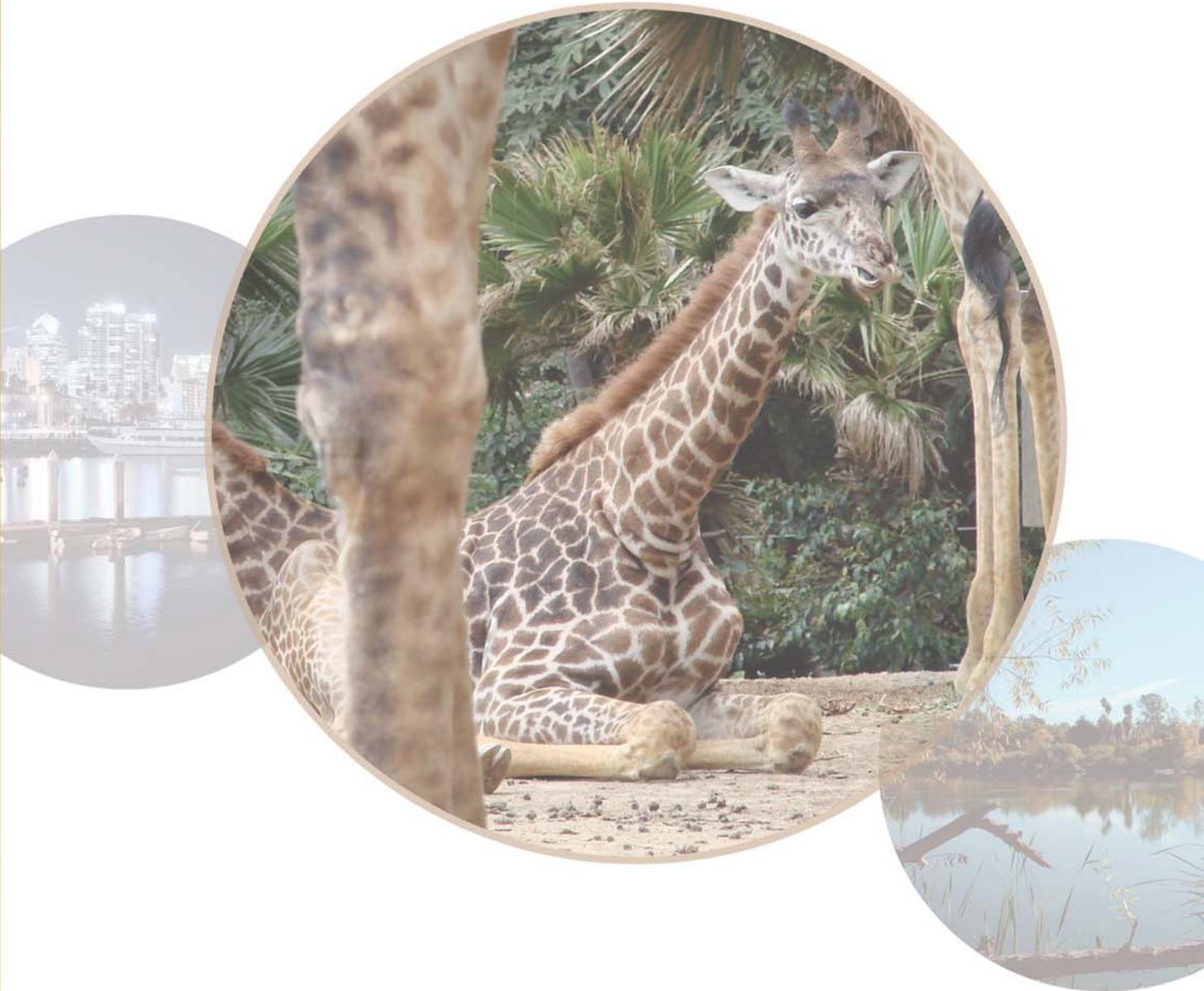


Basic Financial Statements





STATEMENT OF NET ASSETS
June 30, 2008
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	First 5 Commission Fund
ASSETS				
Pooled cash and investments	\$ 1,448,834	85,446	1,534,280	21,450
Cash with fiscal agents	494		494	
Investments with fiscal agents	51,402		51,402	177,475
Receivables, net	427,267	9,255	436,522	8,579
Property taxes receivables, net	219,042		219,042	
Internal balances	(3,406)	3,406		
Inventories	10,822		10,822	
Deposits with others	81		81	
Prepaid items	589		589	2
Deferred charges	16,868		16,868	
Restricted assets:				
Cash with fiscal agents	560		560	
Investments with fiscal agents	507,974		507,974	
Capital assets				
Land and construction in progress	553,134	61,192	614,326	
Other capital assets, net of accumulated depreciation	2,268,419	67,300	2,335,719	
Total assets	5,502,080	226,599	5,728,679	207,506
LIABILITIES				
Accounts payable	151,917	4,835	156,752	10,847
Accrued payroll	31,895	144	32,039	
Accrued interest	25,436		25,436	
Unearned revenue	67,972	52	68,024	
Noncurrent liabilities:				
Due within one year	130,268	373	130,641	25
Due in more than one year	2,093,926	2,272	2,096,198	66
Total liabilities	2,501,414	7,676	2,509,090	10,938
NET ASSETS				
Invested in capital assets, net of related debt	2,468,142	126,237	2,594,379	
Restricted for:				
Housing Assistance	49,069		49,069	
Donations	2,061		2,061	
Landfill closure costs	1,259		1,259	
Defray administrative costs, other general reserves	21,357		21,357	
Emergency medical services, various construction costs	16,514		16,514	
Mental health	69,233		69,233	
Social programs	5,939		5,939	
Domestic violence and child abuse prevention	5,254		5,254	
Sheriff vehicle maintenance and replacement	304		304	
Fingerprinting equipment purchase and operation	7,130		7,130	
Delinquency and juvenile crime prevention	2,670		2,670	
Housing repairs and improvements	408		408	
Unrestricted	351,326	92,686	444,012	196,568
Total net assets	\$ 3,000,666	218,923	3,219,589	196,568

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



STATEMENT OF ACTIVITIES
For the year ended June 30, 2008
(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			
					Governmental Activities	Business- type Activities	Total	
Governmental Activities:								
General government	\$ 298,607	130,645	39,521	7,915	(120,526)		(120,526)	
Public protection	1,180,114	217,953	463,735	5	(498,421)		(498,421)	
Public ways and facilities	144,452	32,277	83,109	16,554	(12,512)		(12,512)	
Health and sanitation	638,869	86,166	451,169		(101,534)		(101,534)	
Public assistance	1,114,453	9,647	1,112,399		7,593		7,593	
Education	36,355	1,267	1,146		(33,942)		(33,942)	
Recreation and cultural	33,941	7,663	1,301		(24,977)		(24,977)	
Interest expense	119,138				(119,138)		(119,138)	
Total governmental activities	3,565,929	485,618	2,152,380	24,474	(903,457)		(903,457)	
Business-type Activities:								
Airport	8,848	16,097	7,708			14,957	14,957	
Wastewater management	5,320	5,318	17			15	15	
Sanitation districts	17,574	20,060				2,486	2,486	
Total business-type activities	31,742	41,475	7,725			17,458	17,458	
Total primary government	3,597,671	527,093	2,160,105	24,474	(903,457)	17,458	(885,999)	
Component Unit:								
First 5 Commission	\$ 44,348		44,058					(290)

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



STATEMENT OF ACTIVITIES
For the year ended June 30, 2008
(In Thousands)

(Continued)	Net (Expense) Revenue and Changes in Net Assets			
	Governmental Activities	Primary Government		Component Unit First 5 Commission Fund
		Business-type Activities	Total	
Changes in net assets:				
Net (expense) revenue	\$ (903,457)	17,458	(885,999)	(290)
General revenues:				
Taxes:				
Property taxes	637,491		637,491	
Other taxes	20,374		20,374	
Property taxes in lieu of vehicle license fees	303,348		303,348	
Sales and use taxes	24,872		24,872	
Total general tax revenues	986,085		986,085	
Investment income	87,554	4,113	91,667	8,223
Other	80,804	105	80,909	
Total general revenues	1,154,443	4,218	1,158,661	8,223
Transfers	81	(81)		
Total general revenues and transfers	1,154,524	4,137	1,158,661	8,223
Change in net assets	251,067	21,595	272,662	7,933
Net assets at beginning of year (Component Unit restated)	2,749,599	197,328	2,946,927	188,635
Net assets at end of year	\$ 3,000,666	218,923	3,219,589	196,568

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



BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008
(In Thousands)

	General Fund	Public Safety Special Revenue Fund	Tobacco Securitization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled cash and investments	\$ 977,544	26,661	2,220	284,264	1,290,689
Cash with fiscal agents	19			475	494
Investments with fiscal agents	2			51,400	51,402
Receivables, net	270,900	39,561	5,789	108,233	424,483
Property taxes receivables, net	218,048			994	219,042
Due from other funds	79,915			23,947	103,862
Advances to other funds	7,203			43	7,246
Inventories	7,326			1,671	8,997
Deposits with others				81	81
Prepaid items	17			572	589
Restricted assets:					
Cash with fiscal agents	171			389	560
Investments with fiscal agents			421,482	86,492	507,974
Total assets	1,561,145	66,222	429,491	558,561	2,615,419
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	85,308			33,719	119,027
Accrued payroll	29,425			1,758	31,183
Due to other funds	42,169	62,119	1,117	14,375	119,780
Advances from other funds				8,743	8,743
Deferred revenues	123,470			23,171	146,641
Unearned revenue	60,307			6,938	67,245
Total liabilities	340,679	62,119	1,117	88,704	492,619
Fund balances					
Reserved fund balance:					
Reserved for loans, advances and prepaids	13,294			44,610	57,904
Reserved for deposits with others				81	81
Reserved for landfill closure costs	1,259				1,259
Reserved for inventories	7,326			1,671	8,997
Reserved for debt service				92,009	92,009
Reserved for other purposes	251,352			61,101	312,453
Unreserved:					
Designated for encumbrances	236,272	3,985			240,257
Designated for subsequent years' expenditures	138,729				138,729
Designated for landfill postclosure and landfill closure costs	854				854
Undesignated	571,380	118	428,374		999,872
Unreserved, reported in nonmajor:					
Special Revenue Funds					
Designated for encumbrances				22,342	22,342
Designated for subsequent years' expenditures				625	625
Designated for landfill postclosure and landfill closure costs				63,209	63,209
Undesignated				153,999	153,999
Capital Projects Funds					
Designated for encumbrances				4,961	4,961
Undesignated				25,249	25,249
Total fund balances	1,220,466	4,103	428,374	469,857	2,122,800
Total liabilities and fund balances	\$ 1,561,145	66,222	429,491	558,561	2,615,419

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, 2008 (In Thousands)	
Total fund balances - governmental funds.	\$ 2,122,800
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.	2,748,214
Accrued interest on long-term debt.	(25,433)
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.	146,641
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.	(2,094,842)
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.	103,286
Net assets of governmental activities	\$ 3,000,666

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



**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2008
(In Thousands)

	General Fund	Public Safety Special Revenue Fund	Tobacco Securitization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 928,066			43,550	971,616
Licenses, permits and franchise fees	34,735			10,522	45,257
Fines, forfeitures and penalties	59,782			3,232	63,014
Revenue from use of money and property	48,381	147	21,711	67,724	137,963
Aid from other governmental agencies:					
State	849,783	227,563		92,296	1,169,642
Federal	792,430			116,152	908,582
Other	71,663			7,403	79,066
Charges for current services	267,624			44,394	312,018
Other revenue	30,705			43,040	73,745
Total revenues	3,083,169	227,710	21,711	428,313	3,760,903
Expenditures:					
Current:					
General government	270,236			7,050	277,286
Public protection	1,135,288	1,000		9,519	1,145,807
Public ways and facilities	5,907			74,144	80,051
Health and sanitation	593,104			40,278	633,382
Public assistance	987,730			123,971	1,111,701
Education	1,101			34,468	35,569
Recreation and cultural	29,606			2,436	32,042
Capital outlay	11,453			146,365	157,818
Debt service:					
Principal				184,614	184,614
Interest and fiscal charges	5,169			102,462	107,631
Total expenditures	3,039,594	1,000		725,307	3,765,901
Excess (deficiency) of revenues over (under) expenditures	43,575	226,710	21,711	(296,994)	(4,998)
Other financing sources (uses)					
Sale of capital assets	41			27	68
Transfers in	257,890			336,622	594,512
Transfers out	(236,400)	(230,534)	(24,200)	(103,748)	(594,882)
Total other financing sources (uses)	21,531	(230,534)	(24,200)	232,901	(302)
Net change in fund balances	65,106	(3,824)	(2,489)	(64,093)	(5,300)
Fund balances at beginning of year	1,155,082	7,927	430,863	534,153	2,128,025
Increase (decrease) in reserve for inventories	278			(203)	75
Fund balances at end of year	\$ 1,220,466	4,103	428,374	469,857	2,122,800

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, 2008 (In Thousands)	
Net change in fund balances - total governmental funds	\$ (5,300)
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.	14,685
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.	4,898
Adjustment to reserve for inventories.	75
Change in accounting estimate for closure and postclosure costs - (public protection function) - San Marcos Landfill.	1,418
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.	66,635
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	14,805
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.	186,152
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.	(30,630)
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.	(1,671)
Change in net assets - governmental activities	\$ 251,067

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



**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2008
 (In Thousands)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Pooled cash and investments	\$ 85,446	158,145
Receivables, net	9,255	2,784
Due from other funds	2,073	21,698
Inventories		1,825
Total current assets	96,774	184,452
Noncurrent assets:		
Advances to other funds	3,363	148
Capital assets:		
Land	11,338	
Construction and contracts in progress	49,854	
Buildings and improvements	52,555	
Equipment	1,341	176,264
Road network	335	
Sewer network	68,994	
Accumulated depreciation	(55,925)	(102,925)
Total noncurrent assets	131,855	73,487
Total assets	228,629	257,939
LIABILITIES		
Current liabilities:		
Accounts payable	4,835	32,890
Accrued payroll	144	712
Accrued interest		3
Due to other funds	2,690	5,163
Unearned revenue	52	726
Bonds and loans payable	217	502
Compensated absences	156	957
Claims and judgments		29,471
Total current liabilities	8,094	70,424
Noncurrent liabilities:		
Advances from other funds	14	2,000
Bonds and loans payable	2,038	3,345
Compensated absences	234	1,437
Claims and judgments		76,773
Total noncurrent liabilities	2,286	83,555
Total liabilities	10,380	153,979
NET ASSETS		
Invested in capital assets, net of related debt	126,237	73,339
Unrestricted	92,012	30,621
Total net assets (deficits)	\$ 218,249	103,960

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 (deficits)	\$ 218,249
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	674
Net assets of business type activities	\$ 218,923

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



**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008
(In Thousands)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Operating revenues:		
Charges for current services	\$ 41,475	301,531
Miscellaneous	105	660
Total operating revenues	41,580	302,191
Operating expenses:		
Salaries	6,271	33,216
Repairs and maintenance	5,202	36,142
Equipment rental	872	983
Sewage processing	9,828	
Contracted services	4,220	144,409
Depreciation	2,494	29,548
Utilities	141	17,865
Cost of material		1,659
Claims and judgments		15,167
Fuel		11,765
Other operating expenses	2,466	20,380
Total operating expenses	31,494	311,134
Operating income (loss)	10,086	(8,943)
Nonoperating revenues (expenses):		
Grants	7,725	777
Investment income	4,113	6,580
Interest expense	(159)	(171)
Gain or loss on disposal of assets		(455)
Total nonoperating revenues (expenses)	11,679	6,731
Income (loss) before contributions and transfers	21,765	(2,212)
Capital contributions		1
Transfers in	3,033	3,626
Transfers out	(3,114)	(3,175)
Change in net assets	21,684	(1,760)
Net assets (deficits) at beginning of year	196,565	105,720
Net assets (deficits) at end of year	\$ 218,249	103,960

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	\$ 21,684
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(89)
Change in net assets of business-type activities	\$ 21,595

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



**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2008
 (In Thousands)**

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 33,238	13,900
Cash received from other funds	6,562	291,571
Cash payments to suppliers	(17,793)	(233,634)
Cash payments to employees	(6,191)	(32,946)
Cash payments to other funds	(8,314)	(8,782)
Cash paid for judgments and claims		(20,105)
Net cash provided (used) by operating activities	7,502	10,004
Cash flows from noncapital financing activities:		
Operating grants	4,133	625
Transfers from other funds	3,033	3,685
Transfers to other funds	(1,561)	(3,175)
Advances to other funds		67
Other noncapital (decreases)		(650)
Net cash provided (used) by noncapital financing activities	5,605	552
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(12,507)	(13,939)
Proceeds from sale of assets		639
Retirement of capital leases, bonds and loans	(478)	
Interest paid on long-term debt	(159)	
Net cash provided (used) by capital and related financing activities	(13,144)	(13,300)
Cash flows from investing activities:		
Investment income	4,455	7,100
Net increase (decrease) in cash and cash equivalents	4,418	4,356
Cash and cash equivalents - beginning of year	81,028	153,789
Cash and cash equivalents - end of year	85,446	158,145
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	10,086	(8,943)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Inc (dec) in compensated absences	48	180
Inc (dec) in accrued payroll	35	135
Inc (dec) in due to other funds	(1,500)	1,310
Inc (dec) in accounts payable	(369)	(8,203)
Inc (dec) in claims and judgments		(4,938)
Inc (dec) in unearned revenue	(79)	(2)
Dec (inc) in accounts and notes receivable	(2,786)	136
Dec (inc) in due from other funds	(427)	1,607
Dec (inc) in Inventories		(826)
Depreciation	2,494	29,548
Total adjustments	(2,584)	18,947
Net cash provided by (used in) operating activities	7,502	10,004
Noncash investing and capital financing activities:		
Capital acquisitions included in accounts payable	3,379	1,308
Governmental contributions of capital assets	\$	1

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



**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008
(In Thousands)**

	Investment Trust	Agency Funds
ASSETS		
Pooled cash and investments	\$ 3,119,116	406,676
Cash with fiscal agents	18	3,723
Investments with fiscal agents	468,588	
Receivables:		
Accounts receivable	13,114	
Investment income receivable	27,967	38,054
Total assets	3,628,803	448,453
LIABILITIES		
Accounts payable	6,095	33,711
Warrants outstanding		206,190
Due to other governments		208,552
Total liabilities	6,095	448,453
NET ASSETS		
Held in trust for other purposes	\$ 3,622,708	

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, 2008
(In Thousands)**

	Investment Trust
ADDITIONS	
Contributions:	
Contributions on investments	\$ 6,491,717
Total contributions	6,491,717
Investment earnings:	
Net increase (decrease) in fair value of Investments	12,376
Investment income	157,099
Total investment earnings	169,475
Total additions	6,661,192
DEDUCTIONS	
Distribution from investments	6,004,041
Total deductions	6,004,041
Change in net assets	657,151
Net assets at beginning of year	2,965,557
Net assets at end of year	\$ 3,622,708

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