and human services - legislative and administrative	400	400	383
Human resources - other general government	3,683	3,738	3,513
Human resources - personnel	18,558	18,069	14,966
Land use and environment - legislative and administrative	7,126	13,499	3,068
Public safety - legislative and administrative	25,023	15,832	8,270
Registrar of voters	15,827	32,080	29,464
Treasurer/tax collector	17,083	16,229	16,029
Total general government	342,389	347,104	224,261
Public protection:			
Agriculture weights and measures	15,725	16,505	14,225
Alternate public defender	14,634	14,963	14,129
Assessor/recorder/county clerk - other protection	15,239	16,594	16,163
Child support	51,248	52,404	46,391
Citizens law enforcement review board	505	519	486
Contributions for trial courts	75,602	74,704	73,104
Defense attorney/contract administration	9,284	9,284	8,414
Department of animal services	12,385	12,631	12,096
District attorney-judicial	113,719	124,564	116,524

See notes to 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, 2007

(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
Grand jury	\$ 581	574	544
LAFCO administration	294	294	293
Land use and environment - other protection	1,217	1,202	1,080
Medical examiner	7,333	7,600	7,002
Office of emergency services	17,074	29,819	19,993
Planning and land use - fire protection	28,392	28,559	15,507
Planning and land use - other protection	30,384	30,868	23,698
Probation - adult detention	3,896	4,106	4,106
Probation - detention and correction	104,514	109,355	102,967
Probation - juvenile detention	31,574	32,870	32,870
Probation - police protection	2,491	2,511	2,511
Public defender	48,827	49,539	48,351
Public works, flood control, soil and water, general	3,124	2,355	974
Public works, general - other protection	445	445	406
Sheriff - adult detention	188,608	193,281	181,661
Sheriff - detention and correction		286	4
Sheriff - other protection		897	891
Sheriff - police protection	332,442	328,205	315,436
Total public protection	1,109,537	1,144,934	1,059,826
Public ways and facilities:			
Public Works, special projects	494	398	398
Public works, general - public ways	3,220	1,149	971
Total public ways and facilities	3,714	1,547	1,369
Health and sanitation:			
Environmental health	35,135	34,716	30,959
Health and human services agency - California children services	17,643	18,494	17,503
Health and human services agency - health	89,974	89,842	85,519
Health and human services agency - health administration	86,985	87,356	71,796
Health and human services agency - medical care	123,301	117,475	116,817
Health and human services agency - mental health	255,358	249,212	212,613
Public works, general - sanitation	5,822	4,747	4,747
Total health and sanitation	614,218	601,842	539,954
Public assistance:			
Health and human services agency - aid programs	43,877	43,877	41,474
Health and human services agency - other assistance	241,389	241,563	240,459
Health and human services agency - social administration	703,692	705,912	627,245
Health and human services agency - veterans' services	716	716	715
Housing Authority	9,770	9,757	8,545
Probation - care of court wards	9,481	9,796	9,796
Total public assistance	1,008,925	1,011,621	928,234
Education:			
Farm and home advisor	1,062	1,555	1,157
Total education	1,062	1,555	1,157
Recreation and cultural:			
Parks and recreation	32,378	26,294	24,509
Total recreational and cultural	32,378	26,294	24,509
Contingency:			
Contingency reserve	20,000	20,000	
Total contingency	20,000	20,000	
Capital outlay	35,276	20,184	17,190
Debt service:			
Interest and fiscal charges	12,700	12,700	10,843
Total expenditures	3,180,199	3,187,781	2,807,343
Excess (deficiency) of revenues over (under) expenditures	\$ (232,617)	(204,021)	126,974

See notes to 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, 2007

(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
Other financing sources (uses)			
Sale of capital assets	\$		130
Transfers in	267,305	279,798	283,535
Transfers out	(298,706)	(166,553)	(152,854)
Total other financing sources (uses)	(31,401)	113,245	130,811
Net change in fund balance	(264,018)	(90,776)	257,785
Fund balance at beginning of year	186,691	898,885	898,885
Increase (decrease) in			
Reserve for inventory of materials and supplies		(1,588)	(1,588)
Fund balance at end of year	\$	806,521	1,155,082

See notes to required supplementary information.



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, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		15,125
Total revenues			15,125
Expenditures:			
Current:			
General government:			
Tobacco Settlement	1,300	1,300	
Total general government	1,300	1,300	
Total expenditures	1,300	1,300	
Excess (deficiency) of revenues over (under) expenditures	(1,300)	(1,300)	15,125
Other financing sources (uses)			
Transfers out	(24,200)	(24,200)	(24,200)
Total other financing sources (uses)	(24,200)	(24,200)	(24,200)
Net change in fund balance	(25,500)	(25,500)	(9,075)
Fund balance at beginning of year		439,938	439,938
Fund balance at end of year	\$	414,438	430,863

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 decrease in appropriations during the year ended June 30, 2007, amounted to \$124.6 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 2006-07 (2007) adopted budget plus the budget carried forward from Fiscal Year 2006. 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 1, 2006). 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 2007 plus technical amendments that occur after the close of the fiscal year less the amount of budget carried forward to Fiscal Year 2008.

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)
6/30/2005	\$ 5,612.3	\$ 6,990.7	\$ 1,378.4	80.3%	\$ 921.8	149.5%
6/30/2006	\$ 6,263.0	\$ 7,495.3	\$ 1,232.3	83.6%	\$ 979.4	125.8%
6/30/2007	\$ 7,250.4	\$ 8,082.5	\$ 832.1	89.7%	\$ 1,062.4	78.3%





Combining and Individual Fund Statements and Schedules and Supplemental Information



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specific purposes.

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.

HOUSING AND COMMUNITY DEVELOPMENT 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.



Combining Financial Statements/Schedules Governmental Funds

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 nonprofit corporation 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 DISTRICTS 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.

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.

IN HOME SUPPORT SERVICES (IHSS) PUBLIC AUTHORITY 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 REVENUE 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

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds)

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 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 count 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.



Combining Financial Statements/Schedules Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Pooled cash and investments	\$ 295,840	9,799	28,659	334,298
Cash with fiscal agents	1,292		4,729	6,021
Investments with fiscal agents	53,594			53,594
Receivables, net	120,510	724	10,138	131,372
Property taxes receivables, net	628	132	57	817
Due from other funds	4,938	1,843	3,330	10,111
Advances to other funds		64		64
Inventories	1,874			1,874
Deposits with others	97			97
Prepaid items	1		679	680
Restricted assets:				
Cash with fiscal agents	181	7		188
Investments with fiscal agents	48,847	53,094	55,277	157,218
Total assets	527,802	65,663	102,869	696,334
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	19,231		10,680	29,911
Accrued payroll	1,353			1,353
Due to other funds	87,500	125	6,438	94,063
Advances from other funds	161		4,229	4,390
Deferred revenues	19,151	65	141	19,357
Unearned revenue	4,672	23	485	5,180
Total liabilities	132,068	213	21,973	154,254
Fund balances				
Reserved fund balance:				
Reserved for encumbrances	36,237		5,044	41,281
Reserved for loans, advances and prepaids	40,293	64	1,679	42,036
Reserved for inventories	1,874			1,874
Reserved for debt service	47,158	65,386		112,544
Reserved for other purposes	76,039		250	76,289
Unreserved:				
Designated for subsequent years' expenditures	626			626
Designated for landfill postclosure and landfill closure costs	69,694			69,694
Undesignated	123,813		73,923	197,736
Total fund balances	395,734	65,450	80,896	542,080
Total liabilities and fund balances	\$ 527,802	65,663	102,869	696,334

Combining Financial Statements/Schedules Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2007
(In Thousands)**

	Road Fund	Housing and Community Development Fund	Air Pollution Fund	Lighting Maintenance District Fund
ASSETS				
Pooled cash and investments	\$ 97,838	3,507	21,132	761
Cash with fiscal agents	1,292			
Investments with fiscal agents				
Receivables, net	10,647	34,127	2,711	11
Property taxes receivables, net				16
Due from other funds	2,576	252	54	1
Inventories	1,480		136	
Deposits with others	13			
Prepaid items				
Restricted assets:				
Cash with fiscal agents				
Investments with fiscal agents				
Total assets	113,846	37,886	24,033	789
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	12,070	868	1,234	94
Accrued payroll	670		246	
Due to other funds	1,864	4,313	152	35
Advances from other funds				
Deferred revenues	470			14
Unearned revenue	403	4	486	16
Total liabilities	15,477	5,185	2,118	159
Fund balances				
Reserved fund balance:				
Reserved for encumbrances	24,008		8,243	5
Reserved for loans, advances and prepaids		32,705		
Reserved for inventories	1,480		136	
Reserved for debt service				
Reserved for other purposes	55,362			16
Unreserved:				
Designated for subsequent years' expenditures			450	
Designated for landfill postclosure and landfill closure costs				
Undesignated	17,519	(4)	13,086	609
Total fund balances	98,369	32,701	21,915	630
Total liabilities and fund balances	\$ 113,846	37,886	24,033	789



Combining Financial Statements/Schedules Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2007
(In Thousands)**

(Continued)	County Library Fund	Asset Forfeiture Program Fund	Inmate Welfare Program Fund	Inactive Wastesites Fund
ASSETS				
Pooled cash and investments	\$ 12,815	6,006	4,759	16,005
Cash with fiscal agents				
Investments with fiscal agents				53,594
Receivables, net	238	81	432	1,247
Property taxes receivables, net	490			
Due from other funds	40	7	10	128
Inventories	62	28	167	
Deposits with others				
Prepaid items				
Restricted assets:				
Cash with fiscal agents				
Investments with fiscal agents				
Total assets	13,645	6,122	5,368	70,974
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	834	8	103	568
Accrued payroll	368			30
Due to other funds	511	88	153	280
Advances from other funds				
Deferred revenues	410			
Unearned revenue	433			340
Total liabilities	2,556	96	256	1,218
Fund balances				
Reserved fund balance:				
Reserved for encumbrances	607	25	178	62
Reserved for loans, advances and prepaids				
Reserved for inventories	62	28	167	
Reserved for debt service				
Reserved for other purposes				
Unreserved:				
Designated for subsequent years' expenditures	87			
Designated for landfill postclosure and landfill closure costs				69,694
Undesignated	10,333	5,973	4,767	
Total fund balances	11,089	6,026	5,112	69,756
Total liabilities and fund balances	\$ 13,645	6,122	5,368	70,974

Combining Financial Statements/Schedules Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2007
(In Thousands)
(Continued)**

	Cable TV Fund	Park Land Dedication Fund	SANCAL Fund	County Service District Funds
ASSETS				
Pooled cash and investments	\$ 2,365	10,145	97	18,438
Cash with fiscal agents				
Investments with fiscal agents				
Receivables, net	34	136		541
Property taxes receivables, net				61
Due from other funds	16			84
Inventories	1			
Deposits with others				
Prepaid items				
Restricted assets:				
Cash with fiscal agents				
Investments with fiscal agents			944	
Total assets	2,416	10,281	1,041	19,124
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	14	43	4	1,435
Accrued payroll	39			
Due to other funds	15	392		261
Advances from other funds				161
Deferred revenues				52
Unearned revenue				349
Total liabilities	68	435	4	2,258
Fund balances				
Reserved fund balance:				
Reserved for encumbrances	295	1,689		108
Reserved for loans, advances and prepaids				
Reserved for inventories	1			
Reserved for debt service				
Reserved for other purposes				1,271
Unreserved:				
Designated for subsequent years' expenditures				89
Designated for landfill postclosure and landfill closure costs				
Undesignated	2,052	8,157	1,037	15,398
Total fund balances	2,348	9,846	1,037	16,866
Total liabilities and fund balances	\$ 2,416	10,281	1,041	19,124



Combining Financial Statements/Schedules Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2007
(In Thousands)**

(Continued)	Flood Control District Fund	Housing Authority Fund	Public Safety Fund	In Home Support Services Fund
ASSETS				
Pooled cash and investments	\$ 23,645	33,307	43,858	508
Cash with fiscal agents				
Investments with fiscal agents				
Receivables, net	2,458	11,115	40,544	16
Property taxes receivables, net	61			
Due from other funds	1,633	31	100	
Inventories				
Deposits with others		84		
Prepaid items		1		
Restricted assets:				
Cash with fiscal agents		181		
Investments with fiscal agents		625		
Total assets	27,797	45,344	84,502	524
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	724	1,075		98
Accrued payroll				
Due to other funds	623	1,712	76,575	400
Advances from other funds				
Deferred revenues	52	2,140		
Unearned revenue	62	2,579		
Total liabilities	1,461	7,506	76,575	498
Fund balances				
Reserved fund balance:				
Reserved for encumbrances			1,000	17
Reserved for loans, advances and prepaids		7,588		
Reserved for inventories				
Reserved for debt service		250		
Reserved for other purposes	19,095	295		
Unreserved:				
Designated for subsequent years' expenditures				
Designated for landfill postclosure and landfill closure costs				
Undesignated	7,241	29,705	6,927	9
Total fund balances	26,336	37,838	7,927	26
Total liabilities and fund balances	\$ 27,797	45,344	84,502	524

Combining Financial Statements/Schedules Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2007
(In Thousands)
(Continued)**

	Other Special Districts Funds	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
ASSETS			
Pooled cash and investments	\$ 654		295,840
Cash with fiscal agents			1,292
Investments with fiscal agents			53,594
Receivables, net	2	16,170	120,510
Property taxes receivables, net			628
Due from other funds	6		4,938
Inventories			1,874
Deposits with others			97
Prepaid items			1
Restricted assets:			
Cash with fiscal agents			181
Investments with fiscal agents		47,278	48,847
Total assets	662	63,448	527,802
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable		59	19,231
Accrued payroll			1,353
Due to other funds	126		87,500
Advances from other funds			161
Deferred revenues		16,013	19,151
Unearned revenue			4,672
Total liabilities	126	16,072	132,068
Fund balances			
Reserved fund balance:			
Reserved for encumbrances			36,237
Reserved for loans, advances and prepaids			40,293
Reserved for inventories			1,874
Reserved for debt service		46,908	47,158
Reserved for other purposes			76,039
Unreserved:			
Designated for subsequent years' expenditures			626
Designated for landfill postclosure and landfill closure costs			69,694
Undesignated	536	468	123,813
Total fund balances	536	47,376	395,734
Total liabilities and fund balances	\$ 662	63,448	527,802



Combining Financial Statements/Schedules Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Debt Service Funds
June 30, 2007
(In Thousands)**

	Pension Obligation Bonds Fund	SANCAL Fund	Redevelopment Agency Fund	Total Debt Service Funds
ASSETS				
Pooled cash and investments	\$ 6,984	1,070	1,745	9,799
Receivables, net	247	449	28	724
Property taxes receivables, net			132	132
Due from other funds	1,843			1,843
Advances to other funds		64		64
Restricted assets:				
Cash with fiscal agents	7			7
Investments with fiscal agents	18,279	33,655	1,160	53,094
Total assets	27,360	35,238	3,065	65,663
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	32		93	125
Deferred revenues			65	65
Unearned revenue			23	23
Total liabilities	32		181	213
Fund balances				
Reserved fund balance:				
Reserved for loans, advances and prepaids		64		64
Reserved for debt service	27,328	35,174	2,884	65,386
Total fund balances	27,328	35,238	2,884	65,450
Total liabilities and fund balances	\$ 27,360	35,238	3,065	65,663

Combining Financial Statements/Schedules Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Capital Projects Funds
June 30, 2007
(In Thousands)**

	Capital Outlay Fund	Edgemoor Development Fund	SANCAL Fund	Redevelopment Agency Fund	Total Capital Projects Funds
ASSETS					
Pooled cash and investments	\$ 5,727	18,766		4,166	28,659
Cash with fiscal agents	4,729				4,729
Receivables, net	7,860	256	878	1,144	10,138
Property taxes receivables, net				57	57
Due from other funds	3,237			93	3,330
Prepaid items				679	679
Restricted assets:					
Investments with fiscal agents			55,277		55,277
Total assets	21,553	19,022	56,155	6,139	102,869
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	7,138	1	3,541		10,680
Due to other funds	6,092	26	53	267	6,438
Advances from other funds				4,229	4,229
Deferred revenues				141	141
Unearned revenue	460			25	485
Total liabilities	13,690	27	3,594	4,662	21,973
Fund balances					
Reserved fund balance:					
Reserved for encumbrances		5,044			5,044
Reserved for loans, advances and prepaids				1,679	1,679
Reserved for other purposes		250			250
Unreserved:					
Undesignated	7,863	13,701	52,561	(202)	73,923
Total fund balances	7,863	18,995	52,561	1,477	80,896
Total liabilities and fund balances	\$ 21,553	19,022	56,155	6,139	102,869



Combining Financial Statements/Schedules Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 302,565	1,744	232	304,541
Licenses, permits and franchise fees	10,055			10,055
Fines, forfeitures and penalties	3,103		4	3,107
Revenue from use of money and property	18,163	3,892	4,172	26,227
Aid from other governmental agencies:				
State	70,384		6,157	76,541
Federal	115,102		1,309	116,411
Other	7,479		75	7,554
Charges for current services	55,767			55,767
Other revenue	33,012	6,692	3,749	43,453
Total revenues	615,630	12,328	15,698	643,656
Expenditures:				
Current:				
General government	3,426	5,250	534	9,210
Public protection	5,915		243	6,158
Public ways and facilities	72,950			72,950
Health and sanitation	37,435			37,435
Public assistance	115,059			115,059
Education	31,804			31,804
Recreation and cultural	2,265			2,265
Capital outlay	64,708		56,119	120,827
Debt service:				
Principal	3,371	70,445		73,816
Interest and fiscal charges	26,902	78,350		105,252
Bond issuance costs		885		885
Total expenditures	363,835	154,930	56,896	575,661
Excess (deficiency) of revenues over (under) expenditures	251,795	(142,602)	(41,198)	67,995
Other financing sources (uses)				
Sale of capital assets	7		1,464	1,471
Issuance of bonds and loans:				
Face value of bonds issued		10,884	31,506	42,390
Face value of loans issued	462			462
Premium on issuance of bonds		606		606
Transfers in	66,812	114,772	47,267	228,851
Transfers out	(305,984)	(1,077)	(30,565)	(337,626)
Total other financing sources (uses)	(238,703)	125,185	49,672	(63,846)
Net change in fund balances	13,092	(17,417)	8,474	4,149
Fund balances at beginning of year	382,533	82,867	72,422	537,822
Increase (decrease) in Reserve for inventories	109			109
Fund balances at end of year	\$ 395,734	65,450	80,896	542,080

Combining Financial Statements/Schedules Governmental Funds



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended June 30, 2007
(In Thousands)**

	Road Fund	Housing and Community Development Fund	Air Pollution Fund	Lighting Maintenance District Fund
Revenues:				
Taxes	\$ 30,735			1,017
Licenses, permits and franchise fees	105		6,891	
Fines, forfeitures and penalties	13		1,297	
Revenue from use of money and property	2,782	14	978	31
Aid from other governmental agencies:				
State	61,176	20	6,500	15
Federal	2,075	8,532	2,494	
Other	81	962	5,017	
Charges for current services	39,698		2,121	586
Other revenue	164	96	404	
Total revenues	136,829	9,624	25,702	1,649
Expenditures:				
Current:				
General government				
Public protection				
Public ways and facilities	69,770			1,532
Health and sanitation			20,869	
Public assistance		8,956		
Education				
Recreation and cultural				
Capital outlay	55,147		123	
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures	124,917	8,956	20,992	1,532
Excess (deficiency) of revenues over (under) expenditures	11,912	668	4,710	117
Other financing sources (uses)				
Sale of capital assets			1	
Issuance of bonds and loans:				
Face value of loans issued				
Transfers in	141		54	
Transfers out	(1,775)		(611)	
Total other financing sources (uses)	(1,634)		(556)	
Net change in fund balances	10,278	668	4,154	117
Fund balances at beginning of year	88,081	32,033	17,723	513
Increase (decrease) in				
Reserve for inventories	10		38	
Fund balances at end of year	\$ 98,369	32,701	21,915	630



Combining Financial Statements/Schedules Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended June 30, 2007
(In Thousands)**

(Continued)	County Library Fund	Asset Forfeiture Program Fund	Inmate Welfare Program Fund	Inactive Wastesites Fund
Revenues:				
Taxes	\$ 28,298			
Licenses, permits and franchise fees				
Fines, forfeitures and penalties		1,752		2
Revenue from use of money and property	552	330	1,930	5,290
Aid from other governmental agencies:				
State	1,003		3	287
Federal				
Other				
Charges for current services	1,332			1,247
Other revenue	386		618	5
Total revenues	31,571	2,082	2,551	6,831
Expenditures:				
Current:				
General government				
Public protection		690	2,606	
Public ways and facilities				
Health and sanitation				9,541
Public assistance				
Education	31,804			
Recreation and cultural				
Capital outlay	278	27	16	
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures	32,082	717	2,622	9,541
Excess (deficiency) of revenues over (under) expenditures	(511)	1,365	(71)	(2,710)
Other financing sources (uses)				
Sale of capital assets	1			
Issuance of bonds and loans:				
Face value of loans issued				
Transfers in	3,569		500	327
Transfers out	(773)	(1,165)	(1,332)	(196)
Total other financing sources (uses)	2,797	(1,165)	(832)	131
Net change in fund balances	2,286	200	(903)	(2,579)
Fund balances at beginning of year	8,809	5,825	5,949	72,335
Increase (decrease) in				
Reserve for inventories	(6)	1	66	
Fund balances at end of year	\$ 11,089	6,026	5,112	69,756

Combining Financial Statements/Schedules Governmental Funds



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended June 30, 2007
(In Thousands)**

(Continued)	Cable TV Fund	Park Land Dedication Fund	SANCAL Fund	County Service District Funds
Revenues:				
Taxes	\$			3,889
Licenses, permits and franchise fees	2,247	812		
Fines, forfeitures and penalties				
Revenue from use of money and property	134	530	529	966
Aid from other governmental agencies:				
State				37
Federal				14
Other			23	1,389
Charges for current services	159			6,810
Other revenue	19			10
Total revenues	2,559	1,342	552	13,115
Expenditures:				
Current:				
General government	2,361		39	862
Public protection				941
Public ways and facilities				1,485
Health and sanitation				7,025
Public assistance				
Education				
Recreation and cultural		509		1,756
Capital outlay				10
Debt service:				
Principal				138
Interest and fiscal charges				50
Total expenditures	2,361	509	39	12,267
Excess (deficiency) of revenues over (under) expenditures	198	833	513	848
Other financing sources (uses)				
Sale of capital assets				5
Issuance of bonds and loans:				
Face value of loans issued				462
Transfers in	5		45,756	
Transfers out	(93)	(421)	(47,799)	(287)
Total other financing sources (uses)	(88)	(421)	(2,043)	180
Net change in fund balances	110	412	(1,530)	1,028
Fund balances at beginning of year	2,238	9,434	2,567	15,838
Increase (decrease) in Reserve for inventories				
Fund balances at end of year	\$ 2,348	9,846	1,037	16,866



Combining Financial Statements/Schedules Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended June 30, 2007
(In Thousands)**

(Continued)	Flood Control District Fund	Housing Authority Fund	Public Safety Fund	In Home Support Services Fund
Revenues:				
Taxes	\$ 3,829		234,797	
Licenses, permits and franchise fees				
Fines, forfeitures and penalties				
Revenue from use of money and property	185	1,613		78
Aid from other governmental agencies:				
State	1,180			
Federal	3,427	98,559		
Other		7		
Charges for current services	1,817	1,870		
Other revenue	499	1,592		
Total revenues	10,937	103,641	234,797	78
Expenditures:				
Current:				
General government				
Public protection	1,636			
Public ways and facilities				
Health and sanitation				
Public assistance		96,379		9,724
Education				
Recreation and cultural				
Capital outlay	9,107			
Debt service:				
Principal		133		
Interest and fiscal charges		32		
Total expenditures	10,743	96,544		9,724
Excess (deficiency) of revenues over (under) expenditures	194	7,097	234,797	(9,646)
Other financing sources (uses)				
Sale of capital assets				
Issuance of bonds and loans:				
Face value of loans issued				
Transfers in	6,818			9,642
Transfers out			(251,406)	
Total other financing sources (uses)	6,818		(251,406)	9,642
Net change in fund balances	7,012	7,097	(16,609)	(4)
Fund balances at beginning of year	19,324	30,741	24,536	30
Increase (decrease) in Reserve for inventories				
Fund balances at end of year	\$ 26,336	37,838	7,927	26

Combining Financial Statements/Schedules Governmental Funds



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended June 30, 2007
(In Thousands)**

(Continued)

	Other Special Districts Funds	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
Revenues:			
Taxes	\$		302,565
Licenses, permits and franchise fees			10,055
Fines, forfeitures and penalties	39		3,103
Revenue from use of money and property	11	2,210	18,163
Aid from other governmental agencies:			
State	163		70,384
Federal	1		115,102
Other			7,479
Charges for current services	127		55,767
Other revenue		29,219	33,012
Total revenues	341	31,429	615,630
Expenditures:			
Current:			
General government		164	3,426
Public protection	42		5,915
Public ways and facilities	163		72,950
Health and sanitation			37,435
Public assistance			115,059
Education			31,804
Recreation and cultural			2,265
Capital outlay			64,708
Debt service:			
Principal		3,100	3,371
Interest and fiscal charges		26,820	26,902
Total expenditures	205	30,084	363,835
Excess (deficiency) of revenues over (under) expenditures	136	1,345	251,795
Other financing sources (uses)			
Sale of capital assets			7
Issuance of bonds and loans:			
Face value of loans issued			462
Transfers in			66,812
Transfers out	(126)		(305,984)
Total other financing sources (uses)	(126)		(238,703)
Net change in fund balances	10	1,345	13,092
Fund balances at beginning of year	526	46,031	382,533
Increase (decrease) in Reserve for inventories			109
Fund balances at end of year	\$ 536	47,376	395,734



Combining Financial Statements/Schedules Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
For the Year Ended June 30, 2007
(In Thousands)**

	Pension Obligation Bonds Fund	SANCAL Fund	Redevelopment Agency Fund	Total Debt Service Funds
Revenues:				
Taxes	\$		1,744	1,744
Revenue from use of money and property	2,068	1,671	153	3,892
Other revenue	6,692			6,692
Total revenues	8,760	1,671	1,897	12,328
Expenditures:				
Current:				
General government	2,570	2,313	367	5,250
Debt service:				
Principal	35,360	34,725	360	70,445
Interest and fiscal charges	61,010	16,503	837	78,350
Bond issuance costs		885		885
Total expenditures	98,940	54,426	1,564	154,930
Excess (deficiency) of revenues over (under) expenditures	(90,180)	(52,755)	333	(142,602)
Other financing sources (uses)				
Issuance of bonds and loans:				
Face value of bonds issued		10,884		10,884
Premium on issuance of bonds		606		606
Transfers in	66,686	47,799	287	114,772
Transfers out		(676)	(401)	(1,077)
Total other financing sources (uses)	66,686	58,613	(114)	125,185
Net change in fund balances	(23,494)	5,858	219	(17,417)
Fund balances at beginning of year	50,822	29,380	2,665	82,867
Fund balances at end of year	\$ 27,328	35,238	2,884	65,450

Combining Financial Statements/Schedules Governmental Funds



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
For the Year Ended June 30, 2007
(In Thousands)**

	Capital Outlay Fund	Edgemoor Development Fund	SANCAL Fund	Redevelopment Agency Fund	Total Capital Projects Funds
Revenues:					
Taxes	\$			232	232
Fines, forfeitures and penalties	4				4
Revenue from use of money and property	305	1,172	2,493	202	4,172
Aid from other governmental agencies:					
State	6,157				6,157
Federal	1,309				1,309
Other	75				75
Other revenue	1,456	2,293			3,749
Total revenues	9,306	3,465	2,493	434	15,698
Expenditures:					
Current:					
General government	10	343		181	534
Public protection				243	243
Capital outlay	56,119				56,119
Total expenditures	56,129	343		424	56,896
Excess (deficiency) of revenues over (under) expenditures	(46,823)	3,122	2,493	10	(41,198)
Other financing sources (uses)					
Sale of capital assets		1,464			1,464
Issuance of bonds and loans:					
Face value of bonds issued			31,506		31,506
Transfers in	46,865		1	401	47,267
Transfers out	(90)	(40)	(30,149)	(286)	(30,565)
Total other financing sources (uses)	46,775	1,424	1,358	115	49,672
Net change in fund balances	(48)	4,546	3,851	125	8,474
Fund balances at beginning of year	7,911	14,449	48,710	1,352	72,422
Fund balances at end of year	\$ 7,863	18,995	52,561	1,477	80,896



Combining Financial Statements/Schedules Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**

Road Fund

For the Year Ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 70,664	42,235	30,735
Licenses, permits and franchise fees	202	202	105
Fines, forfeitures and penalties	36	36	13
Revenue from use of money and property	643	643	2,782
Aid from other governmental agencies:			
State	61,379	67,879	61,176
Federal	5,918	5,468	2,075
Other	125	125	81
Charges for current services	32,702	29,718	39,698
Other revenue	5	350	164
Total revenues	171,674	146,656	136,829
Expenditures:			
Current:			
Public ways and facilities:			
Public works, other budgetary entity			2,266
Public works, road	132,834	93,115	67,504
Total public ways and facilities	132,834	93,115	69,770
Capital outlay	55,160	55,151	55,147
Total expenditures	187,994	148,266	124,917
Excess (deficiency) of revenues over (under) expenditures	(16,320)	(1,610)	11,912
Other financing sources (uses)			
Transfers in	100	245	141
Transfers out	(1,718)	(1,718)	(1,775)
Total other financing sources (uses)	(1,618)	(1,473)	(1,634)
Net change in fund balance	(17,938)	(3,083)	10,278
Fund balance at beginning of year	98,177	88,081	88,081
Increase (decrease) in Reserve for inventories		10	10
Fund balance at end of year	\$	85,008	98,369

Combining Financial Statements/Schedules Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Housing and Community Development Fund
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		14
Aid from other governmental agencies:			
State	10	10	20
Federal	31,381	25,090	8,532
Other	230	230	962
Other revenue	1,275	1,275	96
Total revenues	32,896	26,605	9,624
Expenditures:			
Current:			
Public assistance:			
Housing and community development	31,305	26,606	8,956
Total public assistance	31,305	26,606	8,956
Total expenditures	31,305	26,606	8,956
Excess (deficiency) of revenues over (under) expenditures	1,591	(1)	668
Other financing sources (uses)			
Transfers out	(1,592)		
Total other financing sources (uses)	(1,592)		
Net change in fund balance	(1)	(1)	668
Fund balance at beginning of year	6,629	32,033	32,033
Fund balance at end of year	\$	32,032	32,701



Combining Financial Statements/Schedules Governmental Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

Air Pollution Fund

For the Year Ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 8,066	8,066	6,891
Fines, forfeitures and penalties	1,020	1,020	1,297
Revenue from use of money and property	231	231	978
Aid from other governmental agencies:			
State	5,220	6,271	6,500
Federal	2,379	2,575	2,494
Other	4,926	4,926	5,017
Charges for current services	1,256	2,591	2,121
Other revenue	137	137	404
Total revenues	23,235	25,817	25,702
Expenditures:			
Current:			
Health and sanitation:			
Air pollution control	17,926	18,306	16,480
Air pollution control, improvement trust	5,319	2,691	1,388
Air pollution control, moyer program	6,305	2,874	2,579
Air pollution control, power general mitigation	1,659	2,223	360
Air pollution control, school bus program	175	62	62
Total health and sanitation	31,384	26,156	20,869
Capital outlay	349	454	123
Debt service:			
Principal	26	26	
Total expenditures	31,759	26,636	20,992
Excess (deficiency) of revenues over (under) expenditures	(8,524)	(819)	4,710
Other financing sources (uses)			
Sale of capital assets			1
Transfers in	5,100	54	54
Transfers out	(5,647)	(601)	(611)
Total other financing sources (uses)	(547)	(547)	(556)
Net change in fund balance	(9,071)	(1,366)	4,154
Fund balance at beginning of year	13,766	17,723	17,723
Increase (decrease) in Reserve for inventories		38	38
Fund balance at end of year	\$	16,395	21,915

Combining Financial Statements/Schedules Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**
Lighting Maintenance District Fund
For the Year Ended June 30, 2007
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 890	890	1,017
Revenue from use of money and property		17	31
Aid from other governmental agencies:			
State	8	8	15
Charges for current services	599	599	586
Total revenues	1,497	1,514	1,649
Expenditures:			
Current:			
Public ways and facilities:			
San Diego Lighting Maintenance	1,517	1,533	1,532
Total expenditures	1,517	1,533	1,532
Excess (deficiency) of revenues over (under) expenditures	(20)	(19)	117
Net change in fund balance	(20)	(19)	117
Fund balance at beginning of year	17	513	513
Fund balance at end of year	\$	494	630



Combining Financial Statements/Schedules Governmental Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

**County Library Fund
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 26,417	26,417	28,298
Fines, forfeitures and penalties	(19)	(19)	
Revenue from use of money and property	185	185	552
Aid from other governmental agencies:			
State	816	816	1,003
Federal	5	5	
Charges for current services	1,077	1,077	1,332
Other revenue	548	548	386
Total revenues	29,029	29,029	31,571
Expenditures:			
Current:			
Education:			
County library	37,499	38,748	31,804
Total education	37,499	38,748	31,804
Capital outlay	2	486	278
Total expenditures	37,501	39,234	32,082
Excess (deficiency) of revenues over (under) expenditures	(8,472)	(10,205)	(511)
Other financing sources (uses)			
Sale of capital assets			1
Transfers in	3,550	3,594	3,569
Transfers out	(741)	(737)	(773)
Total other financing sources (uses)	2,809	2,857	2,797
Net change in fund balance	(5,663)	(7,348)	2,286
Fund balance at beginning of year	662	8,809	8,809
Increase (decrease) in Reserve for inventories		(6)	(6)
Fund balance at end of year	\$	1,455	11,089

Combining Financial Statements/Schedules Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Asset Forfeiture Program Fund
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$ 900	951	1,752
Revenue from use of money and property			330
Total revenues	900	951	2,082
Expenditures:			
Current:			
Public protection:			
District attorney asset forfeiture program - federal	50	113	87
District attorney asset forfeiture program - state	200	220	32
Probation asset forfeiture program	50	223	150
Sheriff's asset forfeiture program	1,145	1,119	421
Total public protection	1,445	1,675	690
Capital outlay	200	200	27
Total expenditures	1,645	1,875	717
Excess (deficiency) of revenues over (under) expenditures	(745)	(924)	1,365
Other financing sources (uses)			
Transfers out	(300)	(1,300)	(1,165)
Total other financing sources (uses)	(300)	(1,300)	(1,165)
Net change in fund balance	(1,045)	(2,224)	200
Fund balance at beginning of year	245	5,825	5,825
Increase (decrease) in Reserve for inventories		1	1
Fund balance at end of year	\$	3,602	6,026



Combining Financial Statements/Schedules Governmental Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

**Inmate Welfare Program Fund
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 3,925	3,925	1,930
Aid from other governmental agencies:			
State	1	1	3
Other revenue	300	300	618
Total revenues	4,226	4,226	2,551
Expenditures:			
Current:			
Public protection:			
Probation inmate welfare	226	225	107
Sheriff's inmate welfare	3,146	3,051	2,499
Total public protection	3,372	3,276	2,606
Capital outlay	114	32	16
Total expenditures	3,486	3,308	2,622
Excess (deficiency) of revenues over (under) expenditures	740	918	(71)
Other financing sources (uses)			
Transfers in	500	500	500
Transfers out	(1,962)	(1,962)	(1,332)
Total other financing sources (uses)	(1,462)	(1,462)	(832)
Net change in fund balance	(722)	(544)	(903)
Fund balance at beginning of year	516	5,949	5,949
Increase (decrease) in Reserve for inventories		66	66
Fund balance at end of year	\$	5,471	5,112

Combining Financial Statements/Schedules Governmental Funds



SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

Inactive Wastesites Fund

For the Year Ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$		2
Revenue from use of money and property	345	349	5,290
Aid from other governmental agencies:			
State	256	248	287
Charges for current services	1,667	1,659	1,247
Other revenue	12,355	11,522	5
Total revenues	14,623	13,778	6,831
Expenditures:			
Current:			
Health and sanitation:			
Duck pond landfill cleanup	15	19	18
Hillsborough maintenance	302	303	139
Inactive waste site management	14,846	13,869	9,384
Total health and sanitation	15,163	14,191	9,541
Capital outlay	16	16	
Total expenditures	15,179	14,207	9,541
Excess (deficiency) of revenues over (under) expenditures	(556)	(429)	(2,710)
Other financing sources (uses)			
Transfers in	334	334	327
Transfers out	(249)	(204)	(196)
Total other financing sources (uses)	85	130	131
Net change in fund balance	(471)	(299)	(2,579)
Fund balance at beginning of year	2,423	72,335	72,335
Fund balance at end of year	\$	72,036	69,756



Combining Financial Statements/Schedules Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**

Cable TV Fund

For the Year Ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 2,300	2,300	2,247
Revenue from use of money and property			134
Charges for current services	150	150	159
Other revenue			19
Total revenues	2,450	2,450	2,559
Expenditures:			
Current:			
General government:			
Media and public relation	2,752	2,586	2,361
Total general government	2,752	2,586	2,361
Capital outlay	1	1	
Total expenditures	2,753	2,587	2,361
Excess (deficiency) of revenues over (under) expenditures	(303)	(137)	198
Other financing sources (uses)			
Transfers in		5	5
Transfers out	(95)	(95)	(93)
Total other financing sources (uses)	(95)	(90)	(88)
Net change in fund balance	(398)	(227)	110
Fund balance at beginning of year	70	2,238	2,238
Fund balance at end of year	\$	2,011	2,348

Combining Financial Statements/Schedules Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Park Land Dedication Fund
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 67	67	812
Revenue from use of money and property			530
Total revenues	67	67	1,342
Expenditures:			
Current:			
Recreation and cultural:			
Local Park Planning Area 15 Sweetwater	5	6	4
Local Park Planning Area 16 Otay	1	1	
Local Park Planning Area 19 Jamul	1	17	
Local Park Planning Area 20 Spring Valley	4	13	
Local Park Planning Area 25 Lakeside	5	7	
Local Park Planning Area 26 Crest	3	3	
Local Park Planning Area 27 Alpine	4	4	
Local Park Planning Area 28 Ramona	128	26	10
Local Park Planning Area 29 Escondido	3	6	1
Local Park Planning Area 30 San Marcos	1	1	
Local Park Planning Area 31 San Dieguito	4	20	1
Local Park Planning Area 32 Carlsbad	1	1	
Local Park Planning Area 35 Fallbrook	4	16	6
Local Park Planning Area 36 Bonsall	2	2	
Local Park Planning Area 37 Vista	1	2	
Local Park Planning Area 38 Valley Center	8	474	462
Local Park Planning Area 39 Pauma	1	31	27
Local Park Planning Area 4 Lincoln Acres	1	1	
Local Park Planning Area 40 Palomar-Julian	3	3	
Local Park Planning Area 41 Mount Empire	3	6	(2)
Local Park Planning Area 42 Anza-Borrego	2	3	
Local Park Planning Central Mountain	2	2	
Local Park Planning Oceanside	1	1	
Local Park Planning Valle de Oro	3	4	
Total recreational and cultural	191	650	509
Total expenditures	191	650	509
Excess (deficiency) of revenues over (under) expenditures	(124)	(583)	833
Other financing sources (uses)			
Transfers in			
Transfers out	(1,295)	(540)	(421)
Total other financing sources (uses)	(1,295)	(540)	(421)
Net change in fund balance	(1,419)	(1,123)	412
Fund balance at beginning of year	1,218	9,434	9,434
Fund balance at end of year	\$	8,311	9,846



Combining Financial Statements/Schedules Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Service District Funds
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 3,312	3,492	3,889
Revenue from use of money and property	179	177	966
Aid from other governmental agencies:			
State	25	25	37
Federal		7	14
Other	1,538	1,538	1,389
Charges for current services	7,330	7,331	6,810
Other revenue	194	194	10
Total revenues	12,578	12,764	13,115
Expenditures:			
Current:			
General government:			
Regional Communication System CSA 135	633	633	623
Regional Communication System CSA 135 Zone B Del Mar	57	57	56
Regional Communication System CSA 135 Zone F Poway	145	147	146
Regional Communications System CSA 135 Zone H Solana Beach	38	38	37
Total general government	873	875	862
Public protection:			
Fire protection, PRD 107 Elfin Forest	306	306	253
Fire protection, PRD 109 MT Laguna F	48	48	34
Fire protection, PRD 110 MT Palomar F	194	194	118
Fire protection, PRD 111 Boulevard F	58	95	80
Fire protection, PRD 112 Campo Fire	47	28	24
Fire protection, PRD 113 San Pasqual	119	95	50
Fire protection, PRD 115 Pepper Drive	384	384	382
Total public protection	1,156	1,150	941
Public ways and facilities:			
PRD 10 Davis Dr	21	21	4
PRD 100 Viejas View	16	16	4
PRD 1002 Sunny Acres	7	7	2
PRD 1003 Alamo Way	7	7	
PRD 1004 Butterfly	14	14	2
PRD 1005 Eden Valley	21	21	4
PRD 1007 Tumbler Creek	1	1	
PRD 1008 Canter	17	17	4
PRD 1009 Golf Drive	2	2	
PRD 101 A Hi-Ridge R	25	25	3
PRD 101 Johnson LK	58	58	4
PRD 1010 Alpine Highlands ZN	149	152	143
PRD 1011 La Cuesta ZN	23	23	6
PRD 1012 8112 Millar	45	42	2
PRD 1013 Singing Trails	50	50	8
PRD 1015 Landavo Drive ET AL	198	420	347
PRD 1016 El Sereno Way		142	111
PRD 102 MTN Meadow	83	83	8
PRD 103 Alto Drive	96	96	6
PRD 104 Artesian RO	51	51	7
PRD 105 A Alta Loma D	21	21	4
PRD 105 Alta Loma D	17	17	4
PRD 106 Garrison Ay	62	62	11
PRD 11 A Bernardo RD	37	37	16
PRD 11 A Bernardo RD	25	25	17
PRD 11 D Bernardo RD	19	19	4
PRD 117 Legend Rock	42	49	48
PRD 12 Lomair	95	95	7
PRD 123 Mizpah Lane	19	19	4

Combining Financial Statements/Schedules Governmental Funds



SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

County Service District Funds
For the Year Ended June 30, 2007
(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
PRD 125 Wrightwood	\$ 41	41	6
PRD 126 Sandhurst W	23	23	5
PRD 127 Singing Trails	24	24	4
PRD 13 A Pala Mesa	155	155	134
PRD 13 B Stewart Canyon	58	58	39
PRD 130 Wilkes Road	83	69	31
PRD 133 Rnch Creek Rd	40	40	5
PRD 134 Kenora Lane	50	50	29
PRD 14 Rancho Diego	12	12	7
PRD 16 Wynola	52	49	9
PRD 18 Harrison Park	122	121	116
PRD 20 Daily Road	288	288	18
PRD 21 Pauma Heights	107	107	15
PRD 22 W Dougherty St	20	20	4
PRD 23 Rock Terrce RD	6	6	2
PRD 24 MT Whitney RD	54	54	1
PRD 30 Royal Oaks-CAR	35	35	4
PRD 38 Gay Rio Terrace	35	35	4
PRD 39 Sunbeam Lane	9	9	4
PRD 45 Rincon Springs	117	117	5
PRD 46 Rocosco Road	19	19	3
PRD 49 Sunset Knls RD	23	23	4
PRD 50 Knoll Park LN	48	48	5
PRD 53 Knoll Park LN EX	94	94	5
PRD 54 MT Helix	37	37	8
PRD 55 Rainbow Crest	178	178	8
PRD 6 Pauma Valley	229	229	28
PRD 60 River Drive	31	31	5
PRD 61 GRN Meadow Way	88	88	44
PRD 63 Hillview Road	206	206	51
PRD 64 Lila Lane	5	5	3
PRD 70 El Camino Cort	26	26	4
PRD 75 A Gay Rio Drive	76	76	5
PRD 75 B Gay Rio Drive	123	123	6
PRD 76 Kingford CT	17	17	3
PRD 77 Montiel TRK TR	75	75	18
PRD 78 Gardena Ay	55	55	7
PRD 8 Magee RD-PAL	89	89	5
PRD 80 Harris TRK TRL	89	89	4
PRD 86 Watson Place	1	1	
PRD 88 East Fifth St	39	39	3
PRD 9 B Santa Fe	54	54	7
PRD 90 South Cordov	41	41	6
PRD 94 Roble Grnde	189	189	15
PRD 95 Valle Del Sol	99	99	7
PRD 99 Via Allndra	30	30	5
Public works, PRD 1014 Lavender PT Lane	121	121	4
Total public ways and facilities	\$ 4,634	4,987	1,485



Combining Financial Statements/Schedules Governmental Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

County Service District Funds
For the Year Ended June 30, 2007
(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
Health and sanitation:			
CSA 17 San Dieguito Ambulance	\$ 2,705	2,706	2,623
CSA 69 Heartland Paramedics	4,752	4,727	4,373
PRD 136 Sundance Detention Basin	85	85	15
Sanitation, PRD 122 Otay Mesa East	76	75	14
Total health and sanitation	7,618	7,593	7,025
Recreation and cultural:			
CSA 128 San Miguel Park	387	387	387
CSA 26 Rancho San Diego	234	234	226
CSA 26 San Diego landscape maintenance		125	21
CSA 81 Fallbrook Park	109	119	112
CSA 83 San Dieguito	470	526	503
CSA 83A 4S Ranch Park	217	242	242
PRD 26 A Cottonwood Village	168	168	135
PRD 26 B Monte Vista	262	262	130
Total recreation and cultural	1,847	2,063	1,756
Capital outlay	284	171	10
Debt service:			
Principal	312	333	138
Interest and fiscal charges	43	59	50
Total expenditures	16,767	17,231	12,267
Excess (deficiency) of revenues over (under) expenditures	(4,189)	(4,467)	848
Other financing sources (uses)			
Sale of capital assets			5
Issuance of bonds and loans:			
Face value of loans issued			462
Long-term debt proceeds	342	674	
Transfers in	215	137	
Transfers out	(692)	(614)	(287)
Total other financing sources (uses)	(135)	197	180
Net change in fund balance	(4,324)	(4,270)	1,028
Fund balance at beginning of year	397	15,838	15,838
Fund balance at end of year	\$	11,568	16,866

Combining Financial Statements/Schedules Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Flood Control Districts Fund
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 3,201	2,236	3,829
Revenue from use of money and property	40	40	185
Aid from other governmental agencies:			
State	750	750	1,180
Federal		264	3,427
Charges for current services	67	67	1,817
Other revenue	6,659	2,970	499
Total revenues	10,717	6,327	10,937
Expenditures:			
Current:			
Public protection:			
Flood control district	6,780	2,817	1,636
Stormwater Maint	8	8	
Total public protection	6,788	2,825	1,636
Capital outlay	9,107	9,107	9,107
Total expenditures	15,895	11,932	10,743
Excess (deficiency) of revenues over (under) expenditures	(5,178)	(5,605)	194
Other financing sources (uses)			
Transfers in	5,000	5,429	6,818
Total other financing sources (uses)	5,000	5,429	6,818
Net change in fund balance	(178)	(176)	7,012
Fund balance at beginning of year	10,943	19,324	19,324
Fund balance at end of year	\$	19,148	26,336



Combining Financial Statements/Schedules Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Housing Authority Fund
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		1,613
Aid from other governmental agencies:			
Federal	103,425	103,423	98,559
Other	337	291	7
Charges for current services	6,747	6,747	1,870
Other revenue	1,884	1,823	1,592
Total revenues	112,393	112,284	103,641
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	112,392	112,118	96,379
Debt service:			
Principal		133	133
Interest and fiscal charges		32	32
Total expenditures	112,392	112,283	96,544
Excess (deficiency) of revenues over (under) expenditures	1	1	7,097
Net change in fund balance	1	1	7,097
Fund balance at beginning of year	195	30,741	30,741
Fund balance at end of year	\$	30,742	37,838



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**

**Public Safety Fund
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 238,480	238,480	234,797
Total revenues	238,480	238,480	234,797
Excess (deficiency) of revenues over (under) expenditures	238,480	238,480	234,797
Other financing sources (uses)			
Transfers out	(241,115)	(251,406)	(251,406)
Total other financing sources (uses)	(241,115)	(251,406)	(251,406)
Net change in fund balance	(2,635)	(12,926)	(16,609)
Fund balance at beginning of year	1,957	24,536	24,536
Fund balance at end of year	\$	11,610	7,927



Combining Financial Statements/Schedules Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
In Home Support Services Fund
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		78
Total revenues			78
Expenditures:			
Current:			
Public assistance:			
IHSS Public authority	13,841	13,824	9,724
Total public assistance	13,841	13,824	9,724
Total expenditures	13,841	13,824	9,724
Excess (deficiency) of revenues over (under) expenditures	(13,841)	(13,824)	(9,646)
Other financing sources (uses)			
Transfers in	13,799	13,799	9,642
Total other financing sources (uses)	13,799	13,799	9,642
Net change in fund balance	(42)	(25)	(4)
Fund balance at beginning of year	42	30	30
Fund balance at end of year	\$	5	26

Combining Financial Statements/Schedules Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Other Special Districts Funds
For the Year Ended June 30, 2007
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$ 16	16	39
Revenue from use of money and property	10	10	11
Aid from other governmental agencies:			
State	196	196	163
Federal			1
Charges for current services	100	130	127
Total revenues	322	352	341
Expenditures:			
Current:			
Public protection:			
Agriculture weights and Measure - Fish and Game	47	47	42
Total public protection	47	47	42
Public ways and facilities:			
Special Aviation	206	206	163
Total public ways and facilities	206	206	163
Total expenditures	253	253	205
Excess (deficiency) of revenues over (under) expenditures	69	99	136
Other financing sources (uses)			
Transfers out	(100)	(130)	(126)
Total other financing sources (uses)	(100)	(130)	(126)
Net change in fund balance	(31)	(31)	10
Fund balance at beginning of year		526	526
Fund balance at end of year	\$	495	536



Combining Financial Statements 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

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 Financial Statements Enterprise Funds



**COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
June 30, 2007
(In thousands)**

	Airport Fund	Wastewater Management Fund	Sanitation Districts Fund	Total Enterprise Funds
ASSETS				
Current assets:				
Pooled cash and investments	\$ 15,383	1,602	64,043	81,028
Receivables, net	2,040	29	1,149	3,218
Due from other funds	6	1,633	7	1,646
Total current assets	17,429	3,264	65,199	85,892
Noncurrent assets:				
Advances to other funds	3,363			3,363
Capital assets:				
Land	10,154	20	1,069	11,243
Construction and contracts in progress	23,951		18,632	42,583
Buildings and improvements	45,083	721	1,699	47,503
Equipment	525	222	594	1,341
Road network	235			235
Sewer network			65,626	65,626
Accumulated depreciation	(22,049)	(551)	(30,831)	(53,431)
Total noncurrent assets	61,262	412	56,789	118,463
Total assets	78,691	3,676	121,988	204,355
LIABILITIES				
Current liabilities:				
Accounts payable	1,247	22	556	1,825
Accrued payroll	50	59		109
Due to other funds	624	325	1,688	2,637
Unearned revenue	129		2	131
Bonds and loans payable	205		1	206
Compensated absences	62	75		137
Total current liabilities	2,317	481	2,247	5,045
Noncurrent liabilities:				
Advances from other funds			195	195
Bonds and loans payable	2,255		90	2,345
Compensated absences	93	112		205
Total noncurrent liabilities	2,348	112	285	2,745
Total liabilities	4,665	593	2,532	7,790
NET ASSETS				
Invested in capital assets, net of related debt	55,439	412	56,698	112,549
Unrestricted	18,587	2,671	62,758	84,016
Total net assets	\$ 74,026	3,083	119,456	196,565



Combining Financial Statements Enterprise Funds

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - ENTERPRISE FUNDS**
For the Year Ended June 30, 2007
(In Thousands)

	Airport Fund	Wastewater Management Fund	Sanitation Districts Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for current services	\$ 9,067	4,662	17,971	31,700
Miscellaneous	80	2	2	84
Total operating revenues	9,147	4,664	17,973	31,784
OPERATING EXPENSES				
Salaries	2,756	3,360		6,116
Repairs and maintenance	538	56	2,580	3,174
Equipment rental	433	54		487
Sewage processing			10,412	10,412
Contracted services	2,526	875		3,401
Depreciation	1,115	18	1,339	2,472
Utilities	129	1		130
Cost of material		1		1
Other operating expenses	566	228	1,273	2,067
Total operating expenses	8,063	4,593	15,604	28,260
Operating income (loss)	1,084	71	2,369	3,524
NONOPERATING REVENUES (EXPENSES)				
Grants	8,257			8,257
Interest and dividends	1,150	129	3,234	4,513
Interest expense	(149)		(16)	(165)
Gain or loss on disposal of assets			2,825	2,825
Total nonoperating revenues (expenses)	9,258	129	6,043	15,430
Income (loss) before contributions and transfers	10,342	200	8,412	18,954
Capital contributions	421	28	15	464
Transfers in			326	326
Transfers out	(778)	(149)		(927)
Change in net assets	9,985	79	8,753	18,817
Net assets (deficits) at beginning of year	64,041	3,004	110,703	177,748
Net assets (deficits) at end of year	\$ 74,026	3,083	119,456	196,565

Combining Financial Statements Enterprise Funds



**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2007
(In Thousands)**

	Airport Fund	Wastewater Management Fund	Sanitation Districts Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 8,889	13	17,862	26,764
Cash received from other funds	582	3,500	173	4,255
Cash payments to suppliers	(5,653)	(1,132)	(10,549)	(17,334)
Cash payments to employees	(2,765)	(3,410)		(6,175)
Cash payments to other funds	(279)	(228)	(2,863)	(3,370)
Other miscellaneous revenue	299		23	322
Net cash provided (used) by operating activities	1,073	(1,257)	4,646	4,462
Cash flows from noncapital financing activities:				
Operating grants	8,257	7		8,264
Transfers from other funds			326	326
Transfers to other funds	(778)	(149)		(927)
Net cash provided (used) by non-capital financing activities	7,479	(142)	326	7,663
Cash flows from capital financing activities:				
Acquisition of capital assets	(9,314)		(6,349)	(15,663)
Proceeds from sale of assets			2,825	2,825
Retirement of capital leases, bonds and loans	(192)		(2)	(194)
Interest paid on long-term debt	(149)		(16)	(165)
Net cash provided (used) by capital and related financing activities	(9,655)		(3,542)	(13,197)
Cash flows from investing activities:				
Interest	706	131	2,977	3,814
Net increase (decrease) in cash and cash equivalents	(397)	(1,268)	4,407	2,742
Cash and cash equivalents - beginning of year	15,780	2,870	59,636	78,286
Cash and cash equivalents - end of year	15,383	1,602	64,043	81,028
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	1,084	71	2,369	3,524
Adjustments for non-cash activities:				
Other miscellaneous revenue	299		23	322
Decrease (increase) in accounts and notes receivable	68	1	(113)	(44)
Decrease (increase) in due from other funds	339	(1,152)	167	(646)
Increase (decrease) in accounts payable	(2,003)	(43)	(414)	(2,460)
Increase (decrease) in accrued payroll	(1)	(8)		(9)
Increase (decrease) in due to other funds	261	(103)	1,274	1,432
Increase (decrease) in compensated absences	(6)	(41)		(47)
Increase (decrease) in deferred credits and other liabilities	(83)		1	(82)
Depreciation	1,115	18	1,339	2,472
Net cash provided by (used in) operating activities	1,073	(1,257)	4,646	4,462
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable	841		428	1,269
Contributions of Capital Assets:				
From governmental	421	28	15	464
Total non-cash investing & capital financing activities	\$ 1,262	28	443	1,733



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.

EMPLOYEE BENEFITS FUND

This fund was established to account for all of the county's workers' compensation program, unemployment insurance and medical.

PUBLIC LIABILITY INSURANCE FUND

This fund was established to account for all of county's public liability claims and related expenses in compliance with the applicable provisions of the law.

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 INTERNAL SERVICE FUNDS

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

Combining Financial Statements Internal Service Funds



**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2007
(In Thousands)**

	Road and Communication Equipment Fund	Purchasing Fund	Special District Loans Fund	Employee Benefits Fund	Public Liability Insurance Fund
ASSETS					
Current assets:					
Pooled cash and investments	\$ 10,164	4,223	808	69,893	26,293
Receivables, net	129	60		925	373
Due from other funds	547	653		1,195	
Advances to other funds			97		
Inventories		5			
Total current assets	10,840	4,941	905	72,013	26,666
Noncurrent assets:					
Advances to other funds					177
Capital assets:					
Equipment	25,782	56			
Accumulated depreciation	(15,166)	(43)			
Total noncurrent assets	10,616	13			177
Total assets	21,456	4,954	905	72,013	26,843
LIABILITIES					
Current liabilities:					
Accounts payable	426	209		1,832	113
Accrued payroll		94			
Due to other funds	251	141		1,858	866
Unearned revenue					
Bonds and loans payable					
Compensated absences		147			
Claims and judgments				26,311	10,934
Total current liabilities	677	591		30,001	11,913
Noncurrent liabilities:					
Bonds and loans payable					
Compensated absences		220			
Claims and judgments				68,375	5,562
Total noncurrent liabilities		220		68,375	5,562
Total liabilities	677	811		98,376	17,475
NET ASSETS					
Invested in capital assets, net of related debt	10,616	13			
Unrestricted	10,163	4,130	905	(26,363)	9,368
Total net assets	\$ 20,779	4,143	905	(26,363)	9,368



Combining Financial Statements Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

June 30, 2007

(In Thousands)

(Continued)

	Fleet Services Fund	Facilities Management Fund	Information Technology Fund	Other Miscellaneous Internal Service Funds	Total Internal Service Funds
ASSETS					
Current assets:					
Pooled cash and investments	\$ 11,340	3,264	24,664	3,140	153,789
Receivables, net	416	515	1,233		3,651
Due from other funds	1,747	8,530	10,272		22,944
Advances to other funds					97
Inventories	579	257		158	999
Total current assets	14,082	12,566	36,169	3,298	181,480
Noncurrent assets:					
Advances to other funds					177
Capital assets:					
Equipment	87,520	1,150	55,480	281	170,269
Accumulated depreciation	(46,629)	(949)	(18,494)	(257)	(81,538)
Total noncurrent assets	40,891	201	36,986	24	88,908
Total assets	54,973	12,767	73,155	3,322	270,388
LIABILITIES					
Current liabilities:					
Accounts payable	2,369	5,299	28,566	971	39,785
Accrued payroll	74	409			577
Due to other funds	162	2,526		49	5,853
Unearned revenue	3	725			728
Bonds and loans payable		482			482
Compensated absences	108	631			886
Claims and judgments					37,245
Total current liabilities	2,716	10,072	28,566	1,020	85,556
Noncurrent liabilities:					
Bonds and loans payable		3,847			3,847
Compensated absences	162	946			1,328
Claims and judgments					73,937
Total noncurrent liabilities	162	4,793			79,112
Total liabilities	2,878	14,865	28,566	1,020	164,668
NET ASSETS					
Invested in capital assets, net of related debt	40,891	201	36,986	24	88,731
Unrestricted	11,204	(2,299)	7,603	2,278	16,989
Total net assets	\$ 52,095	(2,098)	44,589	2,302	105,720

Combining Financial Statements Internal Service Funds



**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007
(In Thousands)**

	Road and Communication Equipment Fund	Purchasing Fund	Special District Loans Fund	Employee Benefits Fund	Public Liability Insurance Fund
OPERATING REVENUES					
Charges for current services	\$ 5,387	6,879		35,523	4,004
Miscellaneous	200	165			64
Total operating revenues	5,587	7,044		35,523	4,068
OPERATING EXPENSES					
Salaries		4,780			
Repairs and maintenance	2,195	209			
Equipment rental		100			
Contracted services	448	804		7,694	5,753
Depreciation	1,732	9			
Utilities		105			
Cost of material					
Claims and judgments				20,374	(11,121)
Fuel	922	2			
Other operating expenses		746			
Total operating expenses	5,297	6,755		28,068	(5,368)
Operating income (loss)	290	289		7,455	9,436
NONOPERATING REVENUES (EXPENSES)					
Grants				236	
Interest and dividends	491	228	2	3,562	1,124
Interest expense					
Gain or loss on disposal of assets	29	(19)			
Total nonoperating revenues (expenses)	520	209	2	3,798	1,124
Income (loss) before contributions and transfers	810	498	2	11,253	10,560
Capital contributions					
Transfers in	200	1		232	
Transfers out		(221)			
Change in net assets	1,010	278	2	11,485	10,560
Net assets (deficits) at beginning of year	19,769	3,865	903	(37,848)	(1,192)
Net assets (deficits) at end of year	\$ 20,779	4,143	905	(26,363)	9,368



Combining Financial Statements Internal Service Funds

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007
(In Thousands)**

(Continued)

	Fleet Services Fund	Facilities Management Fund	Information Technology Fund	Other Miscellaneous Internal Service Funds	Total Internal Service Funds
OPERATING REVENUES					
Charges for current services	\$ 26,620	94,224	100,873		273,510
Miscellaneous	191	1,346		4,011	5,977
Total operating revenues	26,811	95,570	100,873	4,011	279,487
OPERATING EXPENSES					
Salaries	4,079	21,854			30,713
Repairs and maintenance	5,633	31,818		13	39,868
Equipment rental	82	1,509		2	1,693
Contracted services	1,022	5,174	94,103	715	115,713
Depreciation	8,431	69	12,946	14	23,201
Utilities	237	17,894			18,236
Cost of material	95	48		1,479	1,622
Claims and judgments					9,253
Fuel	8,339	264		7	9,534
Other operating expenses	718	17,252		21	18,737
Total operating expenses	28,636	95,882	107,049	2,251	268,570
Operating income (loss)	(1,825)	(312)	(6,176)	1,760	10,917
NONOPERATING REVENUES (EXPENSES)					
Grants	1	563			800
Interest and dividends	810	2,066	225	10	8,518
Interest expense		(281)			(281)
Gain or loss on disposal of assets	(258)				(248)
Total nonoperating revenues (expenses)	553	2,348	225	10	8,789
Income (loss) before contributions and transfers	(1,272)	2,036	(5,951)	1,770	19,706
Capital contributions	18				18
Transfers in	216	3,891	845		5,385
Transfers out	(171)	(968)		(1,130)	(2,490)
Change in net assets	(1,209)	4,959	(5,106)	640	22,619
Net assets (deficits) at beginning of year	53,304	(7,057)	49,695	1,662	83,101
Net assets (deficits) at end of year	\$ 52,095	(2,098)	44,589	2,302	105,720

Combining Financial Statements Internal Service Funds



COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended June 30, 2007 (In Thousands)

	Road and Communication Equipment Fund	Purchasing Fund	Special District Loans Fund	Employee Benefits Fund	Public Liability Insurance Fund
Cash flows from operating activities:					
Cash received from customers	\$ 5,587	186			64
Cash received from other funds	1,056	6,942	140	36,876	4,490
Cash payments to suppliers	(2,547)	(1,108)		(9,256)	(5,782)
Cash payments to employees		(4,863)			
Cash payments to other funds	(6,072)	(595)	(50)	(115)	
Cash paid for judgments and claims				(16,985)	(3,418)
Other miscellaneous revenue					
Net cash provided (used) by operating activities	(1,976)	562	90	10,520	(4,646)
Cash flows from noncapital financing activities:					
Operating grants				236	
Transfers from other funds	200	1		232	60
Transfers to other funds		(221)			
Advances to other funds			114		
Net cash provided (used) by non-capital financing activities	200	(220)	114	468	60
Cash flows from capital financing activities:					
Capital contributions					
Acquisition of capital assets	(1,123)				
Proceeds from sale of assets	245				
Retirement of capital leases, bonds and loans					
Interest paid on long-term debt					
Net cash provided (used) by capital and related financing activities	(878)				
Cash flows from investing activities:					
Interest	489	208	2	2,635	751
Net increase (decrease) in cash and cash equivalents	(2,165)	550	206	13,623	(3,835)
Cash and cash equivalents - beginning of year	12,329	3,673	602	56,270	30,128
Cash and cash equivalents - end of year	10,164	4,223	808	69,893	26,293
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	290	289		7,455	9,436
Adjustments for non-cash activities:					
Other miscellaneous revenue					
Decrease (increase) in accounts and notes receivable	1	18		2	
Decrease (increase) in due from other funds	1,055	64	140	824	
Decrease (increase) in Inventories		(1)			
Decrease (increase) in other current assets					
Increase (decrease) in accounts payable	(41)	175		(1,658)	66
Increase (decrease) in accrued payroll		8			
Increase (decrease) in due to other funds	(5,013)	82	(50)	508	391
Increase (decrease) in compensated absences		(82)			
Increase (decrease) in claims and judgments				3,389	(14,539)
Increase (decrease) in deferred credits and other liabilities					
Depreciation	1,732	9			
Net cash provided by (used in) operating activities	\$ (1,976)	562	90	10,520	(4,646)
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable	423				
Total non-cash investing and capital financing activities	\$ 423				



Combining Financial Statements Internal Service Funds

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007
(In Thousands)**

(Continued)

	Fleet Services Fund	Facilities Management Fund	Information Technology Fund	Other Miscellaneous Internal Service Funds	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 943	2,688	4,850	4,011	18,329
Cash received from other funds	25,299	91,279	96,555	2	262,639
Cash payments to suppliers	(15,649)	(71,289)	(82,599)	(1,746)	(189,976)
Cash payments to employees	(4,090)	(21,845)			(30,798)
Cash payments to other funds	(1,368)	(7,334)	(44,669)	(21)	(60,224)
Cash paid for judgments and claims					(20,403)
Other miscellaneous revenue		2,045			2,045
Net cash provided (used) by operating activities	5,135	(4,456)	(25,863)	2,246	(18,388)
Cash flows from noncapital financing activities:					
Operating grants	1	563			800
Transfers from other funds	216	3,891	845		5,445
Transfers to other funds	(171)	(968)		(1,130)	(2,490)
Advances to other funds					114
Net cash provided (used) by non-capital financing activities	46	3,486	845	(1,130)	3,869
Cash flows from capital financing activities:					
Capital contributions	18				18
Acquisition of capital assets	(10,276)	(12)			(11,411)
Proceeds from sale of assets	571				816
Retirement of capital leases, bonds and loans		(369)			(369)
Interest paid on long-term debt		(281)			(281)
Net cash provided (used) by capital and related financing activities	(9,687)	(662)			(11,227)
Cash flows from investing activities:					
Interest	801	21	225	10	5,142
Net increase (decrease) in cash and cash equivalents	(3,705)	(1,611)	(24,793)	1,126	(20,604)
Cash and cash equivalents - beginning of year	15,045	4,875	49,457	2,014	174,393
Cash and cash equivalents - end of year	11,340	3,264	24,664	3,140	153,789
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	(1,825)	(312)	(6,176)	1,760	10,917
Adjustments for non-cash activities:					
Other miscellaneous revenue		2,045			2,045
Decrease (increase) in accounts and notes receivable	66	739	1,316		2,142
Decrease (increase) in due from other funds	(637)	(2,937)	(784)	1	(2,274)
Decrease (increase) in Inventories	(100)	(221)		(37)	(359)
Decrease (increase) in other current assets		86			86
Increase (decrease) in accounts payable	(764)	715	11,504	511	10,508
Increase (decrease) in accrued payroll	(4)	24			28
Increase (decrease) in due to other funds	(26)	(5,275)	(44,669)	(3)	(54,055)
Increase (decrease) in compensated absences	(8)	15			(75)
Increase (decrease) in claims and judgments					(11,150)
Increase (decrease) in deferred credits and other liabilities	2	596			598
Depreciation	8,431	69	12,946	14	23,201
Net cash provided by (used in) operating activities	\$ 5,135	(4,456)	(25,863)	2,246	(18,388)
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable	864				1,287
Total non-cash investing and capital financing activities	\$ 864				1,287





Combining Financial Statements Agency Funds

AGENCY FUNDS

Agency funds are used to account for situations where the County's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, assets reported in the agency funds are offset by a liability to the party on whose behalf they are held.

PROPERTY TAXES 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 Financial Statements Agency Funds



COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds

For the Year Ended June 30, 2007

(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
PROPERTY TAX COLLECTION FUNDS				
ASSETS				
Pooled cash and investments	\$ 50,320	13,913,054	13,896,609	66,765
Accounts receivable	131	579,409	579,540	
Interest receivable	2,839	44,049	42,728	4,160
Property taxes receivable		4,914,640	4,914,640	
Total assets	53,290	19,451,152	19,433,517	70,925
LIABILITIES				
Accounts payable	3,360	2,604,144	2,607,495	9
Due to other governments	49,930	25,626,262	25,605,276	70,916
Total liabilities	53,290	28,230,406	28,212,771	70,925
OTHER AGENCY FUNDS				
ASSETS				
Pooled cash and investments	381,796	19,679,756	19,676,324	385,228
Cash with fiscal agents	8,778	(125,347)	(120,254)	3,685
Investments with fiscal agents		(499)	(499)	
Accounts receivable	7,932	(5,179)	2,611	142
Interest receivable	23,436	43,298	23,742	42,992
Other receivables		5,957	5,957	
Total assets	421,942	19,597,986	19,587,881	432,047
LIABILITIES				
Accounts payable	21,695	3,695,159	3,671,651	45,203
Warrants outstanding	186,875	9,750,163	9,728,394	208,644
Accrued payroll	121	250	238	133
Due to other governments	213,251	4,601,875	4,637,059	178,067
Total liabilities	421,942	18,047,447	18,037,342	432,047
TOTAL AGENCY FUNDS				
ASSETS				
Pooled cash and investments	432,116	33,592,810	33,572,933	451,993
Cash with fiscal agents	8,778	(125,347)	(120,254)	3,685
Investments with fiscal agents		(499)	(499)	
Accounts receivable	8,063	574,230	582,151	142
Interest receivable	26,275	87,347	66,470	47,152
Other receivables		5,957	5,957	
Property taxes receivable		4,914,640	4,914,640	
Total assets	475,232	39,049,138	39,021,398	502,972
LIABILITIES				
Accounts payable	25,055	6,299,303	6,279,146	45,212
Warrants outstanding	186,875	9,750,163	9,728,394	208,644
Accrued payroll	121	250	238	133
Due to other governments	263,181	30,228,137	30,242,335	248,983
Total liabilities	\$ 475,232	46,277,853	46,250,113	502,972



Statistical Section



INTRODUCTION

Government Accounting Standards Board (GASB) Statement 44 "Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)" requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the financial statements, and required supplementary information in order to assess the economic condition of the County. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

In this regard, when available, ten year trend information has been provided. When accounting data or other information is unavailable, statistical tables are footnoted to indicate as such.

Generally, information was unavailable due to the following:

- Accounting data used in the preparation of the Comprehensive Annual Financial Reports prior to the County's implementation of changes in accounting and presentation called for in GASB Statement 34 "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," (implemented by the County in Fiscal Year 2002) was not archived in such a manner to enable a retroactive restatement of previous years accounting data.
- Non-accounting trend data called for by Statement 44 which was significantly different than data reported in previous fiscal years' statistical tables was either not available from external sources in the format required or was not available in internal archived data.

FINANCIAL TRENDS..... 168

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

REVENUE CAPACITY..... 173

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

DEBT CAPACITY..... 177

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

DEMOGRAPHIC AND ECONOMIC INFORMATION..... 181

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

OPERATING INFORMATION..... 183

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

Sources: Unless otherwise noted, the information in the following tables is derived from the comprehensive annual financial reports for the relevant year.



Table 1

County of San Diego Net Assets by Component Last Six Fiscal Years (1) (Accrual Basis of Accounting) (In Thousands)						
	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Net assets						
Governmental activities						
Invested in capital assets, net of related debt	\$ 2,178,892	2,261,697	2,324,806	2,341,126	2,367,442	2,409,050
Restricted	148,489	243,815	169,983	223,565	224,635	162,318
Unrestricted	271,909	(317,357)	(668,868)	(541,048)	(197,916)	178,231
Total governmental activities net assets	2,599,290	2,188,155	1,825,921	2,023,643	2,394,161	2,749,599
Business-type activities						
Invested in capital assets, net of related debt	66,026	71,293	78,485	84,416	97,212	112,549
Restricted	34,151	15	0	0	0	0
Unrestricted	44,495	80,359	79,358	76,310	81,125	84,779
Total business-type activities net assets	144,672	151,667	157,843	160,726	178,337	197,328
Primary government						
Invested in capital assets, net of related debt	2,244,918	2,332,990	2,403,291	2,425,542	2,464,654	2,521,599
Restricted	182,640	243,830	169,983	223,565	224,635	162,318
Unrestricted	316,404	(236,998)	(589,510)	(464,738)	(116,791)	263,010
Total primary government net assets	\$ 2,743,962	2,339,822	1,983,764	2,184,369	2,572,498	2,946,927
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section						



Table 2

County of San Diego Changes in Net Assets For the Last Six Fiscal Years (1) (Accrual Basis of Accounting) (in thousands)						
	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities						
General government	\$ 170,908	234,062	234,759	232,826	240,158	249,993
Public protection	823,520	1,140,484	1,173,532	960,227	1,021,464	1,079,320
Public ways and facilities	168,202	142,356	160,344	122,797	128,268	133,148
Health and sanitation	547,200	598,189	564,796	545,805	559,709	580,384
Public assistance	825,028	1,035,065	1,052,911	972,592	1,015,481	1,043,454
Education	24,119	30,850	31,722	27,394	32,488	33,223
Recreation and cultural	18,021	23,520	26,493	21,405	23,376	28,469
Interest on long-term debt	68,771	87,627	91,897	106,612	116,692	146,997
Total governmental activities expenses	2,645,769	3,292,153	3,336,454	2,989,658	3,137,636	3,294,988
Business-type activities						
Airport	7,973	7,125	7,373	8,117	7,699	8,209
Wastewater Management	3,808	4,357	4,005	5,076	4,733	4,422
Transit	17,085					
Sanitation Districts	15,306	15,216	15,828	20,564	15,133	15,620
Total business-type activities expenses	44,172	26,698	27,206	33,757	27,565	28,251
Total primary government expenses	2,689,941	3,318,851	3,363,660	3,023,415	3,165,201	3,323,239
Program revenues						
Governmental activities						
Charges for services:						
General government	94,805	121,070	93,143	84,769	99,083	98,365
Public protection	166,900	170,221	206,679	229,150	202,941	201,332
Other activities	119,291	117,569	122,139	100,465	153,535	153,717
Operating grants and contributions	1,168,086	1,288,166	1,339,083	1,769,805	1,792,663	1,821,349
Capital grants and contributions	30,128	40,587	67,357	32,303	5,283	7,559
Total governmental activities program revenues	1,579,210	1,737,613	1,828,401	2,216,492	2,253,505	2,282,322
Business-type activities						
Charges for services:						
Airport	5,479	7,396	6,734	8,345	7,433	9,367
Wastewater management	4,106	4,496	5,447	5,357	4,322	4,662
Transit	17,047					
Sanitation districts	15,713	15,444	15,765	16,949	17,251	17,995
Operating grants and contributions	5,763	3,769	4,153	3,700	9,994	8,257
Capital grants and contributions	501	839	1,539	1,036	58	464
Total business-type program revenues	48,609	31,944	33,638	35,387	39,058	40,745
Total primary government program revenues	1,627,819	1,769,557	1,862,039	2,251,879	2,292,563	2,323,067
Net (Expense) Revenue						
Governmental activities	(1,066,559)	(1,554,540)	(1,508,053)	(773,166)	(884,131)	(1,012,666)
Business-type activities	4,437	5,246	6,432	1,630	11,493	12,494
Total primary government net (expense) revenue	\$ (1,062,122)	(1,549,294)	(1,501,621)	(771,536)	(872,638)	(1,000,172)

(Table continued on next page)



Table 2

County of San Diego Changes in Net Assets For the Last Six Fiscal Years (1) (Accrual Basis of Accounting) (in thousands)						
(Continued)						
	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General revenues and other changes in net assets						
Governmental activities						
Taxes:						
Property taxes	\$ 412,400	459,340	496,917	441,716	516,569	559,726
Other taxes	5,011	3,964	4,200	96,927	34,219	26,760
Intergovernmental restricted:						
Sales and use taxes for roads	78,673	82,709	81,325	13,851	38,702	57,439
Sales and use taxes for public protection	478,088	502,618	494,206	84,173	236,438	234,797
Intergovernmental unrestricted:						
Property taxes in lieu of VLF (3)				203,788	261,695	277,930
Sales and use taxes	48,414	50,898	50,046	8,524	23,475	26,534
Interest	38,166	30,213	18,452	38,066	63,810	88,974
Other general revenues				83,079	78,651	95,343
Total governmental general revenues	1,060,752	1,129,742	1,145,146	970,124	1,253,559	1,367,503
Special Item: gain or loss on sale of properties	1,054	474				
Transfers	359	(160)	673	764	1,090	601
Total governmental activities	1,062,165	1,130,056	1,145,819	970,888	1,254,649	1,368,104
Business-type activities						
Interest	2,694	1,437	417	1,730	7,048	4,189
Other general revenues		27		287	160	2,909
Total business-type activities	2,694	1,464	417	2,017	7,208	7,098
Special Item: gain or loss on sale of properties	(5,145)					
Transfers	(359)	160	(673)	(764)	(1,090)	(601)
Total business-type activities	(2,810)	1,624	(256)	1,253	6,118	6,497
Change in net assets						
Governmental activities	(4,394)	(424,484)	(362,234)	197,722	370,518	355,438
Business-type activities	1,627	6,870	6,176	2,883	17,611	18,991
Total change in net assets	\$ (2,767)	(417,614)	(356,058)	200,605	388,129	374,429
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section						
(2) County Transit System was divested on June 28, 2002 to the San Diego Metropolitan Transit Development Board						
(3) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue						



Table 3

County of San Diego Fund Balances Governmental Funds Last Ten Fiscal Years (in thousands)					
	Fiscal Year				
	1998	1999	2000	2001	2002
General Fund					
Reserved	\$ 65,232	71,057	106,777	267,091	215,197
Unreserved	155,853	209,989	246,148	351,193	355,155
Total general fund	221,085	281,046	352,925	618,284	570,352
All Other Governmental Funds					
Reserved (1)	168,636	173,558	179,991	267,661	251,704
Unreserved, reported in:					
Special Revenue Funds (2)	49,894	48,936	60,304	215,458	485,565
Capital Projects Fund	18,845	11,530	54,254	22,375	14,418
Total other governmental funds	\$ 237,375	234,024	294,549	505,494	751,687
	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 210,277	213,292	291,832	272,936	410,244
Unreserved	388,384	337,708	375,626	625,949	744,838
Total general fund	598,661	551,000	667,458	898,885	1,155,082
All Other Governmental Funds					
Reserved	294,793	208,900	284,316	278,878	274,024
Unreserved, reported in:					
Special Revenue Funds	447,612	523,399	481,792	633,430	624,996
Capital Projects Fund	9,771	10,864	84,389	65,452	73,923
Total other governmental funds	\$ 752,176	743,163	850,497	977,760	972,943
<p>(1) The increase in the unreserved fund balance of the general fund is explained in the Management Discussion and Analysis, "Financial Analysis of County Funds."</p> <p>(2) The increase in the unreserved fund balance of special revenue funds was principally due to the proceeds received from the issuance of San Diego County Tobacco Securitization Corporation Series Tobacco Settlement Asset Backed Bonds as explained in the Notes to the Financial Statements, Note IV-I-4, "Advance Refunding of Long-Term Debt including New Long-Term Debt."</p>					



Table 4

County of San Diego
Changes in Fund Balances Governmental Funds
Last Six Fiscal Years
(Modified accrual basis of accounting)
(in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Revenues:						
Taxes	\$ 409,969	446,835	497,178	717,174	1,102,032	1,146,937
Licenses, permits and franchise fees	37,808	39,335	42,252	42,954	41,824	43,807
Fines, forfeitures and penalties	39,691	41,236	46,495	55,538	60,071	58,355
Revenue from use of money and property	45,567	40,733	25,867	50,811	76,608	93,246
Aid from other governmental agencies:						
State	1,139,344	1,231,904	1,201,278	1,080,663	867,063	927,850
Federal	574,002	632,241	701,057	729,725	793,039	820,851
Other	57,777	66,116	69,860	74,272	94,866	100,323
Charges for current services	251,018	266,574	277,637	286,631	314,021	325,049
Other revenue	70,203	70,065	65,913	84,410	67,419	76,680
Total revenues	2,625,379	2,835,039	2,927,537	3,122,178	3,416,943	3,593,098
Expenditures:						
General government	156,517	209,874	216,183	211,521	199,349	233,471
Public protection	809,185	1,145,171	1,216,276	939,070	1,014,653	1,065,984
Public ways and facilities	95,936	123,202	115,426	84,560	67,145	74,319
Health and sanitation	548,627	600,525	562,657	541,921	556,165	577,389
Public assistance	827,229	1,037,467	1,053,545	970,208	1,011,315	1,043,293
Education	24,005	31,013	31,308	27,119	32,043	32,961
Recreation and cultural	16,514	20,805	24,702	19,614	22,964	26,774
Total CAFR Governmental Functions	2,478,013	3,168,057	3,220,097	2,794,013	2,903,634	3,054,191
Capital outlay	72,341	83,748	54,958	54,157	109,897	138,017
Debt service:						
Principal	101,538	88,846	69,839	60,849	57,245	73,816
Interest and fiscal charges	67,773	73,747	92,503	94,556	109,491	116,095
Bond issuance costs			4,095	1,915	6,172	885
Payment to refunded bond escrow agent					24,256	-
Total expenditures	2,719,665	3,414,398	3,441,492	3,005,490	3,210,695	3,383,004
Excess (deficiency) of revenues over (under) expenditures	(94,286)	(579,359)	(513,955)	116,688	206,248	210,094
Other financing sources (uses)						
Sale of capital assets	2,230	474	4,044	18,400	12,355	1,601
Issuance of bonds and loans:						
Face value of bonds issued				83,510	166,611	42,390
Face value of loans issued				160		462
Discount on issuance of bonds					(20,501)	
Premium on issuance of bonds				5,960	1,308	606
Long-term debt proceeds	411,913	560,886	454,179			
Refunding bonds issued	65,319	176,890		28,885	461,230	
Payment to refunded bond escrow agent				(31,633)		
Payment to escrow agent/refunded bond	(66,254)	(176,890)			(467,458)	
Transfers in	1,188,505	768,997	776,167	819,490	867,973	512,386
Transfers (out)	(1,196,995)	(773,145)	(777,180)	(819,627)	(868,908)	(514,680)
Total other financing sources (uses)	404,718	557,212	457,210	105,145	152,610	42,765
Net change in fund balances	\$ 310,432	(22,147)	(56,745)	221,833	358,858	252,859
Debt service as a percentage of noncapital expenditures	6.40%	4.88%	4.79%	5.27%	5.38%	5.85%

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section



Table 5

County of San Diego Assessed Value of Taxable Property(1) Last Ten Fiscal Years (in thousands)								
Fiscal Year	Real Property		Personal Property		Less: Tax Exempt		Total Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured		
1998	\$ 145,486,076	\$ 1,706,300	\$ 4,125,615	\$ 6,096,946	\$ 4,004,395	\$ 508,163	\$ 152,902,379	1.00000
1999	156,003,035	1,803,442	4,099,352	6,478,142	4,254,794	400,587	163,728,590	1.00000
2000	173,156,433	2,011,700	2,957,459	7,263,938	4,403,504	437,295	180,548,731	1.00000
2001	187,297,036	2,144,396	3,897,721	7,701,247	4,646,122	676,798	195,717,480	1.00000
2002	205,354,845	2,127,362	3,926,419	8,749,368	4,872,712	801,613	214,483,669	1.00000
2003	224,113,067	2,450,811	3,263,353	8,509,857	5,121,115	353,596	232,862,377	1.00000
2004	247,063,576	2,728,490	3,007,787	8,941,840	5,961,964	780,078	254,999,651	1.00000
2005	273,700,150	2,645,348	2,951,588	8,852,828	6,504,638	827,514	280,817,762	1.00000
2006	310,318,786	2,748,781	3,273,999	9,533,091	6,958,731	957,441	317,958,485	1.00000
2007	\$ 347,969,648	\$ 3,380,284	\$ 2,461,837	\$ 10,739,964	\$ 7,500,343	\$ 1,053,199	\$ 355,998,191	1.00000

(1) Due to the passage of Proposition 13 (Prop 13) in 1978, the County does not track the estimated actual value of real and personal properties therefore, assessed value as a percentage of actual value is not applicable. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value.

Source: County of San Diego Auditor and Controller, Property Tax Services Division



Table 6

County of San Diego Property Tax Rates Direct and Overlapping Governments Last Ten Fiscal Years					
Fiscal Year	County of San Diego (1)	Overlapping Rates (2)			Total Direct & Overlapping Rates
		Cities	Schools	Special Districts	
1998	1.000	0.004	0.045	0.013	1.062
1999	1.000	0.004	0.044	0.012	1.060
2000	1.000	0.004	0.046	0.011	1.061
2001	1.000	0.004	0.047	0.011	1.062
2002	1.000	0.004	0.048	0.009	1.061
2003	1.000	0.004	0.054	0.008	1.066
2004	1.000	0.003	0.062	0.007	1.072
2005	1.000	0.004	0.062	0.006	1.072
2006	1.000	0.004	0.059	0.008	1.071
2007	1.000	0.005	0.055	0.009	1.069

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

(2) Overlapping rates are those of cities, schools and special districts that are chargeable to property owners within the County. Overlapping rates do not apply to all property owners (e.g., the rates for special districts apply only to the proportion of the property owners whose property is located within the geographic boundaries of the special district).

Source: County of San Diego Auditor and Controller, Property Tax Services Division



Table 7

County of San Diego Principal Property Taxpayers June 30, 2007 (in thousands)						
Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
San Diego Gas & Electric Company	\$ 3,217,481	1	0.94%	\$ 3,106,104	1	2.13%
Southern California Edison Company	1,619,642	2	0.47%	1,838,908	2	1.26%
Kilroy Realty LP	773,406	3	0.23%			
Irvine Company	772,423	4	0.23%			
Qualcomm Incorporated	758,539	5	0.22%	410,822	5	0.28%
Pacific Bell Telephone Company	660,637	6	0.19%	1,609,394	3	1.11%
San Diego Family Housing LLC	487,447	7	0.14%			
Fashion Valley Mall LLC	456,064	8	0.13%			
Pfizer Incorporated	420,784	9	0.12%			
Sea World Incorporated	373,447	10	0.11%			
Equitable Life Assurance Society				475,619	4	0.33%
Pardee Construction Company Ltd				183,698	6	0.13%
L-O Coronado Holding II Inc				275,000	7	0.19%
Spieker Properties LP				243,493	8	0.17%
Aviara Resort Associates Limited				259,306	9	0.18%
Hewlett Packard Co				260,979	10	0.18%
Totals	\$ 9,539,870		2.78%	\$ 8,663,323		5.96%

Source: County of San Diego Auditor and Controller, Property Tax Services Division



Table 8

County of San Diego Property Tax Levies and Collections Last Ten Fiscal Years (in thousands)						
Fiscal Year	Total Tax Levy for Fiscal year (1)	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 1,529,024	\$ 1,510,525	98.79%	\$ 17,818	\$ 1,528,343	99.96%
1999	1,637,286	1,622,007	99.07%	13,500	1,635,507	99.89%
2000	1,805,487	1,784,491	98.84%	18,487	1,802,978	99.86%
2001	1,957,175	1,939,801	99.11%	16,361	1,956,162	99.95%
2002	2,144,837	2,123,067	98.99%	16,735	2,139,802	99.77%
2003	2,328,624	2,304,083	98.95%	16,398	2,320,481	99.65%
2004	2,549,997	2,525,796	99.05%	15,847	2,541,643	99.67%
2005	2,808,178	2,777,733	98.92%	21,405	2,799,138	99.68%
2006	3,179,585	3,146,615	98.96%	23,278	3,169,893	99.70%
2007	\$ 3,559,982	\$ 3,515,244	98.74%	N/A	\$ 3,515,244	98.74%

(1) This includes the Secured, Unsecured and Unitary Tax Levy for the County and school districts, cities and special districts under the supervision of independent governing boards.

Source: County of San Diego Auditor and Controller, Property Tax Services Division



Table 9

County of San Diego Ratios of Outstanding Debt by Type Last Ten Fiscal Years (In Thousands, Except Per Capita Amount)													
Fiscal Year	Governmental Activities						Business-Type Activities				Total Primary Government	Percent- age of Personal Income (1)	Per Capita (1)
	Certificates of participation	Redevel- opment Agency	Tobacco	Pension Obligation Bonds	Capital and retrofit loans	Capitalized leases	Capital Loans	Sanitation Loans	Capitalized Leases				
1998	\$ 424,338	\$ 5,035	\$	\$ 395,475	\$ 2,860	\$ 152,172	\$	\$ 105	\$ 4,717	\$ 984,702	1.26%	\$ 360	
1999	473,818	4,960		373,220	1,190	85,602		81	11,385	950,256	1.13%	341	
2000	515,980	4,870		347,305	1,120	81,834		401	10,286	961,796	1.04%	340	
2001	466,450	4,770		317,345	4,490	76,525		225	6,486	876,291	0.90%	306	
2002	433,790	4,655	403,868	282,900	4,277	46,604		200		1,176,294	1.17%	405	
2003	395,285	4,530	449,235	824,395	7,088	40,860		195		1,721,588	1.65%	589	
2004	344,365	4,400	440,305	1,268,878	5,750	37,346	2,998	195		2,104,237	1.86%	717	
2005	393,395	4,260	430,350	1,252,243	7,316	34,625	2,926			2,125,115	1.78%	724	
2006	356,690	16,000	583,904	1,238,405	8,098	31,894	2,745			2,237,736	1.76%	723	
2007	\$ 364,355	\$ 15,640	\$584,137	\$ 1,206,887	\$ 7,920	\$ 29,623	\$ 2,551	\$	\$	\$ 2,211,113	1.67%	\$ 709	

(1) See Table 13 Demographic and Economic Statistics



Table 10

County of San Diego Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years (In Thousands, except per capita amount)									
Fiscal Year	Certificates of Participation	Less: Amounts Available in Debt Service Fund	Net Certificates of Participation	Pension Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Pension Obligation Bonds	Total Net Pension Obligation Bonds	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
1998	\$ 424,338	\$ 28,394	\$ 395,944	\$ 395,475	\$ -	\$ 395,475	\$ 791,419	0.52%	\$ 289
1999	473,818	28,013	445,805	373,220	287	372,933	818,738	0.50%	293
2000	515,980	31,265	484,715	347,305	112	347,193	831,908	0.46%	294
2001	466,450	37,002	429,448	317,345	143	317,202	746,650	0.38%	261
2002	433,790	26,162	407,628	282,900	220	282,680	690,308	0.32%	238
2003	395,285	25,957	369,328	824,395	2,369	822,026	1,191,354	0.51%	408
2004	344,365	21,798	322,567	1,268,878	14,966	1,253,912	1,576,479	0.62%	537
2005	393,395	29,085	364,310	1,252,243	66,550	1,185,693	1,550,003	0.55%	528
2006	356,690	29,380	327,310	1,238,405	50,822	1,187,583	1,514,893	0.48%	490
2007	\$ 364,355	\$ 35,238	\$ 329,117	\$ 1,206,887	\$ 27,328	\$ 1,179,559	\$ 1,508,676	0.42%	\$ 484

Note: Details regarding the County's outstanding debt can be found in the Notes to the Financial Statements

(1) See Table 5 Assessed Value and Estimated Actual Value of Taxable Property
 (2) See Table 13 Demographic and Economic Statistics for personal income and population data



Table 11

County of San Diego Legal Debt Margin Information Last Ten Fiscal Years (In Thousands)				
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (1)	Legal Debt Margin	Legal Debt Margin / Debt Limit
1998	\$ 1,911,280	\$ 0	\$ 1,911,280	100%
1999	2,046,607		2,046,607	100%
2000	2,256,859		2,256,859	100%
2001	2,446,469		2,446,469	100%
2002	2,681,046		2,681,046	100%
2003	2,910,780		2,910,780	100%
2004	3,187,496		3,187,496	100%
2005	3,510,222		3,510,222	100%
2006	3,974,481		3,974,481	100%
2007	\$ 4,449,977	\$ 0	\$ 4,449,977	100%
Legal Debt Margin Calculation for Fiscal Year 2006-2007				
Assessed value	\$ 355,998,181			
Debt limit (1.25% of total assessed value)(2)	4,449,977			
Debt applicable to limit:				
General obligation bonds	0			
Less: Amount set aside for repayment of general obligation debt	0			
Total net debt applicable to limit				
Legal debt margin	\$ 4,449,977			
(1) For the fiscal years presented, the County had no debt that qualified as indebtedness subject to the bonded debt limit under the California Constitution.				
(2) Under California State law, the total amount of bonded indebtedness shall not at any time exceed 1.25% of the taxable property of the County as shown by the last equalized assessment roll.				



Table 12

County of San Diego Pledged-Revenue Coverage Last Ten Fiscal Years (In Thousands)							
Tobacco Settlement Asset-Backed Bonds (1)							
Fiscal Year	Tobacco Settlement Revenues	Less: Operating Expenses (2)	Net Available Revenue	Principal (2)	Interest	Coverage	
2002	\$ 26,205	\$ 50	\$ 26,155	\$ 8,045	\$ 18,160	1.00	
2003	35,444	113	35,331	9,560	25,351	1.01	
2004	29,961	131	29,830	8,930	24,830	0.88	
2005	30,415	172	30,243	9,955	24,446	0.88	
2006	27,915	173	27,742	1,550	11,975	2.05	
2007	\$ 29,219	\$ 164	\$ 29,055	\$ 3,100	\$ 26,820	0.97	
Redevelopment Agency Refunding Bonds (Gillespie Field Series Bonds)							
Fiscal Year	Property Tax Incremental Revenue	Less: Operating Expenses (3)	Net Available Revenue	Principal	Interest	Coverage	
1998	\$ 616	\$ 798	\$ (182)	\$ 65	\$ 323	(0.47)	
1999	821	755	66	75	320	0.17	
2000	1,285	1,187	98	90	316	0.24	
2001	1,696	1,072	624	100	311	1.52	
2002	2,129	668	1,461	115	305	3.48	
2003	2,237	958	1,279	125	299	3.02	
2004	3,133	2,129	1,004	130	292	2.38	
2005	2,135	1,262	873	140	284	2.06	
2006	2,089	5,485	(3,396)	150	513	(5.12)	
2007	\$ 1,976	\$ 791	\$ 1,185	\$ 360	\$ 837	0.99	

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Data for fiscal years 2002-2006 applies to the Series 2001 Tobacco Asset-Backed bonds that were issued in 2002. In May 2006, the Series 2001 Tobacco bonds were refunded and the Series 2006 Tobacco Asset-Backed bonds were issued. The 2007 principal and interest are payments on the Series 2006 Tobacco Asset-Backed bonds.

(2) Tobacco Principal Debt Service requirements includes Turbo Principal payments.

(3) Operating expenses do not include interest or depreciation.



Table 13

County of San Diego Demographic and Economic Statistics Last Ten Years					
Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (in dollars) (3)	School Enrollment (4)	Unemployment Rate (5)
1998	2,736,720	\$ 77,968,184	\$ 28,490	460,949	3.7
1999	2,789,593	84,346,910	30,236	470,494	3.3
2000	2,824,933	92,654,006	32,799	480,017	4.3
2001	2,864,593	97,009,480	33,865	488,377	4.3
2002	2,901,719	100,655,726	34,688	494,588	5.3
2003	2,921,810	104,630,453	35,810	499,750	5.7
2004	2,933,929	113,062,259	38,536	499,356	5.1
2005	2,936,609	119,135,889	40,569	498,186	4.5
2006	3,093,000	126,813,000	41,000	495,228	4.2
2007	3,118,000	\$ 132,515,000	\$ 42,500	496,699	4.6

Sources:

Primary

- (1) BEA - Bureau of Economic Analysis, U.S. Department of Commerce [1997-2005]
- (2) BEA - Bureau of Economic Analysis, U.S. Department of Commerce [1997-2005]
- (3) BEA - Bureau of Economic Analysis, U.S. Department of Commerce [1997-2005]
- (4) California Department of Education & Education Data Partnership
- (5) U.S. Department of Labor, Bureau of Labor Statistics.

Secondary

- (1) Economic Research Bureau, San Diego Regional Chamber of Commerce [2006 & 2007]
- (2) Amounts for 2006 and 2007 are not available and are therefore calculated by multiplying Population by Per Capital Personal Income
- (3) Economic Research Bureau, San Diego Regional Chamber of Commerce [2006 & 2007]



Table 14

County of San Diego Principal Employers Current Year and Nine Years Ago						
Employer	2007			1998		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (3)
State of California	40,600	1	2.79%	32,400	2	2.59%
Federal Government	39,900	2	2.74%	44,200	1	3.53%
University of California, San Diego	26,924	3	1.85%	21,444	4	1.71%
County of San Diego	16,147	4	1.11%	17,700	5	1.41%
San Diego Unified School District	14,555	5	1.00%	25,230	3	2.01%
Sharp HealthCare	13,872	6	0.95%	8,111	8	0.65%
Scripps Health	12,196	7	0.84%			
San Diego State University	11,247	8	0.77%			
City of San Diego	11,195	9	0.77%	11,085	6	0.88%
Kaiser Permanente	8,008	10	0.55%	5,959	10	0.48%
Qualcomm Inc.				10,431	7	0.83%
U.S. Postal Service, San Diego District				7,162	9	0.57%
Total	194,644		13.38%	183,722		14.67%

Sources:
 (1) San Diego Business Journal
 (2) Bureau of Labor Statistics
 Percentage is calculated by dividing employees by total employment of 1,454,300 as of May 2007.
 (3) Bureau of Labor Statistics
 Percentage is calculated by dividing employees by total employment of 1,252,700 as of March 1998.



Table 15

County of San Diego Full-time Equivalent County Government Employees by Function Last Seven Fiscal Years (1)							
Function	Fiscal Years						
	2001	2002	2003	2004	2005	2006	2007
General	1,556	1,567	1,605	1,578	1,495	1,486	1,505
Public protection	7,472	7,910	8,006	7,667	7,506	7,673	7,804
Public ways and facilities	356	373	380	351	350	366	373
Health and sanitation	2,207	2,287	2,315	2,250	2,130	2,127	2,188
Public assistance	3,879	4,141	4,027	3,737	3,567	3,761	3,659
Education	239	278	281	265	265	275	295
Recreation and cultural	122	143	145	154	154	158	168
Total	15,831	16,699	16,759	16,002	15,467	15,846	15,992
(1) 10 year trend data is unavailable, see explanatory information contained in introduction to Statistical Section							
Source: Auditor and Controller, Central Payroll Division							



Table 16

County of San Diego Operating Indicators by Function Fiscal Years 2004 through 2007 (1)				
Function	Fiscal Year			
	2004	2005	2006	2007
General				
Registrar of Voters: Percent of total absentee ballots tallied by the Monday after Election Day	(2)	74.00%	96.10%	94.50%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	(2)	(2)	100.00%	100.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	(2)	99.00%	98.00%	97.20%
Public protection				
Child support services: Percent of current support collected (federal performance measure #3)	41.00%	42.10%	49.00%	50.00%
Sheriff: Deputy Initiated Actions (DIA)	(2)	221,732	215,346	243,118
Sheriff: Number of jail bookings	139,019	145,180	144,727	146,566
Sheriff: Daily average – number of inmates	5,009	5,102	5,184	5,118
District Attorney: Felony defendants received	30,108	31,150	31,182	30,357
District attorney: Misdemeanor defendants received	27,575	25,443	28,068	28,081
Planning and land use: Percent of building inspections completed next day	100.00%	100.00%	100.00%	100.00%
Animal services: Percentage of treatable shelter animals euthanized	(2)	12.90%	12.90%	13.80%
Public ways and facilities				
Public works: Protect water quality through DPW roads/drainage waste debris removal (cubic yards removed)	(2)	42,000	51,287	28,700
Health and sanitation				
Public health services: Immunization coverage rate maintained for children age 24 months in regional public health centers	88.00%	91.00%	91.00%	90.00%
Air pollution control district: Average number of days meeting the federal ozone standards (3-year avg.)	(2)	356	358	359
Behavioral Health Services: Wait time for children's mental health outpatient treatment	9 days	5 days	4 days	4 days
Public assistance				
Regional Operations: Welfare-to-Work participants and their families who secure stable employment, remaining off aid for six continuous months	88.00%	88.00%	89.00%	85.00%
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	93.00%	94.00%	96.00%	96.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equiv.)	74.00%	76.00%	79.00%	83.00%
Education				
County library: Annual average circulation per item	(2)	2.51	2.57	3.08
Recreation and cultural				
Parks and Recreation: Number of parkland acres owned and managed	37,326	40,000	40,600	41,100
Parks and Recreation: Number of miles of trails managed in the county trails program	(2)	(2)	275	305
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section				
(2) Trend data not available				
Source: Various County departments				



Table 17

County of San Diego Capital Asset Statistics by Function Last Three Fiscal Years (1)			
Function	Fiscal Year		
	2005	2006	2007
General government			
Fleet vehicle	1,608	1,797	1,492
Buildings	1,038	1,029	1,108
Land	884	896	917
Public protection			
Building - sub stations	5	5	9
Patrol units	922	920	1,415
Detention facilities	9	9	10
Public ways and facilities			
Road miles	1,905.79	1,911.18	1,921.25
Bridges	174	174	174
Airports	8	8	8
Road stations	32	32	15
Health and sanitation			
Inactive landfills	11	11	18
Sewer lines miles	376.32	379.31	379.83
Water pollution control facilities	2	2	3
Public assistance			
Administration building	1	1	1
Housing facilities	6	6	6
Education			
Libraries	27	27	20
Recreation and cultural			
Parks/Open space area	90	90	92
Camp grounds	9	9	9
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section			
Source: Various county departments			

