

County of San Diego, California



Comprehensive Annual Financial Report For the fiscal year ended June 30, 2012



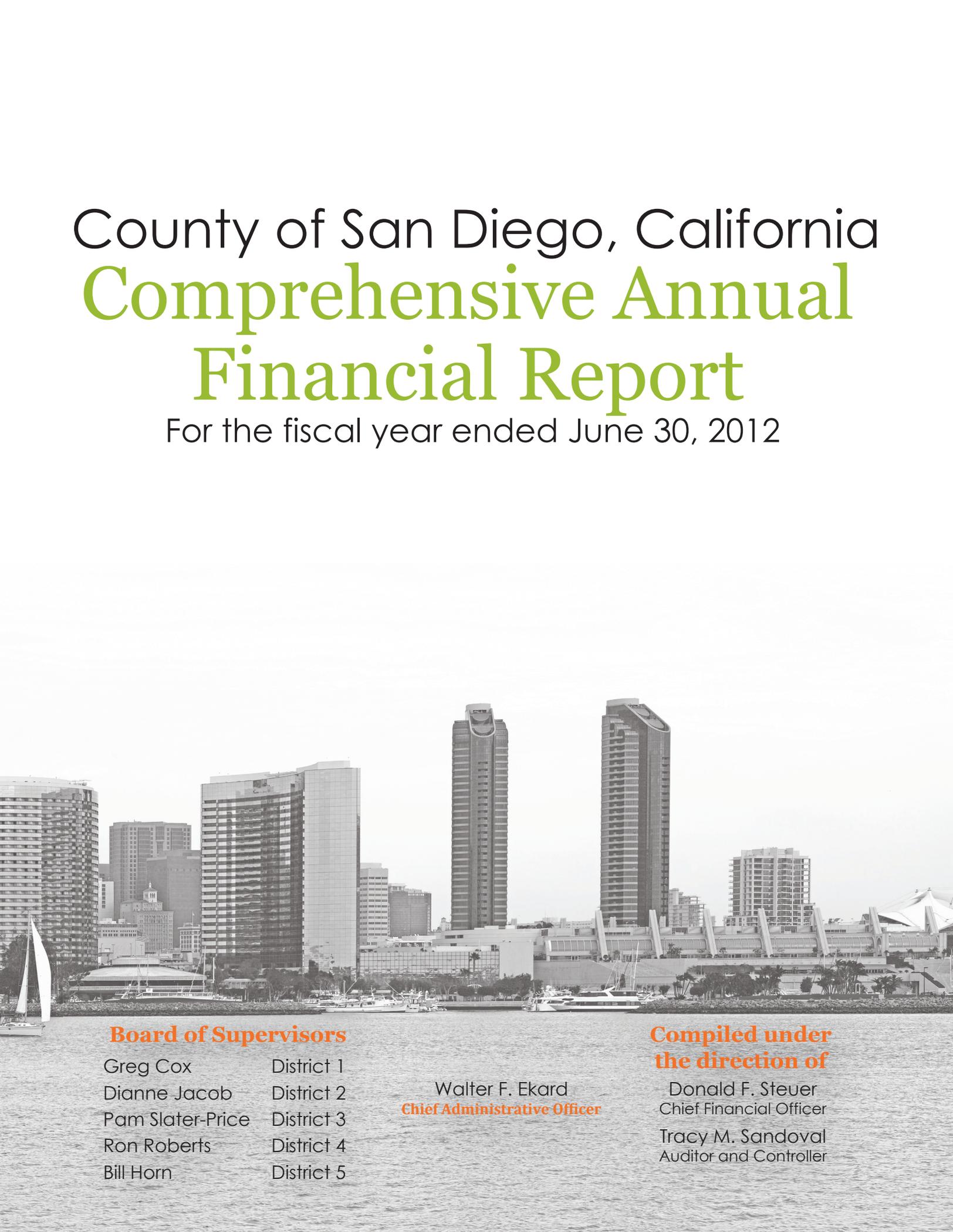
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County of San Diego, California Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2012

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Greg Cox	District 1
Dianne Jacob	District 2
Pam Slater-Price	District 3
Ron Roberts	District 4
Bill Horn	District 5

Walter F. Ekard
Chief Administrative Officer

Compiled under the direction of

Donald F. Steuer
Chief Financial Officer
Tracy M. Sandoval
Auditor and Controller

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County of San Diego

DONALD F. STEUER
CHIEF FINANCIAL OFFICER
(619) 531-5413
FAX (619) 531-5219

AUDITOR AND CONTROLLER
1600 PACIFIC HIGHWAY STE 166, SAN DIEGO, CALIFORNIA 92101-2478

TRACY M. SANDOVAL
ASST. CHIEF FINANCIAL OFFICER/
AUDITOR & CONTROLLER
(619) 531-5413
FAX (619) 531-5219

November 16, 2012

To the honorable members of the Board of Supervisors and the Citizens of San Diego County:

The Comprehensive Annual Financial Report (CAFR) of the County of San Diego (County) for the fiscal year ended June 30, 2012, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Macias Gini & O'Connell LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

County Profile

San Diego County is the southernmost major metropolitan area in the State of California and covers 4,261 square miles, extending 75 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 of the population and resources are located. The average annual rainfall in the coastal areas is 10 inches, so the County is highly dependent on imported water.

In March 2011, the U.S. Census Bureau estimated the County's population for 2010 to be 3,095,313, an increase of 10.0% from the 2000 figure of 2,813,833. The State of California Department of Finance released population data incorporating the 2010 Census counts as the benchmark showing the County's revised population estimate for January 1, 2011 was 3,115,810 and the County's population estimated for January 1, 2012 was 3,143,429. San Diego is the second largest county by population in California behind Los Angeles County. There are 18 incorporated cities in the County; of them, the City of San Diego is the largest, with a population of approximately 1,321,315; and Del Mar is the smallest, with a population of approximately 4,194. In addition, the Tijuana, Mexico, metropolitan area with an estimated population of approximately 1,751,430 according to the 2010 census, 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. The regional population for 2030 is forecasted to be 3.9 million according to the San Diego Association of Governments' (SANDAG's) 2050 Regional Growth Forecast final series as of October 2011. SANDAG projects that in 2030 San Diego's population breakdown will be 41.9% White, 37.0% Hispanic, 11.4% Asian and Pacific Islander, 5.4% African American, 3.5% two or more races, and 0.8% in all other groups. A significant growth in the Hispanic population is seen in this projection.

County Government, Economy and Outlook

County Government

San Diego became one of California's original 27 counties on February 18, 1850, shortly after California became the 31st State in the Union. The County 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. Each board member is limited to no more than two terms and must reside in the district from which he or she is elected.

The Board of Supervisors sets priorities for the County and oversees most County departments and programs and approves their budgets. Per California Government Code Section 23005, the County may exercise its powers only through the Board of Supervisors or through agents and officers acting under the authority of the Board or authority conferred by law. The Board of Supervisors appoints the following officers: the Chief Administrative Officer (CAO), the County Counsel, the Probation Officer and the Clerk of the Board of Supervisors. The Chief Administrative Officer appoints the Chief Financial Officer, the Auditor and Controller and all other appointive officers. The CAO assists the Board of Supervisors in coordinating the function and operations of the County; is responsible for carrying out all of the Board's policy decisions that pertain to the functions assigned to that officer; and supervises the expenditures of all departments. Elected officials head the offices of the Assessor/ Recorder/ County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. The County provides a full range of public services to residents, including law enforcement, detention and correction, emergency response services, health and sanitation, parks and recreation, libraries and roads. The County also serves as a delivery channel for many State services, such as foster care, public health care and elections. These services are provided by five business Groups (Public Safety, the Health and Human Services Agency, Land Use and Environment, Community Services and Finance and General Government), each headed by a General Manager who reports to the CAO.

Economy and Outlook

The U.S. economy suffered through a very deep recession beginning in December 2007 and ending in June 2009 according to the National Bureau of Economic Research (NBER). The recession lasted approximately 18 months making it the longest recession since 1929. The economic events of

September and October, 2008, in particular, have had far reaching and long-term impacts on the financial markets in the U.S and around the world.

On July 27, 2012, the Bureau of Economic Analysis (BEA) released revised data for 2009 through 2011 that indicated that the recent recession had been slightly less deep and the early part of the subsequent recovery had been a bit more gradual than previously thought. In 2011, the revised real gross domestic product (GDP) increased by 1.8% compared to the revised 2.4% increase in 2010. According to the second estimate released by the Bureau of Economic Analysis, the U.S. economy increased at an annual rate of 1.7% in the second quarter of 2012. In the first quarter, real GDP increased by 2.0 percent.

The forecast for 2012 depicts a real GDP increase of 2.2% from 2011. Real GDP growth is expected to continue in 2013.

Minutes from the Federal Open Market Committee meeting on July 31 and August 1, 2012, indicated that economic activity increased at a slower pace in the second quarter than earlier in the year and labor market conditions have improved little in recent months. In the second quarter, consumer price inflation was markedly lower than in the first quarter, mostly reflecting declines in consumer energy prices, while measures of longer-run inflation expectations remain stable. Private nonfarm employment expanded in June at about the same modest pace as in the second quarter as a whole, and government employment decreased slightly. The unemployment rate improved compared to 2011; however, long-duration unemployment has stayed elevated.

Conditions in the housing market generally improved further in recent months, but activity remained at a low level against the backdrop of the large inventory of foreclosed and distressed properties and tight underwriting standards for mortgage loans. Manufacturing production decelerated significantly in the second quarter following a large gain in the first quarter. The production of motor vehicles and parts increased considerably last quarter, but factory output outside of the motor vehicle sector was essentially flat. Households' real disposable income rose at a faster pace than consumer spending in both the first and second quarters, boosted in part in recent months by lower energy prices. Real business expenditures on equipment and software rose in the second quarter at a faster pace than in the first quarter. However, new orders for nondefense capital goods excluding aircraft decreased and the backlog of unfilled orders decelerated sharply.

Some significant risks facing the U.S. economy in 2012 include continued weakness in the housing market, continued uncertainty among households and businesses about the economic outlook, slower global economic growth, concerns about the fiscal and banking situation in the Euro area, and the overall outlook for global economic growth (Source: Minutes from the Federal Open Market Committee meeting on July 31 and August 1, 2012.) Households continue to face significant challenges - including limited growth in disposable income, stubbornly high unemployment levels, tight credit markets, and burdensome, although declining, mortgage debt (Source: State of California Legislative Analyst's Office (LAO) 2012-13 Budget: Economic and Revenue Update February 27, 2012).

California's economy continues to recover from the impact of the worst recession since the Great Depression. In 2011, California's labor market registered gains, albeit at an uneven pace during the course of the year. Further, California is on track for a second year of net job gains. In a year-over-year comparison (July 2011 to July 2012), nonfarm payroll employment in California increased by 365,100 jobs (up 2.6 percent). The state unemployment rate fell modestly from 12.4% in 2010 to 11.7% in 2011. The July 2012 unemployment rate was 10.9% which was equal to the seven month average for 2012. Across the major industries of the state, 2011 brought some much needed relief after years of job losses. Most, but not all, industries in the state registered gains, with the largest percentage increases coming in Information, Education, and Administrative Services. Further, most of the major industries saw job gains continue into 2012.

Aerospace and technology has continued to add jobs in 2012. International trade continues to play an important role in the state's economy, and California ranks as the second largest exporting state in the country. California's largest exports come from aerospace, pharmaceuticals, other information technology sectors, and agriculture. Imports outweigh exports by a 2-to-1 margin. The tourism and hospitality industry in the state has improved over the past two years. Occupancy rates through the first five months of 2012 rose by roughly 3% in the major markets of the state. (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2012-2013 Mid-Year Economic Forecast and Industry Outlook, July 2012).

Following a decline of 5.4% in 2009, real personal income grew by 2.5% in 2010 and 3.5% in 2011. Taxable sales declined 14.4% in 2009 and grew by 3.0% in 2010 and are estimated to grow by 6.5% in 2011 (final taxable sales figures will not be available until early 2013). Consumer spending continues to be impacted by this economic volatility. California's economy

continues to recover from the steep recession. Nonfarm employment grew by 0.9% in 2011 and is projected to grow by 1.6% in 2012 and 1.8% in 2013. In 2012, real personal income is expected to grow by 1.5% and taxable sales are predicted to increase by 4.3%. More improvement is expected in 2013.

For 2012 and 2013, even with the headwinds of a global economic slowdown, California's economy should move forward this year and next. While the labor market is still years away from normal, progress will be made over the next two years with gains in private sector jobs, notably in technology-related industries, professional and business services, and information, with some welcome gains in construction. (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2012-2013 Mid-Year Economic Forecast and Industry Outlook, July 2012).

San Diego certainly shared the pain of the recession along with the rest of Southern California. The outlook for San Diego County for the second half of 2012 is for continued though moderate expansion (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2012-2013 Mid-Year Economic Forecast and Industry Outlook, July 2012). Unemployment in the region in 2011 averaged 10.0%, and was lower than the 2011 median of 10.4% for the 10 largest counties in the State. In 2012, the average unemployment rate for the first seven months was 9.2%.

Another indicator of economic health is county taxable sales. Taxable sales started to decline overall in the County in 2007 and that trend continued in 2008 and 2009. In 2010, taxable sales showed moderate growth. While the annual figures on taxable sales for 2011 are not yet available from the California State Board of Equalization, sales tax revenues in 2011 have shown continued improvement. One category that has contributed to the higher growth rates in 2011 has been increased fuel costs. Growth in taxable sales is expected to continue in 2012 and 2013.

The state of the economy plays a significant role in the County's ability to provide core services and the mix of other services sought by the public. The real estate market slump has impacted the County's general purpose revenue (GPR), although GPR is expected to increase marginally in fiscal year 2013 from fiscal year 2012. General purpose revenue is relied upon to fund local services where no other funding is available, as well as to fund the County's share of costs for services that are provided in partnership with the State and federal government. The County is also adjusting to new roles and responsibilities in the areas of health, public safety, and redevelopment.

County management continues to evaluate and respond to the changing economic environment and its impact on the cost and the demand for County services. Specific actions are detailed in the fiscal year 2013 Adopted Operational Plan which can be accessed at <http://www.sdcountry.ca.gov/auditor/opplan/adoptedlist.html>.

County's Economic Base

The County's economic base consists of a significant manufacturing presence (e.g. energy storage, cyber-security, and clean tech), a large tourist industry attracted by the favorable climate of the region, a considerable defense-related presence, and the region is a thriving hub for biotech and telecommunications industries. Highlights of County employment as of July 2012 are listed below:

- Non-agricultural, industry employment totaled 1,254,700 jobs. This represents a gain of 14,500 jobs from the unadjusted July 2011 employment figures.
- The services industry, including information, professional and business services, education and health services, leisure and hospitality, and other services, constitutes the largest employment sector and accounted for approximately 48.8% of non-agricultural employment, with a total of 612,400 employed.
- The wholesale and retail trade industries were the second largest non-government sector, comprising approximately 14.0% of non-agricultural employment totaling 175,100 jobs.
- Government accounted for approximately 17.5% of non-agricultural employment (219,800). San Diego's military presence contributes to this significant component.
- Manufacturing accounted for an additional 7.4% of non-agricultural employment (92,600), up 200 jobs from the unadjusted employment figures for July 2011.
- 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 4.7% of total non-agricultural employment or 58,400 jobs, was up 3,900 jobs from the unadjusted July 2011 employment figures.
- The financial sector, including finance, insurance, real estate and related employment, represents 5.5% of non-agriculture employment (69,600). Financial activities experienced an increase of 800 jobs from the unadjusted employment figures for July 2011.
- Transportation, Warehousing and Public Utilities accounts for 2.1% of non-agricultural employment (26,400).
- Agriculture (9,400) and mining (400) accounted for approximately 0.7% of total employment.
- Self-employed, household domestic workers and miscellaneous other categories not captured in industry employment represents approximately 13.8% or 201,600 of total employment (1,465,700). This category experienced an increase of 39,400 jobs from the unadjusted employment figures for July 2011.
- The San Diego County region experienced a net job gain of 53,600 from the July 2011 unadjusted employment figure of 1,412,100 (representing civilian labor force data by place of residence including self-employed, household domestic workers, unpaid family workers and workers on strike) to the July 2012 level of 1,465,700. This compares to an increase of 3,200 jobs the previous year. The County has been in the midst of significant volatility. San Diego's index of leading economic indicators has trended higher since April 2009. More current indicators show that the economy continued to gradually improve during 2012. Stock prices, building permits, help wanted advertising, consumer confidence, and the national economy as measured by the Conference Board Index of Leading Economic Indicators were positive in July 2012.

County revenues that are affected by the state of the local economy 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 employment levels. Short and long-term interest rates are low by historical standards. Overall, there seems to be a general view that the pace of economic recovery at the national, state and local levels will continue to be gradual.

An impact of the housing market's recent turmoil has been an improvement in the California Association of Realtors index for first-time buyers throughout California. 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 65% in June 2012 compared to 64% in June 2011. Further, this is a substantial increase from 27% in December 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. The improvement in the percentage of households that could afford to buy an entry-level home in San Diego was based on the market-driven drop in entry-level priced homes, the corresponding adjustment to the monthly payment needed

(including taxes and insurance), and an adjustment to the qualifying income level for the lower priced entry-level homes.

Sources: State of California Department of Finance, U.S. Census Bureau, U.S. Department of Commerce Bureau of Economic Analysis, San Diego Association of Governments (SANDAG) - San Diego's Regional Planning Agency, the State of California Employment Development Department, and the California Association of Realtors.

General Management System

The County's General Management System (GMS) is the framework that guides the management of County operations and service delivery to residents, businesses and visitors. The GMS identifies how the County sets goals, prioritizes the use of resources, evaluates performance, ensures cooperation and recognizes accomplishments in a structured, coordinated way. By developing and adhering to a written operations manual, the County of San Diego is able to create and maintain an organizational culture that values efficiency, innovation, and fiscal discipline and that provides focused, meaningful public services that improve lives and benefit the community.

At the heart of the GMS are five overlapping components which ensure that the County asks and answers crucial questions:

Strategic Planning asks: *Where do we want to go?* The Strategic Plan looks ahead five years to anticipate significant needs, challenges, risks and opportunities that are likely to develop and sets goals for the future. Long-range strategic planning activities require us to assess where the County is and where it wants to be.

Operational Planning asks: *How do we get there from here?* Operational Planning allocates resources over the next two fiscal years to specific programs and services that support the County's long-term goals as articulated in the Strategic Plan. This includes adoption of an annual budget and approval in principle of a second year spending plan.

Monitoring and Control asks: *How is our performance?* Monitoring and Control shows whether the County is on track to achieve its goals. The County evaluates its progress frequently, including structured monthly, quarterly and annual reviews so that necessary adjustments may be made without delay.

Functional Threading asks: *Are we working together?* Although the County is divided into groups, departments and divisions for operational purposes, the County has many critical functions and goals that cross these organizational lines. Functional threading ensures that information and resources are

coordinated and shared throughout the organization to achieve common goals, solve problems and maximize efficiency.

Motivation, Rewards and Recognition asks: *Are we encouraging excellence?* County employees must embrace the GMS disciplines and understand how this system guides the success of County operations and contributes to their success on the job. To encourage excellence, managers must set clear expectations, provide incentives, evaluate performance and reward those who meet or exceed goals. And County employees meet the challenge by becoming Knowledge Workers who are comfortable with changing technology and who prepare themselves and their departments for changes expected in the future.

The five GMS components form an annual cycle that is renewed each fiscal year with review of the Strategic Plan and development of a new Operational Plan.

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. The Strategic Plan is developed by the Chief Administrative Officer and the County Executive Team, based on the policies and priorities set by the Board of Supervisors and an enterprise-wide review of the issues, risks and opportunities facing the region and the County organization. In reviewing the Strategic Plan as of the annual GMS cycle, it was determined that some changes were needed in order to keep up with the changing world we live in and the residents that we serve. These changes were also made to promote increased collaboration between Groups and Departments to better achieve our goals. As a result, the County of San Diego Strategic Plan for Fiscal Years 2012-2013 through 2017-2018 contains three new Strategic Initiatives which are:

- **Safe Communities** - Promote safe communities,
- **Sustainable Environments** - Support environments that foster viable, livable communities while bolstering economic growth, and
- **Healthy Families** - Make it easier for residents to lead healthy lives while improving opportunities for children and adults.

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. Pursuant to Government Code 29000 et seq., State law allows the Board of Supervisors to formally adopt only the first year of the Operational Plan as the County's

budget. State law permits modifications to the adopted budget during the year with approval by the Board of Supervisors, or in certain instances, by the Chief Financial Officer. The Chief Administrative Officer reviews the status of the County's performance against the budget in a quarterly status report to the Board of Supervisors.

Financial (Budgetary) Policies

Government Code (GC) Sections 29000 through 29144, provide the statutory requirements pertaining to the form and content of the County's Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "funding sources shall equal the financing uses".

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 for supervising the expenditures of all departments and reporting to the Board of Supervisors on whether specific expenditures are necessary.

County Administrative Code Article VII establishes the components and timeline for the budget process and establishes the Chief Administrative Officer as responsible for budget estimates and submitting recommendations to the Board of Supervisors.

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

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 Contracts - Department Responsibility for Cost Recovery: 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-13 Legislative Policy: State-Mandated Local Program Costs: Calls on the State and Federal Legislature to encourage equitable reimbursement of mandated local program costs.

Administrative Manual

0030-01 Procedure for Fees, Grants and Revenue Contracts for Services Provided to Agencies or Individuals Outside the County of San Diego Organization: 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.

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

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.

0030-22 Revenue Management - Auditor and Controller Responsibilities: The Auditor and Controller is 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

Embracing change is the key challenge for area governments. The County of San Diego is rising to that challenge and continually looks to improve by seeking opportunities to streamline operations, utilize technology to provide innovative solutions for services, create space- and energy-efficient workplaces, and expand the services and information to the public through the use of online and social media.

During Fiscal Year 2011-12, all County programs supported at least one of the three Strategic Initiatives of the County of San Diego's Fiscal Years 2011-16 Strategic Plan.

- **Kids** - Improve opportunities for children and families,
- **The Environment** - Manage the region's natural resources to protect quality of life and support economic development, and
- **Safe and Livable Communities** - Promote safe and livable communities.

The Strategic Plan also commits the organization to adhere to eight key internal organizational disciplines that are necessary to maintain a high level of operational excellence and accomplish the Strategic Initiatives. These Required Disciplines for Excellence are:

- **Fiscal Stability** - Maintain fiscal stability to ensure services that customers rely on, in good times and in bad.
- **Customer Satisfaction** - Ensure customers are provided with superior services.
- **Regional Leadership** - As a regional leader, the County forges cooperative partnerships and leverages additional resources for residents.
- **Skilled, Adaptable and Diverse Workforce** - Develop a committed, skilled, adaptable and diverse workforce that turns plans and resources in to achievement and success.
- **Essential Infrastructure** - Provide the essential infrastructure to ensure superior service delivery to our residents.
- **Accountability/Transparency & Ethical Conduct** - Ensure accountability to ourselves and the public by requiring that county business be conducted as openly as possible, resulting in the efficient and ethical use of public funds.
- **Continuous Improvement** - Achieve operational efficiency through continuous efforts to improve and innovate, thereby maximizing value for taxpayers.
- **Information Services** - The County of San Diego will be the center of Information Services innovation for advancing the delivery of County services, anytime and anywhere.

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 highlights over the last year were:

Kids: Improve Opportunities for Children and Families

Implemented second year of "Live Well, San Diego!" to achieve the County's vision of healthy, safe and thriving communities by:

- Supporting positive choices that integrate healthy and safe living and encourage financial stability.
 - Continued to promote self-sufficiency by serving eligible recipients on public assistance programs; over 76,000 people per month in CalWORKs, over 251,000 per month in CalFresh, and over 354,000 per month in Medi-Cal.

- Received a Community Nutrition Education Program (CNEP) multi-year State grant to increase access and nutrition education for CalFresh eligible or potentially eligible clients.
- Provided resources to homeless families exiting from transitional housing.
- Building a better service delivery system that recognizes the importance of safety in achieving healthy people, healthy communities and thriving families.
 - Made it easier for people seeking help on issues such as mental health, alcohol or drug abuse and suicide prevention by revising the phone number for the Access and Crisis Line to reflect the seven days a week, twenty-four hours a day service to (888) 724-7240.
- Implemented the Low Income Health Program (LIHP) that funds medical care for uninsured adult County residents. LIHP uses a network of community health centers along with hospitals, community physicians and mental health providers throughout San Diego County to provide health care services.
- Obtained funding for a program that will help residents with complex needs and chronic health conditions better manage their care and reduce hospital visits. This funding from the Beacon Community Project will be used to develop and administer evidence-based Care Transition services in three hospitals in the San Diego County region (Scripps Mercy, Sharp Memorial and UCSD Medical Center), building upon the successful Aging and Independence Services Care Transitions pilot program at Sharp Memorial.
- Received a Community Transformation Grant (CTG), a multi-year grant from the U.S. Department of Health and Human Services, to reduce chronic diseases, promote healthier lifestyles, reduce health disparities and decrease health care costs.
- Established partnerships and implemented child support related programs with community-based organizations who deal with non-custodial parents.
- Created a separate team within Child Welfare Services (CWS) to case manage all youth over the age of 17 that remain active to CWS. Now that Assembly Bill 12, the California Fostering Connections to Success Act, has extended foster care to the age of 21, this team will ensure that these youth have the tools and resources they need to successfully exit from foster care at the appropriate time.

- Pursuing policy and environmental changes that make it easier to be healthy, enhance safety, and support communities that thrive.
 - Completed year two of the two-year Communities Putting Prevention to Work grant. The grant worked closely with residents, businesses and community leaders to develop and implement policies, systems and environmental approaches that make healthy living easy, safe and affordable. Efforts included partnering local farmers with local schools to bring fresh fruits and vegetables to students, creating a 'safe routes to school' countywide coalition, and completing draft framework for integrating public health goals into the 2050 Regional Transportation Plan and Regional Comprehensive Plan.
 - Improved the culture from within by training County staff to recognize that traumatic events impact individual health, community safety and financial stability.
 - Rolled out an employee training based on Behavioral Health Services' "It's Up to Us" campaign to increase understanding of mental illness, to reduce stigma, and to encourage people to help others or seek help for themselves.
- Performed over 11,000 stormwater inspections (goal was 8,000) during the construction phase on private development projects to ensure compliance with the state's requirements, reduce erosion and minimize downstream pollutants.
- Continued to partner with prosecutors and other regulatory agencies to enforce compliance with hazardous waste, hazardous materials and underground storage tanks laws when cooperative and educational efforts fail. As part of this effort, two inspectors attended the Federal Law Enforcement Training Center's advanced environmental crimes multi-jurisdictional training.
- Completed 11 oil collection events - recycling 97,779 gallons of used oil and 30,742 used oil filters and completed five tire collection events - recycling 5,211 tires.
- Protected the health and safety of the region's \$1.65 billion agricultural industry and its customers from damaging exotic insects, diseases and noxious non-native weeds.

Safe and Livable Communities: Promote Safe and Livable Communities

Continued to provide programs that break the cycle of criminal recidivism, protected the public and focused on the successful reentry of offenders into the community upon leaving incarceration.

- Provided rehabilitative services to youth in custody to prepare them for success in the community.
- Participated in Offender Reentry Court, Behavioral Health Court, Adult and Juvenile Drug Court, Homeless Court and the Veterans Treatment Review Calendar to ensure clients obtained the services they need to become self-sufficient and maintain a crime-free lifestyle.
- Conducted 1,039 compliance audits in the unincorporated area and Sheriff's contract cities to ensure that registered sex offenders remained in compliance with court ordered offender registration requirements.

Continued partnerships with other agencies to address public safety needs.

- Collaborated with criminal justice partners and social service providers and developed protocols for a High-Risk Domestic Violence Team to support improved outcomes for victims of domestic violence.
- Participated in multi-agency operations including gang operations, truancy sweeps, probation and parole sweeps and sobriety checkpoints.
- Continued to contribute to research efforts in childhood death by actively participating in the San Diego County Child Fatality Committee, the

The Environment: Manage the Region's Natural Resources to Protect Quality of Life and Support Economic Development

- Completed adoption of a new County General Plan, to provide an up-to-date, consistent framework for development that streamlines the development and development review processes.
- Acquired 474 acres within the Multiple Species Conservation Plan (MSCP) areas. The MSCP streamlines the development process and facilitates the creation of viable permanent open space preserves.
- Acquired, preserved and enhanced significant natural and historical/cultural resources and designed, developed and operated park facilities in an environmentally responsible and efficient manner that promoted resource sustainability.
- Promoted green building, including sustainable building practices, renewable energy and energy efficiency through economic incentives such as reduced fees and fee waivers.
- Improved energy and water efficiency in 12 (goal was 8) department facilities by native landscaping, retrofitting or installing new water- and energy-efficient equipment, acquiring electric vehicles, and replacing older vehicles with energy-efficient vehicles to reduce water and energy usage.

Methamphetamine Strike Force, the Medical Examiners and Coroners Alert Project, the National Institute of Child Health and Human Development and the California Sudden Infant Death Syndrome (SIDS) Advisory Council. Participation includes attending meetings, providing statistics and case examples, and lending expertise.

- Completed Step II of the County's Fire and Life Safety Reorganization Report, which included the merging of the five County Service Areas into the San Diego County Fire Authority - County Service Area (CSA) 135.

Continued to strengthen the County's and communities' ability to prepare for, respond to and recover from disasters.

- Implemented 24-hour staffing at all fire stations in coordination with the local fire districts.
- Developed an advanced post-disaster recovery initiative which provides a comprehensive program that identifies steps the County can take pre-disaster that will accelerate recovery after a catastrophic event.
- Initiated development of the Regional Communications System replacement plan; Federal Urban Area Security Initiative grant funding for replacement of the core was approved in January 2012.
- Developed and implemented a public awareness campaign on the County's new Accessible AlertSanDiego mass notification system that directs blind, hard-of-hearing and deaf/blind residents to the ReadySanDiego website.
- Established a public information program on the tenth anniversary of 9/11 to educate and advise the general public as to how to recognize and report suspicious activity. The program, which reached 3.1 million residents as well as visitors to San Diego County, was available on the Web, through distributed materials, the local media and through community events.
- Provided public outreach notification to residents in the unincorporated area on the Defensible Space Program, the inspection process and procedures. This program is designed to protect homes during wildfires by reducing flammable vegetation around structures.
- Mitigated fire fuel hazards and maintained fire safe zones in 44 (goal was 24) park facilities through continued implementation of fuel management practices.
- Implemented the 2011 Consolidated Fire Code, which consolidated the fire codes of the 16 individual fire districts and the San Diego County Fire Authority - CSA 135.

- Reduced risks of wildfire by collaborating with the San Diego County Fire Authority in the application of land use policies that promote development that mitigates wildfire impacts, protecting new and existing communities.

Continued to enhance safety throughout our communities.

- Awarded and managed construction contracts for road improvement projects in various county communities to enhance safety and improve traffic flow and prepared four road reviews to evaluate County roads with higher than statewide average collision rates, recommending implementation measures to help reduce the number of collisions.
- Increased teen driving safety through education and awareness by conducting 65 Start Smart classes and five community teen driving fairs.
- Met Hazardous Incident Response Team (HIRT) goal to be on the scene of a hazardous incident they are dispatched to within 60 minutes over 90% of the time. The team averaged a 98.4% on time arrival rate.
- Increased volunteer patrol hours by 130% (from 2,962 to 6,808 hours) to assist in creating safer parks and preserves by providing extra security for park users.

Continued to enhance the quality of life throughout our communities.

- Ensured that consumers are charged the correct price by conducting three outreach presentations to educate local merchants and retailers about price accuracy compliance.
- Increased the number of undercover residential fumigation inspections from 6 to 47 to increase enforcement presence where violations affect public health and worker safety.
- Maintained hours of service at 33 libraries and 2 mobile libraries.
- Conducted the Presidential Primary Election in June 2012, increasing the number of accessible polling places by 11.5%.
- Achieved the goal of 0% euthanasia of any healthy, friendly animal at County animal shelters.

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, 2011. 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 that 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

The County of San Diego works hard to maintain its standing as a best practices organization, offering programs that improve the lives of San Diego County residents in ways that are relevant and measurable. The County is proud that its leadership in these areas has been recognized for the following:

- In 2012, the County of San Diego has once again won national recognition by the National Association of Counties (NACo). Thirty-nine programs received the Achievement Awards for excellence. San Diego County and Los Angeles County tied for the most awards in the country this year. These awards, selected from 21 categories, recognize innovative programs that modernize county government and increase services to residents. The award-winning programs operate within all five County business groups and include programs that serve children, youth and seniors, as well as those that promote environmental protection, public safety and efficient, effective county administration.
- The San Diego County Taxpayer Association recognized the County of San Diego Capital Program as the winner of the 2012 Grand Golden Watchdog Award. As a result of cost saving measures over the past decade, the County of San Diego Capital Program will save taxpayers approximately \$1.46 billion over the next 30 years. By setting aside cash reserves during the years of high revenue growth, the County has been able to pay cash for one time capital improvement projects rather than financing them with long-term debts.
- San Diego County Library was honored with the prestigious 2012 Library of the Year award by the educational publishing company Gale and Library Journal magazine which recognizes outstanding service to the community, creativity and leadership. The County Library's unprecedented growth in recent years, strategic budget allocation and innovative programming all helped it earn the award.
- The National Recreation and Park Association's Environmental Agency of the Year Barb King Environmental Stewardship Award went to the Department of Parks and Recreation for its work on land acquisitions, project design, stewardship,

preservation and outreach. The award was also based on the County's role as a national leader in conserving open space and natural resources cultivating environmental stewardship in others.

- The Center for Digital Government provided national recognition with the Digital Government Achievement Award for an innovative program to help rural residents get Medi-Cal and CalFresh (formerly Food Stamps). This video program makes it easier for some 450,000 residents living in the rural North County and North Inland Regions to access needed County services. The County was awarded second place in the Digital Counties Survey 2011 for those with a population over 500,000. This award recognizes leading examples of counties using information and communications technology.

Detail of recognitions of excellence received by San Diego County that highlight the County's progress in meeting its strategic goals include:

Strategic Initiative - Kids

- The Department of Housing and Community Development received a 2012 Award of Merit from the National Association of Housing and Redevelopment Officials for its Homelessness Prevention and Rapid Re-Housing Program. Since 2009, the program has provided housing to 77 homeless families and prevented 69 families from becoming homeless.
- The leading national organization for intergenerational programming, Generations United, and the MetLife Foundation designated San Diego County as one of five Best Intergenerational Communities for recognizing the value of promoting strong bonds between the generations.
- The National Association of Counties (NACo) Achievement Awards - 2012
 - "It's Up to Us" Mental Health Awareness and Stigma Reduction - a five-year mass media campaign designed to empower San Diegans to talk openly about mental illness, recognize symptoms, utilize local resources and seek help.
 - "Positive Solutions" Depression Busters for Homebound Seniors - a program to help homebound or socially isolated seniors who are at risk of depression or suicide redirect their lives to be more social and active, and to rediscover pleasure.
 - Acoustic Showcase Series - an inexpensive and fun program hosting free concerts outside of local library branches in the County.
 - Caregiving Clips Webinar Series - a series of online videos featuring regional experts on topics of interest to family caregivers.

- Child Support Employer Webinar - a live, online webinar presentation to more effectively educate employers on their responsibilities when receiving an Income Withholding Order (IWO) for employees' mandated court ordered child support deductions.
 - Health & Human Services Agency Video Interviewing - Through collaboration with community partners, the County established Video Interviewing as a means to improve customer service and enhance access to health coverage and food assistance.
 - Healthy Works: Paths to Healthy Living Media and Marketing Campaign - a comprehensive and innovative program developed and launched as part of a large-scale effort to curb the tide on the obesity epidemic.
 - Passport to Healthy Aging: Elder Multicultural Access and Support Services - a grassroots approach to assist immigrants and refugees, who often fail to navigate the public services system, with increased access to, and education about, strategies to improve mental and physical health.
 - Parenting Classes - developed by the County Library to provide educational assistance to parents with raising children.
 - Public-Private Partnership to Improve Access to Nutrition and Health Benefits - a successful partnership with 2-1-1 San Diego (2-1-1) a local, private non-profit organization, to increase access to CalFresh and Medi-Cal benefits.
 - Recovery Innovations-Client Operated Peer Supported Mental Health Services - a program that integrates mental health, rehabilitation and recovery services for adults who have serious mental illnesses, to improve their mental health and quality of life.
 - SmartCare: Integrated Physical and Behavioral Healthcare for Rural Families - a program to provide integrated physical and behavioral health care to the rural areas that are historically underserved, particularly when it comes to mental health treatment.
 - The California State Association of Counties (CSAC) awarded San Diego County, a California Counties Innovation Award for the reformation of the In-Home Supportive Services (IHSS). The creation of a new program integrity initiative and other measures, including integration of a long-term care system with wrap-around services blending health and social services funding while reducing gaps in care, reduced program cost growth from an average of 8-10 percent annually to 0.2 percent. Annual budget expenditures were \$24 million less than projected.
 - CSAC Challenge Award 2011
 - Free Foreclosure Prevention HOME Clinic - which provides counseling and education for families facing bankruptcy or foreclosure in partnership with the Housing Opportunities Collaborative.
 - Camp Connect San Diego - which brings together siblings separated by placement in the foster care system. The program offers approximately 65-80 children opportunities to connect with their siblings through four-day camps and all-day activities.
 - CSAC Merit Award 2011
 - Educating Non-Custodial Parents - for videos produced in-house by Department of Child Support Services and posted on the department website in an effort to engage parents owing child support to participate in the process.
 - For the third time the California Child Support Director's Association, honored San Diego County Department of Child Support Services (DCSS) as the state's Top Performing County (very large). DCSS ranked highest for outstanding performance on five federal performance measures and dollars given to families.
 - The It's Up to Us campaign received the Inspiration Media Award from the National Association on Mental Illness San Diego. The campaign reinforces the idea that mental health is just as important to quality of life as physical wellbeing, and also educates people about mental health challenges and the use of local resources.
 - The First 5 Commission of San Diego's Oral Health campaign received the top Public Service Announcement (PSA) Award from the Public Relations Society of America. The honor recognized efforts to promote good oral health care for pregnant women and children through the age of five.
- ### Strategic Initiative - The Environment
- The National Association of County Park and Recreation Officials' (NACPRO) recognized the Department of Parks and Recreation with two awards:
 - The Removing Barriers Initiative Award for the newly constructed cabins at Dos Picos County Park for their Americans with Disabilities Act (ADA) accessibility.
 - The Park and Recreation Program Award for the 2011 Movies in the Park series.
 - The Department of Parks and Recreation also won the Recreation Facility/Park Design Achievement Award for the Collier Park Soccer Arena from the

California Park and Recreation Society District. The construction of the soccer arena incorporated ADA design guidelines and "green" technologies.

- The National Association of Counties (NACo) Achievement Awards - 2012
 - Accessory Dwelling Unit Ordinance - a Zoning Ordinance to streamline the regulations regarding various accessory dwelling types, second dwelling units and guest living quarters.
 - Innovative Approach to Promoting Low Impact Design Techniques - Through a unique partnership with the Water Conservation Garden at Cuyamaca College, the County of San Diego funded installation of two exhibits using Low Impact Design (LID) principles to reduce the contribution of pollutants from urban runoff and stormwater to local water bodies.
 - Tiered Winery Ordinance and Environmental Impact Report - new winery regulations covering approximately 441,000 acres within the unincorporated County, to establish small boutique wineries on agricultural lands without the need for a discretionary permit.
- The completed Valley Center Road Bridge project received the 2012 Project of the Year Award from the American Public Works Association (APWA) and the 2012 Transportation Project Achievement Award from the Construction Management Association of America.
- A housing reconstruction project at San Pasqual Academy built in the wake of the 2007 Witch Creek Fire received two Gold Nugget awards from the Pacific Coast Builders Conference. The project won an Award of Merit in the Green Sustainable Communities category and a Judges Special Award of Excellence.
- The completed Black Canyon Road Bridge project received a 2012 Honor Award from APWA and a 2012 Outstanding Bridge Award from the American Society of Civil Engineers.

Strategic Initiative - Safe and Livable Communities

- National Association of Counties (NACo) Achievement Awards - 2012
 - Accessible Hazard Alert System - Accessible AlertSanDiego - a regional system to improve the emergency alerts for residents with sensory disabilities (deaf, blind, hard of hearing, or deaf/blind).
 - Community Ratings System Program - a voluntary program that recognizes and encourages community floodplain management activities that exceed the standard of the Federal Emergency Management Agency's (FEMA) National Flood Insurance Program's requirements.

- Community Law School - an innovative effort to provide free legal education by bringing lawyers and judges to the public at the trusted venue of the library.
- District Attorney Collaboration with Public Defender and Private Defense Counsel on eDiscovery - a system to streamline the dissemination of discovery materials to defense counsel.
- Drive Like Your Life Depends On It - The Patrol Speed and Safe Driving Initiative to address high speed on-duty patrol related collisions developed by the San Diego County Sheriff's Department.
- eVisit System - The Sheriff's Department schedules over 114,000 Inmate Social Visits each year. Previously, the scheduling was done exclusively by phone, which caused extended wait times. The eVisit System allows the public (with internet access) to schedule an Inmate Social Visit via the internet, resulting in a more efficient operation.
- *Flood Forecasting for the San Luis Rey River Watershed* - To combat damaging floods and forecast potential flood impacts, the County has developed a first of its kind model for forecasting flooding throughout the 562 square mile San Luis Rey watershed.
- *Justice Electronic Library System* - This completely automates the distribution, receipt and off-site use of Probation documents, police reports, and other documents received from outside parties that are all required for Juvenile Court Delinquency hearings.
- *San Diego County Emergency Portal Website* - a new emergency portal website that provides the public with updates on evacuations, shelters, interactive maps, and other critical information delivered to wherever people are - at home, at work, or on a mobile device.
- *San Diego County Probation Tracking Known Offenders* - a collaborative project where the Probation Department provides information and criminal intelligence to assist the Sheriff's Department in solving crimes, and the Sheriff's Department assists the Probation Department in the field supervision of medium and high risk probationers by enforcing court orders.
- *San Diego County Probation Youthful Offender Unit (YOU)* - a local custodial and community supervision program to address the highest risk youthful offenders who were formerly sent to State institutions.

- *Veterans Treatment Review Calendar* - a collaborative court approach to the adjudication of veterans with military-related mental health problems.
- The California Association of Public Information Officials honored the County with the Award of Distinction for its antiterrorism awareness campaign. Part of the campaign included a video, called "Eight Signs of Terrorism", which was promoted to the public and used to train employees at the County, City of San Diego and other local government agencies.
- The County's Juvenile Forensic Assistance for Stabilization and Treatment Program (JFAST) - a collaborative court program for juvenile offenders with mental health needs, was awarded the 2012 Juvenile Justice "At Large" Award by the County Juvenile Justice Commission.
- CSAC Merit Award 2011
 - *Integrated Fire Suppression/Stormwater Compliance System* - this system was developed in collaboration with area industry other stakeholders to enhance safety, ecological stewardship, and efficiency.
 - *Responsible Pet Ownership (RePo)* - this program works like a "traffic school" for individuals cited for minor animal violations, providing resources, rehabilitation and cost savings while reducing recidivism and court time.
 - *Senior Expo: Protect Yourself and Your Wallet* - these events help prevent crimes against older adults by empowering and educating seniors with physical and financial self-defense techniques. The program has educated more than 1,100 seniors at 24 events.
- The Sheriff's Department Helicopter Unit ASTREA received a Partnership Award CAL FIRE, State fire protection agency. The award recognizes the cooperation between law enforcement and fire agencies in times of wildfires and other emergencies.
- Health & Human Services Agency to develop the skills needed to meet these heightened demands.
- *Automating Housing Inspections Saves Staff Time, Mileage & Gas* - A computerized route optimization and planning program for inspection of rental assistance housing units that replaces Housing and Community Development's manual process of routing and scheduling inspections.
- *AWM Invoice Bar Coding* - a bar coding program for processing permit and registration payments in the Agriculture, Weights and Measures Department, which has resulted in increased efficiency and reliability.
- *Cloud-Based Contract Administration System* - a cloud-based contract administration software service that has increased oversight of contracting functions by the department, employee or contractor.
- *Deferred Compensation Women & Retirement Program* - as part of a retirement planning and investment educational campaign for all County employees, this focused program presented an opportunity to incorporate education aimed at a clearly defined audience while addressing current objectives and reaching a whole new audience.
- *Deputy Sheriff Cadet Recruitment Redesign* - a substantial redesign by the Department of Human Resources, of the recruitment process for qualified Deputy Sheriff Cadets through more effective screening of applicants at the front end of the process, that has resulted in expedited recruitment of quality candidates.
- *Development of Portfolio Accounting and Portfolio Analytics Interface* - a technology-based data extraction process allowing staff to perform analytics on current and historical portfolios.
- *District Attorney Transcription Process Reengineered* - a comprehensive streamlined approach developed to ensure an accurate reproduction of evidential recordings from law enforcement agencies about an alleged crime by an individual or individuals.
- *E-Audit for Health & Human Services Contractors* - In support of a comprehensive initiative called "Live Well, San Diego!", the Health and Human Services Agency developed a program to automate the manual process of contractor audits.
- *Preventing 1503 MEDS Errors* - an electronic training course designed to help eligibility staff prevent the 1503 Critical Medi-Cal (a.k.a. Medicaid) Eligibility Determination System (MEDS) errors.

Operational Excellence Awards

The awards listed below pertain to programs or accomplishments that support the County's Required Disciplines as outlined in the General Management System:

- National Association of Counties (NACo) Achievement Awards - 2012
 - *Advanced Competencies for the Administrative Professional of the 21st Century* - A decreasing workforce and increasing numbers of San Diego residents needing services spawned the creation of a rigorous seven week training program to empower administrative support staff at the

- *Public Administrator/Public Guardian E-referral System* - an online system that allows the public as well as community and County partners to refer individuals to the Public Administrator or Public Guardian electronically over a secure internet, thus improving customer service.
- *San Diego County SDFusion* - a centralized intelligence indexing system in the Sheriff's Department that provides increased data sharing between law enforcement agencies, improves disaster preparedness and delivers actionable data to assist decision making by officers and first-responders in the field.
- For the tenth 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 Adopted Operational Plan Fiscal Years 2011-2012 & 2012-2013. This award is a significant achievement for the County as it reflects the organization's commitment to maintaining the highest standards of governmental budgeting.
- For the fourth year in a row, the San Diego Society for Human Resource Management honored the District Attorney's Office with an Excellence Award for innovative planning that allowed the office to reduce its workforce by ten percent while maintaining quality of service to the public.
- The County's Popular Annual Financial Report (PAFR) earned the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. The PAFR is designed to make the County's financial results more readable for a broader audience.
- California State Association of Counties (CSAC) Merit Award 2011
 - Regional GIS Data Exchange - this county-sponsored project improved Geographic Information Systems (GIS) data exchanges between local governments and regional governmental agencies, while lowering costs and increasing reliability.
- The Center for Digital Government provided national recognition to the County with two awards:
 - The Digital Government Achievement Award for an innovative program to help rural residents get Medi-Cal and CalFresh (formerly Food Stamps). This video program makes it easier for some 450,000 residents living in the rural North County and North Inland Regions to access needed County services.
- The County was awarded second place in the Digital Counties Survey 2011 for those with a population over 500,000. This award recognizes leading examples of counties using information and communications technology.
- The Department of General Services was honored for the fifth year in a row with the Award of Excellence 2011 from the California Counties Facilities Services Association for demonstrating exceptional dedication to facilities excellence through best practices, innovation, staff development, automation and customer service.
- The Department of General Services received a Qualifications-Based Selection Merit Award 2011 by the American Council of Engineering Companies and National Society of Professional Engineers. This national award recognizes those who use qualifications-based methods to procure the services of consulting engineers at the state and local level.
- The Department of Housing and Community Development received the Nan McKay Pioneer Award by Nan McKay & Associates, Inc. for its TourSolver software program, which optimizes inspector travel routes, saving approximately \$30,000 annually.
- The James R. Mills Building was awarded Building of the Year 2011 (TOBY) in the government category by the Building Owners and Managers Association. The award recognizes excellence in building operations, property management, energy and water cost saving upgrades.
- The Program Awareness Award 2011 was presented by the Child Support Directors Association of California to the Department of Child Support Services. The honor was in recognition of the department's new Spanish website, which mirrors the information and functionality of its English site.
- The Fallbrook Library was the winner of the People's Choice Orchid 2011 from the San Diego Architectural Foundation. The building achieved LEED Silver Certification for sustainable design. The library features include: natural lighting, "living room" area, Poets Patio, homework center, and a portion of the roof landscaped with succulents.
- The San Diego Chapter of Associated Builders & Contractors honored the Fallbrook Branch Library with an Award of Excellence 2011 and became a finalist for "Top Project by a General Contractor."

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,




DONALD F. STEUER
Chief Financial Officer




TRACY M. SANDOVAL
Auditor and Controller



Otay Lakes County Park, Chula Vista

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, 2011

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.

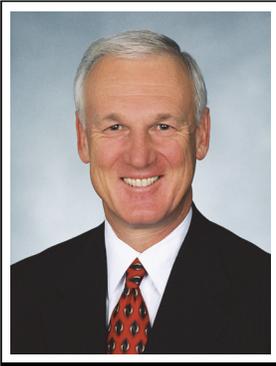
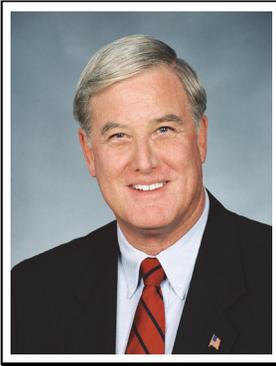


Linda C. Danison

President

Jeffrey R. Emmer

Executive Director



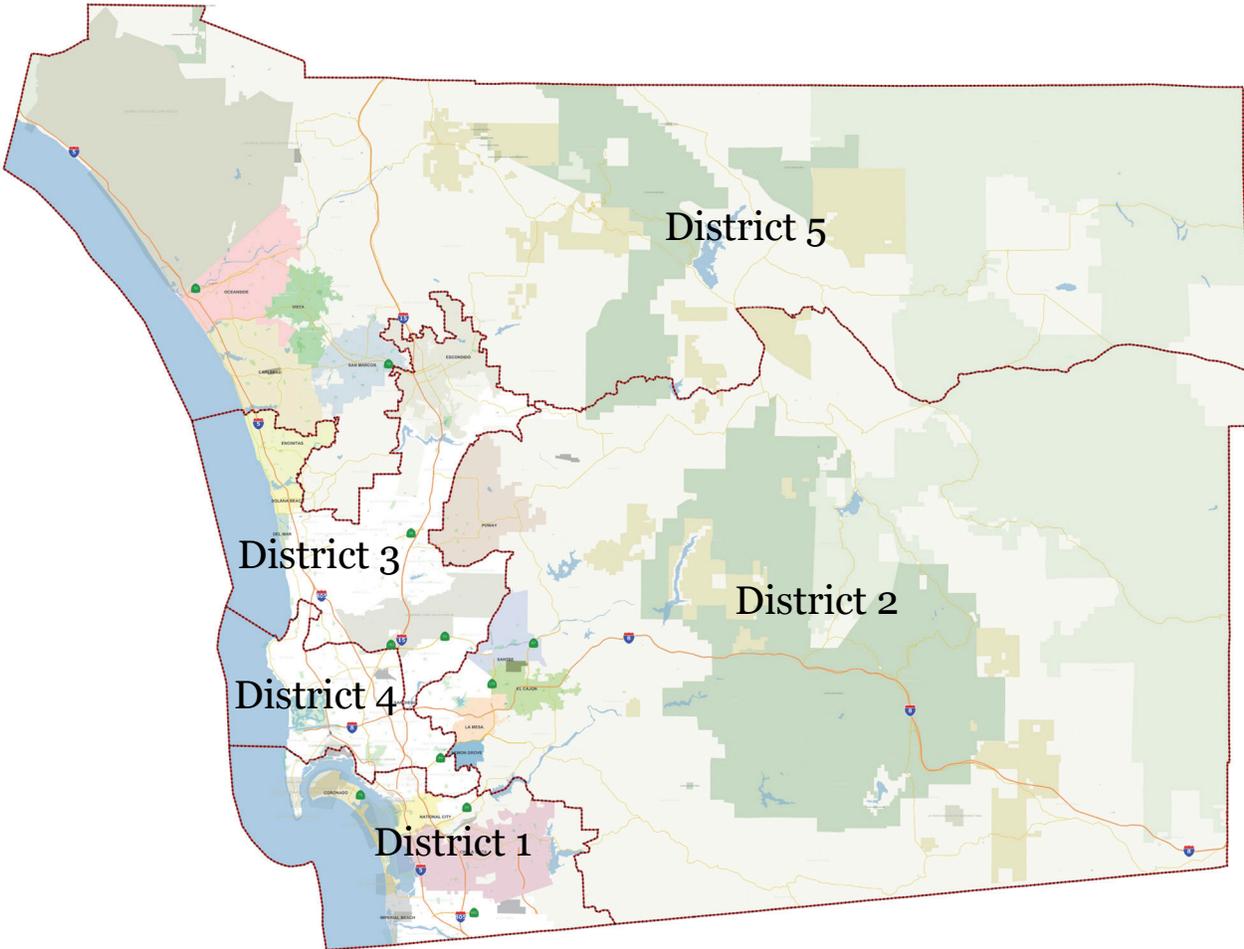
Greg Cox
District 1
Vice-Chairman

Dianne Jacob
District 2

Pam Slater-Price
District 3

Ron Roberts
District 4
Chairman

Bill Horn
District 5





Chief Administrative Office

Chief Administrative Officer
Assistant Chief Administrative Officer

Walter F. Ekard
Helen N. Robbins-Meyer

Elected Officials

Assessor/Recorder/County Clerk
District Attorney
Treasurer - Tax Collector
Sheriff

Ernest Dronenburg
Bonnie Dumanis
Dan McAllister
Bill Gore

General Managers

Deputy Chief Administrative Officer (DCAO)/General Manager (GM) Community Services Group
Chief Financial Officer/GM Finance & General Government Group
Agency Director/GM Health & Human Services Agency
DCAO/GM Land Use & Environment Group
DCAO/GM Public Safety Group

Mikel D. Haas
Donald F. Steuer
Nick Macchione
Sarah Aghassi
Ron Lane

Department Heads

Agriculture, Weights & Measures
Air Pollution Control District
Animal Services
Auditor & Controller
Behavioral Health Services
Chief of Staff
Child Support Services
Child Welfare Services
Civil Service Commission
Clerk of the Board of Supervisors
County Communications Office
County Counsel
County Technology Office
Emergency Services
Environmental Health
Farm & Home Advisor
General Services
Health & Human Services Agency (HHSA) Chief Operations
HHSA - East Region/Aging & Independent Services
HHSA - Central & South Regions
HHSA - North Regions
Housing & Community Development
Human Resources
Internal Affairs
Library
Medical Examiner
Parks & Recreation
Planning & Land Use
Probation
Public Defender
Public Health Services
Public Works
Purchasing & Contracting
Registrar of Voters
Strategic Planning & Operational Support
Strategy & Intergovernmental Affairs

Lisa Leondis
Bob Kard
Dawn Danielson
Tracy Sandoval
Jennifer Schaffer
Janice Graham
Jeff Grissom
Debra Zanders-Willis
Patt Zamar
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Tom Montgomery
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Holly Crawford
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Dean Arabatzis
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Rene Santiago
Barbara Jimenez
David Estrella
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Joe Cordero
Jose Aponte
Glenn Wagner
Brian Albright
Eric Gibson
Mack Jenkins
Henry C. Coker
Wilma Wooten, M.D.
Rich Crompton
Winston F. McColl
Deborah Seiler
Dale Fleming
Geoff Patnoe

*Acting



San Diego
225 Broadway, Suite 1750
San Diego, CA 92101
619.573.1112

Sacramento

Walnut Creek

Oakland

LA/Century City

Newport Beach

Seattle

Board of Supervisors
County of San Diego, California

INDEPENDENT AUDITOR'S REPORT

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, 2012, 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, 2012. Those financial statements were audited by other auditors whose report thereon has 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to previously 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, 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 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedule of revenues, expenditures, and changes in fund balance – budget and actual for the General Fund, Public Safety and Tobacco Endowment special revenue funds as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying introductory section, the combining and individual fund information and other supplementary information section, 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 fund information and other supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements 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 or provide any assurance on them.

Macias Jini & O'Connell LLP

San Diego, California
November 16, 2012

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, 2012.

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 2012 by \$4.03 billion (net assets). Of this amount, \$2.93 billion is invested in capital assets, net of related debt; \$553 million is restricted for specific purposes (restricted net assets); and the remaining portion represents unrestricted net assets of \$542 million.
- Total net assets increased by \$205.5 million. For governmental activities, capital assets and current and other assets increased by \$73.8 million and \$132.5 million, respectively, while long-term liabilities decreased by \$24.8 million, offset by a \$23 million increase in other liabilities. For business-type activities, capital assets and current and other assets decreased by nearly \$700 thousand and \$2.1 million, respectively, while long-term liabilities decreased by approximately \$300 thousand, offset by an increase of other liabilities of about \$100 thousand.
- General revenues for governmental activities were \$1.09 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for \$921 million or 85%; while other taxes, sales and uses taxes, investment earnings and other general revenues accounted for \$165 million or 15%.
- Program revenues for governmental activities were \$2.83 billion. Of this amount, \$2.32 billion or 81% was attributable to operating grants and contributions while charges for services accounted for \$506 million or 18%.
- The total expenses for governmental activities were \$3.72 billion. Public assistance accounted for \$1.18 billion or 32%, while public protection accounted for \$1.18 billion or 32% of this amount. Additionally, health and sanitation accounted for \$791 million or 21%.

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 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, sanitation districts and wastewater management.

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



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 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, Public Safety Special Revenue Fund and the Tobacco Endowment Special Revenue Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds

is provided in the combining and individual fund information and other supplementary information section in this report.

Proprietary funds are generally used to account for services for which the County charges customers - either outside customers, or internal departments of the County. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County maintains the following types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for airport operations, sanitation services and wastewater management. These nonmajor enterprise funds are combined and aggregated. Individual fund data for each nonmajor enterprise fund is provided in the combining and individual fund information and other supplementary information section in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); for start up services for new and existing county service districts; for the County's 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 *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 and individual fund information and other supplementary information section in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information (RSI) is also presented. It provides budgetary comparisons for the General Fund, Public Safety Special Revenue Fund

and the Tobacco Endowment Special Revenue Fund (all major funds) in separate Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.

Combining financial statements/schedules and supplementary information section of this report presents combining and individual fund statements and schedules referred to earlier that provide information for nonmajor governmental funds, enterprise funds, 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, 2012 and 2011 (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$ 3,222,021	3,089,529	89,070	91,194	3,311,091	3,180,723
Capital assets	3,130,675	3,056,863	164,187	164,834	3,294,862	3,221,697
Total assets	6,352,696	6,146,392	253,257	256,028	6,605,953	6,402,420
LIABILITIES						
Long-term liabilities	2,048,905	2,073,708	1,734	1,994	2,050,639	2,075,702
Other liabilities	525,421	502,471	1,301	1,164	526,722	503,635
Total liabilities	2,574,326	2,576,179	3,035	3,158	2,577,361	2,579,337
NET ASSETS						
Invested in capital assets, net of related debt	2,770,556	2,675,240	162,874	163,268	2,933,430	2,838,508
Restricted	553,249	530,828			553,249	530,828
Unrestricted	454,565	364,145	87,348	89,602	541,913	453,747
Total net assets	\$ 3,778,370	3,570,213	250,222	252,870	4,028,592	3,823,083

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 \$4.03 billion at the close of fiscal year 2012, an increase of \$205.5 million or 5.4% over fiscal year 2011. This included an increase of approximately \$111 million in the County's restricted and unrestricted net assets (an 11% increase over fiscal year 2011) and an increase of \$95 million in capital assets, net of related debt (a 3% increase over fiscal year 2011).

The aforementioned increase of \$205.5 million in net assets was composed of the following changes in total assets and liabilities:

- Total assets increased by \$203.5 million. This included an increase of \$130.3 million in current and other assets and a \$73.2 million increase in capital assets. The net increase of \$130.3 million in current and other assets was primarily attributable to an increase in cash and investments (including restricted and unrestricted cash and investments with fiscal agents) of \$99.4 million, an increase of \$47 million in receivables, net (excluding property taxes), a \$14.9 million decrease in property taxes receivables, net, and a \$1.2 million decrease in other assets. The \$99.4 million net increase in cash is principally due to a \$47 million increase in receivables, net (excluding property taxes), a \$14.9 million decrease in property taxes receivables, net, a \$26.8 million increase in accounts payable, a \$5 million increase in accrued payroll, a \$9 million decrease in unearned revenue, all of which have the net effect of decreasing cash; offset by increases to cash mainly attributable to approximately \$30 million in proceeds of the County of San Diego Certificates of Participation - County Administration Center Waterfront Park debt issuance, a \$21 million increase in Proposition 172 monies; \$15 million in California

Senate Bill 1128 monies; \$7 million increase in state highway user taxes; and, \$35.7 million in other sundry cash related activities. The \$47 million increase in receivables, net is principally due to an increase of \$41 million in amounts due from other governments, coupled with a \$3 million increase in loans receivable, and a \$3 million increase in other accounts receivables. The \$14.9 million decrease in property taxes receivables, net was principally attributable to a decrease in delinquent secured taxes. The increase in capital assets was due in part to \$59 million of construction costs for the County Operations Center Phase 1B; donated assets of \$9 million, and \$5.2 in various other capital asset increases.

- Total liabilities increased by \$2 million. This included a decrease in long-term liabilities of \$25.1 million offset by an increase in other liabilities of \$23.1 million. The decrease of \$25.1 million in long-term liabilities was mainly due to a \$35.8 million decrease in long-term debt (see Long-Term Liabilities discussion), offset by a net \$10.7 million increase in other long-term liabilities (including a \$7.9 million increase in pollution remediation liabilities coupled with a \$3.2 million increase in claims and judgments offset by a \$400 thousand decrease in other long-term liabilities). The increase in other liabilities of \$23.1 million was primarily due to a \$26.8 million increase in accounts payable (\$46.2 million increase vendors payable, offset by a \$19.4 million decrease in due to other government agencies and other payables), coupled with a \$5.4 million increase in accrued payroll, offset by a \$9 million decrease in unearned revenue and a \$100 thousand decrease in accrued interest.

The largest portion of the County's net assets (73%) reflects its investment of \$2.93 billion in capital assets, net of related debt (which includes: land, easements, infrastructure, buildings, software 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, i.e. restricted net assets equaled \$553 million and 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 \$542 million in unrestricted net assets.

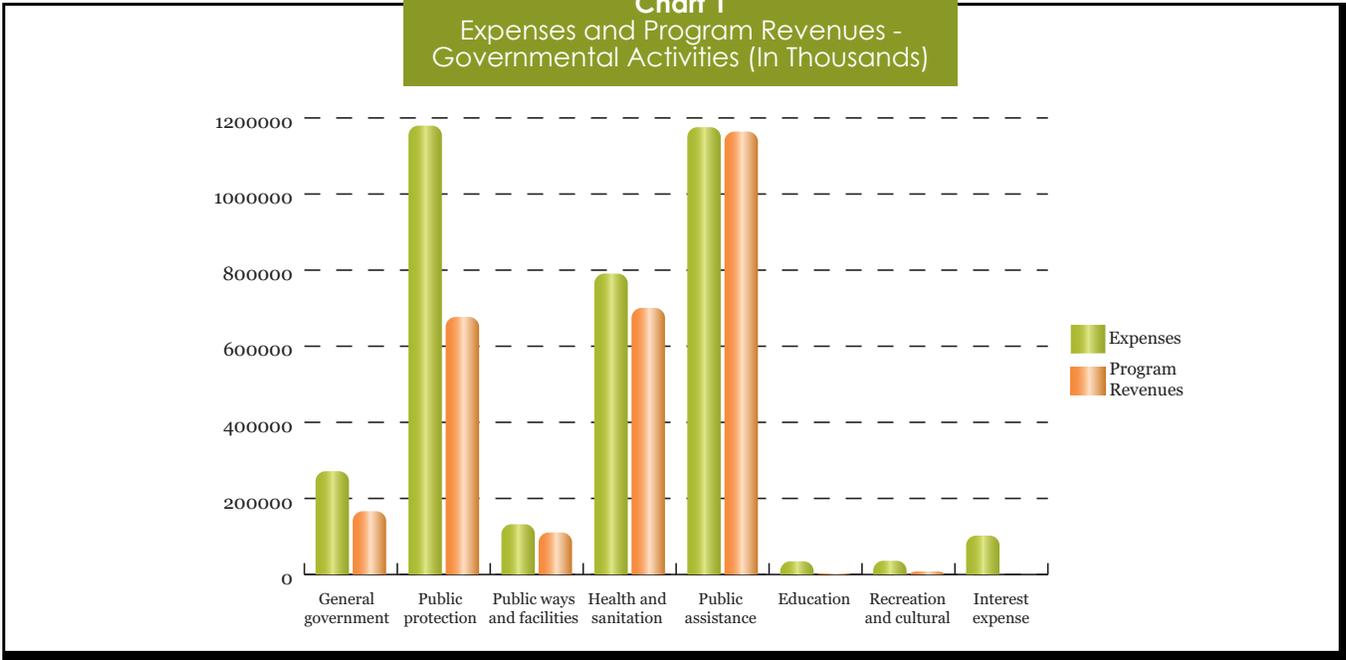
Table 2

Changes in Net Assets						
For the years ended June 30, 2012 and 2011 (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for services	\$ 506,355	488,065	36,476	38,241	542,831	526,306
Operating grants and contributions	2,317,522	2,211,946	539	1,544	2,318,061	2,213,490
Capital grants and contributions	11,005	25,329			11,005	25,329
General Revenues						
Property taxes	616,183	580,570			616,183	580,570
Other taxes	17,200	16,207			17,200	16,207
Property taxes in lieu of vehicle license fees	304,614	303,625			304,614	303,625
Sales and use taxes	25,055	22,457			25,055	22,457
Investment earnings	12,338	22,024	1,151	582	13,489	22,606
Other	110,676	104,260	209	7	110,885	104,267
Total revenues	3,920,948	3,774,483	38,375	40,374	3,959,323	3,814,857
Expenses:						
Governmental Activities:						
General government	271,485	229,767			271,485	229,767
Public protection	1,179,815	1,128,967			1,179,815	1,128,967
Public ways and facilities	132,166	130,239			132,166	130,239
Health and sanitation	790,907	721,939			790,907	721,939
Public assistance	1,175,678	1,191,559			1,175,678	1,191,559
Education	34,669	35,734			34,669	35,734
Recreation and cultural	36,128	36,699			36,128	36,699
Interest	102,338	106,381			102,338	106,381
Business-type Activities:						
Airport			12,736	12,876	12,736	12,876
Sanitation districts			22,335	21,699	22,335	21,699
Wastewater management			5,980	5,806	5,980	5,806
Total expenses	3,723,186	3,581,285	41,051	40,381	3,764,237	3,621,666
Changes in net assets before extraordinary gain and transfers	197,762	193,198	(2,676)	(7)	195,086	193,191
Extraordinary gain	10,423				10,423	
Transfers	(28)	(778)	28	778		
Change in net assets	208,157	192,420	(2,648)	771	205,509	193,191
Net assets at beginning of year	3,570,213	3,377,793	252,870	252,099	3,823,083	3,629,892
Net assets at end of year	\$ 3,778,370	3,570,213	250,222	252,870	4,028,592	3,823,083

Analysis of Changes in Net Assets

At June 30, 2012, changes in net assets before extraordinary gain and transfers equaled \$195 million, a \$1.9 million or 1% increase from the previous year. Principal revenue sources contributing to the change in net assets were operating grants and contributions of \$2.32 billion and taxes of \$921 million (including: property taxes and property taxes in lieu of vehicle license fees.) These revenue categories accounted for 82% of total revenues. Principal expenses were in the following areas: public assistance, \$1.18 billion; public protection, \$1.18 billion; and health and sanitation, \$791 million. These expense categories accounted for 84% of total expenses.

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



Governmental activities

At the end of fiscal year 2012, total revenues for the governmental activities were \$3.92 billion, while total expenses were \$3.72 billion. Governmental activities increased the County's net assets by \$208.1 million, while the business-type activities change in net assets equaled \$(2.7 million).

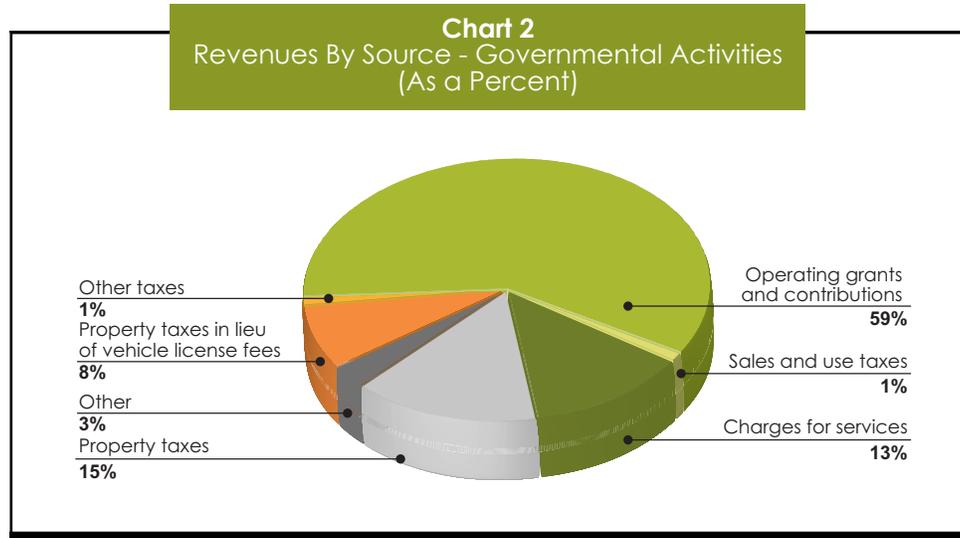
Expenses:

Total expenses for governmental activities were \$3.72 billion, an increase of \$142 million or 4% (\$146 million increase in functional expenses and \$4 million decrease in interest expense). Public assistance (32%), and public protection (32%) were the largest functional expenses, followed by health and sanitation (21%).

The \$142 million increase in functional expenses consisted of the following:

- \$58 million in overall salaries and benefit costs principally due to a net \$28 million increase in retirement costs, \$16 million in negotiated one-time wage increase for certain bargaining units, and \$7 million in increased overtime incurred in various departments;

- \$41 million net increase in contracted services including increases of \$56 million for the implementation of the low income health program, \$16 million in behavioral health, \$6 million in Sheriff law enforcement support; offset by a \$29 million decrease attributable to CalWorks caseload decreases for two-parent families and an \$8 million decrease in residential placement costs incurred for severely emotionally disturbed due to a decrease in funding for same;
- \$30 million loss on disposal of assets principally due to the transfer of various court facilities from the County to the State in fiscal year 2012. Senate Bill 1732, Court Facilities Legislation, the Trial Court Facility Act, and Assembly Bill 1491, Court Facilities Transfer Deadline Extension, provided for the transfer of the responsibility and in some instances, the title deed, from the County to the State to provide necessary and suitable court facilities. This transfer resulted in the removal of these buildings from the County's books. County financial responsibility for facility maintenance costs for courts' space will continue as a statutorily required County facility payment;
- \$9 million in depreciation;
- \$2 million in fuel costs; and
- \$2 million in repairs and maintenance.



Revenues:

Total revenues for governmental activities were \$3.92 billion, an increase of 3.9% or \$146 million from the previous year. This increase consisted of increases in program revenue of \$109 million and general revenues of \$37 million as follows:

The \$109 million increase in program revenue was chiefly due to increases of \$139 million and decreases of \$30 million noted below:

Increases in program revenues of \$139 million were principally composed of the following:

- \$52 million in coverage initiative funding for the low income health program;
- \$23 million in local community corrections realignment revenues;
- \$21 million in State Proposition 172 revenues
- \$7 million in air quality revenues;
- \$6 million in adult and juvenile field services monies;
- \$6 million in third party recoveries;
- \$5 million in Senate Bill 1128 revenues;
- \$5 million in homeland security grant;
- \$4 million lower emission school bus program monies;
- \$3 million booking fees;
- \$3 million in probation institutional services;
- \$2 million in federal drug Medi-Cal; and,
- \$2 million in federal substance abuse prevention and treatment.

Decreases in program revenue of \$30 million were principally attributable to:

- \$11 million in capital funding;
- \$5 million southwest border prosecution initiative;
- \$5 million federal housing and urban development revenues;

- \$3 million in donated assets
- \$3 million in community action partnership community services block grant revenues;
- \$3 million in public health emergency preparedness;

General revenues increased overall by approximately \$37 million. This increase was the result of increases of approximately \$65 million and decreases of \$28 million noted below.

Increases in general revenues of approximately \$65 million were mainly due to the following:

- \$37 million in California Assembly Bill 1484 true-up property taxes from Successor Agencies;
- \$25 million in one-time court settlement related to the 2007 wildfires;
- \$2 million in sales and use taxes; and,
- \$1 million in real property transfer taxes.

Decreases in general revenues of \$28 million were primarily due to the following:

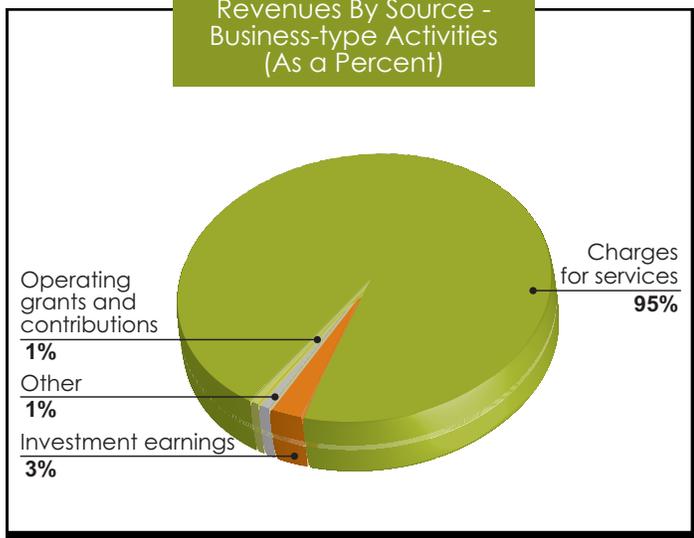
- \$18 million in Teeter property taxes; and,
- \$10 million decrease in Investment earnings due to a 29% decrease in annualized interest rates earned by the County Treasury pool.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in **Chart 2**, operating grants and contributions of \$2.32 billion accounted for 59%, 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. Combined, these general revenues equaled \$921 million and accounted for 23% of governmental activities. Additionally, charges for services were \$506 million and accounted for 13% of revenues applicable to governmental activities.

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

Chart 3
Revenues By Source -
Business-type Activities
(As a Percent)



Business-type Activities:

Business-type activities, which are exclusively comprised of enterprise funds, 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 \$36 million or 95%, while operating grants and contributions (\$0.5 million) and investment earnings (\$1.2 million) represent 1% and 3% of total revenues respectively.

Net assets of business-type activities decreased by \$2.6 million or 1%. This net decrease primarily included the following:

- \$647 thousand decrease in capital assets principally due to a \$5.2 million increase in sewer infrastructure, offset by a \$947 thousand decrease in construction in progress, and an \$800 thousand decrease in buildings and improvements coupled with a \$4.1 million increase in accumulated depreciation/amortization;
- \$2.1 million decrease in current and other assets due to: an approximately \$900 thousand decrease in accounts receivable attributable to aid received from the Federal Aviation Administration for

improvements to the McClellan-Palomar airport, coupled with a \$300 thousand decrease in Airport Fund loans receivable, an approximately \$300 thousand decrease in Sanitation District Fund accounts receivable due from other government agencies; and, a \$1.1 million decrease in pooled cash and investments; offset by a \$500 thousand increase in investment earnings;

- \$260 thousand decrease in long-term liabilities attributable to a \$253 thousand decrease in loans payable and a \$7 thousand decrease in compensated absences; and,
- \$137 thousand increase in other liabilities due to a \$97 thousand increase in accounts payable coupled with increases in accrued payroll and unearned revenue of \$14 thousand and \$26 thousand, respectively.

Financial Analysis of 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, unassigned 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, the Public Safety Special Revenue Fund and the Tobacco Endowment Special Revenue Fund. Nonmajor governmental funds include special revenue funds, debt service funds, and capital projects funds.

At June 30, 2012, the County's governmental funds had combined ending fund balances of \$2.36 billion, an increase of \$118 million in comparison to the prior fiscal year. Of the total June 30, 2012 amount, \$663.13 million constituted unassigned fund balance, which is available for spending at the County's discretion. \$51.3 million of fund balance is assigned, \$956 million is committed, \$670.2 is restricted, and \$17.7 million is nonspendable. (Please refer to Note 1 in the notes to the financial statements for more details regarding fund balance classifications.)

Governmental revenues overall totaled \$3.9 billion representing a 4.4% increase. Governmental expenditures totaled \$3.81 billion, a 3.3% increase from the fiscal year ended June 30, 2011.

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2012, its unassigned fund balance was \$663.13 million, while total fund balance was \$1.49 billion, an increase of \$93.5 million from fiscal year 2011.

This \$93.5 million increase in fund balance was composed of \$232.5 million in increases and \$139 million in decreases as follows:

Increases to fund balance of \$232.5 million were composed of:

- \$52.1 million in coverage initiative funding for the low income health program;
- \$37 million in California Assembly Bill 1484 true-up property taxes from Successor Agencies;
- \$25 million one-time court settlement related to the 2007 wildfires;
- \$23 million in local community corrections realignment revenues;
- \$17 million in state aid mental health services act;
- \$17 million increase in transfers in from the Public Safety Fund for Proposition 172 sales taxes;
- \$16 million in various other grants;
- \$11 million in federal and state non-assistance food stamps;
- \$8 million in aid from Redevelopment Agencies prior to dissolution;
- \$6 million in third party recoveries;
- \$6 million in adult and juvenile field services monies;
- \$5 million in homeland security grant;
- \$3 million in probation institutional services;
- \$2.4 million in sales and use taxes;
- \$2 million in federal drug Medi-Cal; and,
- \$2 million in federal substance abuse prevention and treatment.

Decreases to fund balance of \$139 million were composed of:

- \$59 million transfer out to the Capital Outlay fund to fund the construction of County Operation Center Phase 1B;
- \$28 million increase in salaries and benefit retirement costs;
- \$41 million net increase in contracted services including increases of \$56 million for the implementation of the low income health program, \$16 million in behavioral health, \$6 million in Sheriff law enforcement support; offset by a \$29 million decrease attributable to CalWorks caseload decreases for two-parent families and an \$8 million decrease in residential placement costs incurred for severely emotionally disturbed due to a decrease in funding for same; and,
- \$11 million increase in capital outlay expenditures.

Public Safety Special Revenue Fund:

This fund was established to account for Proposition 172 half-cent sales taxes collected and apportioned to the County by the State Board of Equalization to fund public safety activities. Per Government Code Section 30052, a "maintenance of effort" (pre-Proposition (Prop) 172 public safety funding level) must be maintained by the County to comply with the statute's spending requirements. In accordance with the Code, funds are allocated to the Sheriff, District Attorney and Probation departments. Transfers-out of this fund subsidize the following types of public safety activities: juvenile detention services; facilities maintenance and support; capital projects, equipment and other one-time expenditures; on-going technology initiatives; and various region-wide services.

As of June 30, 2012, the total (restricted) fund balance in the Public Safety Special Revenue Fund was \$42.3 million, a \$20.6 million increase from the previous fiscal year. This increase was mainly due to a \$21 million increase in Prop 172 revenues due to improvements in the local economy in fiscal year 2012.

Tobacco Endowment 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 the Corporation resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds in fiscal year 2006. At the end of fiscal year 2012, fund balance was \$371 million, a decrease of \$21.7 million from fiscal year 2011, principally due to investment income of \$2.6 million offset by \$24.2 million in transfers out to the General Fund for the support of health related program expenditures.

Other Governmental Funds:

Other governmental funds consist of 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 and individual fund information and other supplementary information section in this report.

As of the end of fiscal year 2012, the fund balances of the other governmental funds totaled \$457 million, a net increase of \$26 million from the prior year. This \$26 million net increase consisted of \$50 million in increases, offset by decreases of \$24 million as follows:

\$50 million increase to Other Governmental Funds' fund balance:

- \$28 million increase in the San Diego County Capital Asset Leasing Corporation Capital Projects Fund's fund balance as a result of the receipt of \$30 million in proceeds from the issuance of the County's fixed rate certificates of participation for the construction of the County Administration Center's Waterfront Park project; offset by \$2 million in capital outlay expenditures for the project;
- \$11 million increase in the Edgemoor Development Special Revenue Fund's fund balance attributable to an increase of \$15 million received under Senate Bill 1128 for the reimbursement of costs incurred covering fiscal years 2010 through 2012, and an increase of \$5 million in settlement revenues; offset by a \$9 million transfer out to reimburse the General Fund for annual Edgemoor facility debt service payments;
- \$7 million increase to the Road Special Revenue Fund's fund balance due to an increase of \$9 million in highway user tax revenue (streets and highways code section 2103), a \$5 million increase due to litigation settlement revenue, coupled with a \$3 million decrease in capital outlay expenditures attributable to the project close out of the Valley Center Road Bridge during fiscal year 2012; offset by an \$8 million increase in road maintenance expenditures coupled with an increase of \$2 million in transfers out to the Road and Communication Equipment Internal Service Fund for the reimbursement of equipment acquisition costs incurred for the replacement of aging vehicles; and,
- \$4 million increase in the County Housing Special Revenue Fund's fund balance is mainly to the transfer of non-cash assets from the San Diego County Redevelopment Agency (SDCRA) Special Revenue Fund on February 1, 2012 pursuant to the dissolution of the SDCRA. Pursuant to California Assembly Bill x1 26 the County Housing Special Revenue Fund was created to retain the housing assets and housing functions previously performed by the SDCRA.

\$24 million decrease to Other Governmental Funds' fund balance:

- \$18 million decrease to the San Diego Regional Building Authority Capital Projects Fund's fund balance mainly due to \$13 million incurred in capital outlay expenditures related to the ongoing construction of the County Operations Center; coupled with a \$5 million incurred in minor equipment expenditures for same;
- \$5 million decrease to Redevelopment Agency Special Revenue Fund's fund balance is principally due to the dissolution of the San Diego County Redevelopment Agency (SDCRA) on February 1,

2012 pursuant to California Assembly Bill x1 26. Upon dissolution, the non-cash assets were transferred to the County Housing Special Revenue Fund and the remaining assets and liabilities were transferred to the County Successor Agency Private Purpose Trust Fund, a Fiduciary fund;

- \$1 million decrease to Redevelopment Agency Debt Service Fund's fund balance is chiefly due to the dissolution of the San Diego County Redevelopment Agency (SDCRA) on February 1, 2012 pursuant to California Assembly Bill x1 26. Upon dissolution, the remaining assets were transferred to the County Successor Agency Private Purpose Trust Fund, a Fiduciary fund.

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.

Enterprise Funds:

See previous discussion above regarding business-type activities.

Internal Service Funds:

Net Assets of the internal service funds (ISF) totaled \$98 million, a net decrease of \$5 million from the prior year. This \$5 million net decrease consisted of \$6 million in increases, offset by decreases of \$11 million as follows:

- \$6 million increase in the Public Liability Insurance Fund mainly due to \$15 million in charges for services provided to the General Fund - \$12 million, Road Fund - \$2 million, coupled with \$1 million in services provided to other funds; \$3 million in other operating revenues; offset by \$8 million in contracted services coupled with \$4 million in claims and judgments.

\$11 million decreases to internal service funds' net assets were comprised of:

- \$6 million decrease in Fleet Services Fund's net assets mainly due to a \$2 million increase in charges for services provided, offset by a \$1 million increase in fuel costs coupled with a \$7 million increase in transfers out to account for the transfer of fire trucks to the General Fund; and,
- \$5 million decrease in the Information Technology Fund's net assets chiefly due to a \$2 million increase in transfers in from the General Fund for various information technology activities offset by

approximately \$7 million in increases to various contracted services expenses.

Fiduciary Funds:

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

Investment Trust Funds:

These funds were established for the purpose of reporting pooled and specific investments. The Investment Trust Funds' net assets totaled \$3.6 billion, an increase of \$171 million, from the previous year. This increase was substantially due to contributions to investments of \$5.729 billion coupled with investment earnings of \$17 million, offset by distributions from investments of \$5.575 billion.

Private Purpose Trust Fund:

The private purpose trust fund reports the assets, liabilities, and activities of the County of San Diego Successor Agency formed pursuant to California Assembly Bill x1 26 on February 1, 2012 upon dissolution of the San Diego County Redevelopment Agency (SDCRA). The County of San Diego Successor Agency Private Purpose Trust Fund's net assets had a deficit balance of approximately \$13 million at June 30, 2012 mainly due to the \$14 million transfer of the SDCRA revenue refunding bonds; coupled with the \$5 million transfer of SDCRA loans payable, and accounts payable of \$2 million; offset by \$7 million in pooled cash and investments and \$1 million in investments with fiscal agents.

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. For the fiscal year ended June 30, 2012 net expenditure appropriations increased by \$43.8 million and appropriations for transfers-out increased by \$15.1 million for a net increase of \$58.9 million.

Appropriation changes of note to the original budget were the following:

- \$14.0 million appropriation increase in the Probation Department, Health and Human Services Agency and Sheriff's Department to support the implementation of the Public Safety Realignment.
- \$10.3 million appropriation increase for the construction of a new East Mesa Detention Re-Entry and Rehabilitation Facility to be funded by the State of California, Local Revenue Fund 2011.
- \$8.5 million of appropriations increase in the Sheriff's Department due to a grant award from the federal Department of Homeland Security.
- \$7.6 million in various departments including the Office of Emergency Services, Sheriff's Department and Health and Human Services Agency; for emergency planning, disaster preparedness exercises, grants administration and to purchase equipment to enhance the response to chemical, biological, radiological, nuclear and explosive incidents.
- \$3.0 million in the Health and Human Services Agency to support the narcotic treatment program based on unanticipated realigned sales tax and federal funds.

Actual revenues fell short of the final budgeted amounts by \$88.4 million, while actual expenditures were less than the budgeted amount by \$465.8 million. The combination of the revenue and expenditure shortfalls resulted in a revenue/expenditure operating variance of \$377.4 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of \$322.1 million. These combined amounts resulted in a variance in the net change in fund balance of \$699.5 million.

Highlights of actual expenditures compared to final budgeted amounts are as follows:

Salaries and Benefits:

The final budget over expenditure variance across all functions in this category was \$59.9 million. A significant portion of these savings were in the Public Safety Group and the Health and Human Services Agency but also in the Land Use and Environment Group, Community Services Group and Finance and General Government Group from lower than budgeted salaries and employee benefit costs due to staff turnover and department management of vacancies.

Health and Human Services Agency Programs:

Funded by a combination of State, federal, and County revenues, most Health and Human Services Agency programs are carried out in the functional areas of health and sanitation and public assistance,

with final budget over expenditure variances of \$68.4 million and \$95.2 million, respectively. Overall, these expenditure variances primarily resulted from a lower demand for services than budgeted levels in the following areas:

- Un-awarded Mental Health Services Act and Alcohol and Drug Services contracts;
- Lower than anticipated growth trends in In-Home Supportive Services Individual Provider costs;
- Lower than anticipated service levels in Early Periodic Screening, Diagnosis and Treatment and MediCal services and in Educational Related Mental Health Services contracts; and
- Lower than anticipated caseload levels, growth trends and unit cost per case for Foster Care and KinGap programs.

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 budgeted over expenditure variances that are rebudgeted in the new fiscal year. For example, a positive expenditure variance of approximately \$12.6 million in Housing and Community Development is anticipated due to the postponement of data automation projects.

Management and Contingency Appropriations:

The County annually sets up management and contingency appropriations 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 Management and Contingency Reserve appropriations resulted in budget over actual variances of \$29.1 million and \$20 million, respectively. Note that the Management Reserves are included within various functional activities.

Capital Assets and Commitments

Capital Assets

At June 30, 2012, the County's capital assets for both governmental and business-type activities were \$3.13 billion and \$164 million, respectively, net of accumulated depreciation/amortization. Investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure (including roads, bridges, flood channels, and traffic signals), equipment, software and easements. Significant increases to capital assets in fiscal year 2012 included:

Governmental Activities:

- \$59.0 million towards construction of the County Operations Center Phase 1B. Total project costs are estimated at \$113 million.
- \$29.8 million towards the construction and improvement of County maintained roads, bridges and other road related infrastructure.
- \$24.6 million towards the Chesapeake land acquisition.
- \$24.2 million towards development of various software applications.
- \$20.4 million towards acquisition of equipment.
- \$14.65 million towards improvements at the Women's Detention Facility in Santee. Total project costs are estimated at \$151.2 million.
- \$12.7 million towards the construction of various miscellaneous capital outlay fund projects.
- \$9 million towards construction at the County Operations Center Phase 1A. Total project costs are estimated at \$185.8 million.
- \$7.8 million towards various land acquisitions.
- \$5.3 million in infrastructure donated by developers.
- \$4.2 million towards construction of the San Pasqual Academy residences. Total project costs are estimated at \$9.1 million.
- \$3.7 million towards the Downtown San Diego Law Library. Total project costs are estimated at \$4.2 million.
- \$2.65 million towards improvements at the Rancho San Diego Sheriff Station. Total project costs are estimated at \$15.4 million.
- \$1.92 million towards improvements at the County Administration Center Waterfront Park. Total project costs are estimated at \$44.2 million.
- \$1.2 million towards acquisition of easements.

Business-type Activities:

- \$3.5 million towards improvements of various Sanitation Districts.
- \$1.3 million towards improvements at various Airports.

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

Capital Commitments:

As of June 30, 2012, capital commitments included the following:

Governmental Activities:

- \$262.8 million for the construction of: Women's Detention Facility, Waterfront Park, the County Operations Center, Rancho San Diego Sheriff Station, South Santa Fe Avenue, Sweetwater Park, Lawson Valley Road Bridge, Lincoln Acres Library, Jamacha Boulevard, and development of the Integrated Property Tax System.

Business-type Activities:

- \$6 million for the construction of the Jamacha Pump Station and the Flinn Springs Interceptor.

(Please refer to Note 7 in the notes to the financial statements for more details concerning capital assets and capital commitments.)

Long-Term Liabilities

Governmental Activities:

At June 30, 2012, the County's governmental activities had outstanding long-term liabilities of \$2.05 billion.

Of this amount, approximately \$1.78 billion pertained to long-term debt outstanding. Principal debt issuances included: \$807 million in taxable pension obligation bonds; \$576 million in Tobacco Settlement Asset-Backed Bonds; and \$401 million in certificates of participation (COPs) and lease revenue bonds (LRBs).

Other long-term liabilities included \$139 million in claims and judgments; \$99 million in compensated absences; \$19 million for landfill postclosure costs; \$8 million in pollution remediation and \$185 thousand in capital leases.

During fiscal year 2012, the County's total principal amount of COPs and lease revenue bonds, other bonds, and loans for governmental activities decreased by \$35.536 million.

The \$35.536 million decrease was due to the following increases and decreases:

Increases to debt were \$44.834 million and included:

- \$32.665 million of fixed rate County of San Diego Certificates of Participation, issued to fund the County Administration Center Waterfront Park;
- \$4.613 million of principal was accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal balances outstanding;
- \$4.503 million due to the effects of arbitrage, unamortized issuance premiums, unamortized issuance discounts, and unamortized deferred amounts on refundings; and,

- \$3.053 million of principal was accreted (added) to the outstanding Taxable Pension Obligation Bonds' principal balances outstanding.

Decreases to debt were \$80.37 million and included:

- \$66.465 million in principal debt service payments; and,
- The transfer of \$13.905 million in San Diego County Redevelopment Agency Revenue Refunding Bonds Series 2005 of the former San Diego County Redevelopment Agency to the County of San Diego Successor Agency Private Purpose Trust Fund as a result of the dissolution of all redevelopment agencies in the State of California pursuant to Assembly Bill ABx1 26.

Business-type Activities:

Long-term liabilities for business-type activities totaled \$1.734 million and consisted of \$1.313 million for capital loans and \$421 thousand for compensated absences.

Long-term liabilities for business-type activities decreased by \$260 thousand. This was due to a combination of \$253 thousand in debt service payments on capital loans and a net decrease of \$7 thousand in compensated absences.

(Please refer to Notes 13 through 15 in the notes to the financial statements for more details concerning long-term debt; changes in long-term liabilities; and funds used to liquidate liabilities.)

Credit Ratings

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

Table 3

Credit Ratings			
Issuer Rating	Moody's	Standard & Poor's	Fitch
Certificates of Participation San Diego County Capital Asset Leasing Corporation (SANCAL)	Aa3	AA+	AA+
Certificates of Participation San Diego Regional Building Authority (SDRBA) Metropolitan Transit System Towers	Aa3	AA+	AA+
Lease Revenue Bonds SDRBA County Operations Center 1A	Aa3	AA+	AA+
Refunding Lease Revenue Bonds SDRBA San Miguel	A1	AA+	not rated
Pension Obligation Bonds	Aa2	AA+	AA+
Tobacco Settlement Asset-Backed Bonds - Series 2006A1 (Senior)	B1	BBB	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006A2 (Senior)	B3	BB+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006A3 (Senior)	B2	B+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006B (First Subordinate)	not rated	CCC+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006C (Second Subordinate)	not rated	CCC	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006D (Third Subordinate)	not rated	CCC	not rated
San Diego County Redevelopment Agency Bonds	not rated	not rated	not rated

The County's ratings on its lease financings and its pension obligation bonds were reaffirmed in 2012. In reaffirming the County's ratings, all three rating agencies referenced the County's strong financial management practices in the face of economic challenges. While Standard and Poor's affirmed its ratings on the County's remaining outstanding debt, and AAA County issuer credit rating, it lowered its ratings on the outstanding subordinate obligations of the Tobacco Securitization Authority of Southern California: Tobacco Settlement Asset-Backed Bonds (TSAB) - Series 2006 A2 Senior (BBB to BB+), Series 2006 A3 Senior (BBB to B+), Series 2006B First Subordinate (BB- to CCC+), TSAB Series C Second Subordinate (B+ to CCC) and TSAB series 2006D Third Subordinate (B- to CCC).

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2013 General Fund adopted budget utilizes as funding sources for one-time expenditures \$114.5 million out of \$663.132 million in unassigned fund balance and \$0.5 million out of \$515.234 million committed fund balance.
- The fiscal year 2013 General Fund adopted budget contains total appropriations of \$3.72 billion. This is a decrease of \$23.9 million or 0.6% from the fiscal year 2012 General Fund adopted budget. A number of risk factors continue to be tracked closely: the state of the economy, which is suffering from elevated long-duration unemployment, continued weakness in the housing market, and the State of California's projected budget imbalances for fiscal year 2014 and beyond.
- The U.S. economy's revised Gross Domestic Product (GDP) for 2011 showed an increase of 1.8%, compared to an increase of 2.4% in 2010, a 3.1% decline in 2009, a 0.3% decline in 2008 after a 1.9% gain in 2007. GDP growth for 2012 is forecasted to be 2.2%.
- California's economy continues to recover from the impact of the worst recession since the Great Depression. Real personal income grew by 3.5% in 2011. Taxable sales are estimated to grow by 6.5% in 2011 (final taxable sales figures will not be available until early 2013). Nonfarm employment grew by 0.9% in 2011. California's 2012 economy is expected to show continued gradual improvement with nonfarm employment expected to improve by 1.6%, real personal income is expected to increase by 1.5%, and taxable sales are predicted to increase by 4.3%.
- The State's budget outlook continues to be strained, with the slow pace of economic recovery contributing significantly to the ongoing structural imbalance between revenues and expenditures.
- San Diego certainly shared the pain of the recession along with the rest of Southern California. The outlook for San Diego County for the second half of 2012 is for continued though moderate expansion. (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2012-13 Mid-Year Economic Forecast and Industry Outlook, July 2012.) While unemployment in the region in 2011 averaged 10.0%, the average unemployment rate for the first seven months of 2012 improved to 9.2%. San Diego's index of leading economic indicators has trended higher since April 2009. More current indicators show that the economy continued to gradually improve during 2012. Stock prices, building permits, help wanted advertising, consumer confidence, and the

national economy as measured by the Conference Board Index of Leading Economic Indicators were positive in July 2012.

- The state of the economy continues to impact the ability of the County to fund and provide many of the services that county residents have come to expect. The real estate market slump has continued to impact the County's general purpose revenue (GPR), although GPR is expected to increase marginally in fiscal year 2013 from fiscal year 2012. GPR is relied upon to fund local discretionary services, as well as to fund the County's share of costs for services that are provided in partnership with the State and federal government.

As discussed below, the County's GPR is projected to increase by 0.3% (with budgeted revenue of \$967.1 million in fiscal year 2013 compared to \$964.4 million budgeted in fiscal year 2012).

- The largest source of general purpose revenue is property taxes (\$510.5 million budgeted in fiscal year 2013), representing 52.8% of the total. For the last thirteen years, property tax growth has been high (5.3% average annual growth) due to the County's overall stable economy and healthy real estate market. In 2013, property taxes are budgeted to increase by \$4.7 million, or 0.9%, from the 2012 budget. The budgeted property tax revenue factors in the current commercial and residential real estate conditions as evidenced by the continued low but improving level of building permits; marginally improving median price of homes; the continued relatively high level of foreclosures; and the gradual improvement in total deeds recorded. Current property tax revenue consists of four components: current secured property taxes, current supplemental property taxes, current unsecured property taxes and current unsecured supplemental property taxes.
- The budgeted amount of current secured property tax revenue (\$490.6 million) assumes a net local assessed secured property value decline of 1.0% from the actual local assessed secured property value figure for 2012, and makes certain assumptions regarding the County's share of countywide property tax revenues, the delinquency rate, and the amount of tax roll corrections and refunds on prior year assessments. The actual change in the net local assessed secured property value was better than assumed for the fiscal year 2013 budget, decreasing by only 0.3%. This adjustment would generally contribute to a positive variance to budget, but it is expected to be offset by additional corrections and refunds in fiscal year 2013. In fiscal year 2014, the projected amount of revenues from current secured property taxes assumes a 1.0 increase in local assessed secured property values.
- Current supplemental property tax revenue (\$3.3 million budgeted in fiscal year 2013) is derived from net increases to the tax roll from either new construction or changes in ownership that occur subsequent to the January 1 lien date and are, therefore, more difficult to predict. The slowdown in new construction and the decline in real estate prices have been acutely felt in supplemental property tax revenues. In many change of ownership transactions, instead of a property owner being billed for an additional amount of property tax because the value of the property after the transaction is higher than the value as of the lien date, the property owner receives a refund because the value is lower than it was on the lien date. In fiscal year 2006, supplemental refunds countywide totaled \$4.0 million. They increased to \$6.2 million in fiscal year 2007, increased to \$15.0 million in 2008, and increased again to \$38.3 million in 2009. Supplemental refunds exceeded \$21.6 million in fiscal year 2010 and dropped to \$15.3 million in 2011. In fiscal year 2012, supplemental refunds actually increased to \$17.2 million. However, they are anticipated to decline gradually in fiscal year 2013. Current supplemental property tax revenues were \$29.5 million in fiscal year 2006. They dropped to \$23.4 million in fiscal year 2007, to \$14.0 million in fiscal year 2008, to \$2.4 million in 2009, to \$1.9 million in 2010. In fiscal year 2011, current supplemental property tax revenues were \$3.9 million and they were \$3.5 million in 2012. The Adopted Operational Plan assumes that this weakness will continue through the next two fiscal years.
- Current unsecured property tax revenue (\$16.5 million budgeted in fiscal year 2013) is forecasted based on trends and available information at the time the budget is developed. A decline of 1.5% is budgeted for fiscal year 2013 over the fiscal year 2012 adopted budget.
- Current unsecured supplemental property tax revenue (\$0.1 million budgeted in fiscal year 2013) is derived from supplemental bills that are transferred to the unsecured roll when a change of ownership occurs. Historically, this revenue category has not been budgeted because the actual amount of revenue received has been low.
- Property tax in lieu of vehicle license fees (VLF) comprises 31.2% (an estimated \$301.7 million) of budgeted general purpose revenue in fiscal year 2013. This revenue source was established by the State in fiscal year 2005 to replace the previous distribution of vehicle license fees to local

governments. The annual change in this revenue source is based on the growth or decline in the County's gross taxable assessed value. The certified rate of decrease for 2013 is 0.32%. Similar to current secured property tax revenue, a 1.0% increase in growth is expected for fiscal year 2014.

- Teeter revenue represents 3.4% (an estimated \$32.5 million) of budgeted general purpose revenue. In fiscal year 1994, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the "Teeter Plan"). Under this plan, the County advances funds to participating entities to cover the unpaid (delinquent) taxes (the "Teetered Taxes"). The County's General Fund benefits from this plan by being entitled to future collections of penalties and interest that are also due once the delinquent taxes are paid. A legal requirement of the Teeter Plan requires the County to maintain a tax loss reserve fund to cover losses that may occur if delinquent taxes are not paid and the property goes into default and is sold for less than the outstanding taxes and assessments. Throughout the year, all interest and penalties collected on Teetered secured and supplemental property taxes are first deposited into the Teeter Tax Loss Reserve Fund. Any excess amounts above 25% of the total delinquent secured taxes and assessments may be transferred to the General Fund. For fiscal year 2013, collections from previous years' receivables are budgeted to decrease by \$2.4 million based on the size of the outstanding annual receivables and based on anticipated collection trends and market conditions. In fiscal year 2013, excess amounts from the Teeter Tax Loss Reserve Fund increase from the \$19.0 million that was budgeted in fiscal year 2012 to \$21.0 million budgeted in fiscal year 2013. These revenues are projected to total \$21.0 million in fiscal year 2014.
- Sales and use tax revenue and in lieu local sales and use tax (\$24.4 million in fiscal year 2013) represents about 2.5% of budgeted general purpose revenue. These revenues are derived from taxable sales by retailers who sell or rent tangible personal property in unincorporated areas of the county or from use taxes from consumers who purchase tangible personal property from out of state. Use taxes are also imposed on the storage, use, lease or other consumption of tangible personal property at any time a sales tax has not been paid by the retailer. The growth in this funding source is generally impacted by population growth, new retail business formation and consumer spending trends. The in lieu local sales and use tax

revenue replaces regular sales and use tax revenue with monies transferred from the Educational Revenue Augmentation Fund (ERAF) under the provisions of AB7 X1, one of the 2004 State budget bills. This legislation 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 redirected local sales and use tax revenues are replaced on a dollar-for-dollar basis with countywide property tax revenues shifted back from the ERAF. This funding mechanism is known as the "triple flip."

- Sales and Use Tax revenue grew moderately from fiscal year 2006 through fiscal year 2008 in concert with population growth and new retail business formation in the unincorporated area. However, the recession, housing market declines, and unemployment trends impacted retail sales at the statewide, southern California and San Diego regional levels. Sales tax revenues started to improve during calendar year 2010 with year-over-year quarterly increases in all four quarters. This trend continued throughout 2011. The amount of budgeted revenue in fiscal year 2013 is approximately \$2.7 million (12.4%) above the fiscal year 2012 budgeted revenue. Growth of \$0.7 million or 3.0% is projected for fiscal year 2014.
- Intergovernmental revenue (\$41.0 million budgeted in fiscal year 2013) is approximately 4.2% of the total GPR in fiscal year 2013 and represents funding the County receives from various intergovernmental sources including Redevelopment Successor Agencies, the City of San Diego (pursuant to a Memorandum Of Understanding related to the County's Central Jail), the federal government (Payments in Lieu of Taxes (PILT) for tax-exempt federal lands administered by the Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service), and the State of California (reimbursement to the County for the Homeowner's Property Tax Relief (HOPTR) program). The largest portion of this funding is from redevelopment successor agencies. Redevelopment agencies were dissolved by the California legislature in ABx1 26 on June 28, 2011. The California Supreme Court upheld the constitutionality of the dissolution on December 29, 2011. The Court extended the date of dissolution to February 1, 2012. Based on Section 34183 of the Health and Safety Code, the county auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each local agency and school entity an amount of property tax revenues in an amount equal to that which would have been

received under Section 33401, 33492.14, 33607, 33607.6, 33607.7 or 33676. Residual funds not allocated for specific purposes will be distributed to local taxing agencies under Section 34183 of the Health and Safety Code, but the specific amount for fiscal year 2013 will not be finalized until later in the year. Growth in intergovernmental revenue of \$0.2 million or 0.5% is projected for fiscal year 2014.

The County's Operational Plan for fiscal year 2013 and for fiscal year 2014 can be found on the internet at [http:// www.sdcountry.ca.gov/auditor/budinfo.html](http://www.sdcountry.ca.gov/auditor/budinfo.html).

Requests for Information

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



Flowers at Cabrillo National Monument



STATEMENT OF NET ASSETS

June 30, 2012 (In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
ASSETS				
Pooled cash and investments	\$ 1,988,951	81,282	2,070,233	142,595
Cash with fiscal agents	109		109	
Investments with fiscal agents	369,689		369,689	10,447
Receivables, net	623,939	7,977	631,916	5,918
Property taxes receivables, net	135,721		135,721	
Internal balances	191	(191)		
Inventories	14,386	2	14,388	
Deposits with others	16		16	
Prepaid items	430		430	2
Deferred charges	12,310		12,310	
Restricted assets:				
Cash with fiscal agents	242		242	558
Investments with fiscal agents	63,352		63,352	
Lease receivable	12,685		12,685	
Capital assets:				
Land, easements and construction in progress	595,586	23,205	618,791	
Other capital assets, net of accumulated depreciation/amortization	2,535,089	140,982	2,676,071	
Total assets	6,352,696	253,257	6,605,953	159,520
LIABILITIES				
Accounts payable	189,675	993	190,668	15,290
Accrued payroll	48,766	233	48,999	
Accrued interest	25,344		25,344	
Unearned revenue	261,636	75	261,711	
Non-current liabilities:				
Due within one year	153,769	439	154,208	83
Due in more than one year	1,895,136	1,295	1,896,431	42
Total liabilities	2,574,326	3,035	2,577,361	15,415
NET ASSETS				
Invested in capital assets, net of related debt	2,770,556	162,874	2,933,430	
Restricted for:				
Creditors - Capital projects	5,422		5,422	
Grantors - Housing assistance	84,552		84,552	
Donations	2,949		2,949	
Laws or regulations of other governments:				
Future road improvements	125,904		125,904	
Maintenance, operation, acquisition and construction of criminal justice facilities and courthouses	50,825		50,825	
Defray administrative costs, other general restrictions	16,532		16,532	
Teeter tax loss	14,643		14,643	
Mental health	11,344		11,344	
Vector control	13,918		13,918	
Improvement and maintenance of recorded document systems	17,327		17,327	
Flood Control future drainage improvements	26,166		26,166	
Public safety activities	42,361		42,361	
Other purposes	141,306		141,306	
First 5 Commission of San Diego				144,105
Unrestricted	454,565	87,348	541,913	
Total net assets	\$ 3,778,370	250,222	4,028,592	144,105

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012 (In Thousands)

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		First 5 Commission of San Diego
Governmental Activities:								
General government	\$ 271,485	99,872	61,223	5,300	(105,090)		(105,090)	
Public protection	1,179,815	237,632	439,004	304	(502,875)		(502,875)	
Public ways and facilities	132,166	19,449	85,658	5,339	(21,720)		(21,720)	
Health and sanitation	790,907	116,365	589,669		(84,873)		(84,873)	
Public assistance	1,175,678	24,326	1,139,851		(11,501)		(11,501)	
Education	34,669	894	1,858	62	(31,855)		(31,855)	
Recreation and cultural	36,128	7,817	259		(28,052)		(28,052)	
Interest	102,338				(102,338)		(102,338)	
Total governmental activities	3,723,186	506,355	2,317,522	11,005	(888,304)		(888,304)	
Business-type activities:								
Airport	12,736	11,568	539			(629)	(629)	
Sanitation Districts Wastewater Management	22,335	18,406				(3,929)	(3,929)	
	5,980	6,502				522	522	
Total business-type activities	41,051	36,476	539			(4,036)	(4,036)	
Total primary government	3,764,237	542,831	2,318,061	11,005	(888,304)	(4,036)	(892,340)	
Component Unit:								
First 5 Commission of San Diego	\$ 49,832		35,424					(14,408)

Continued on next page ►►►

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012 (In Thousands)

(Continued)	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
Changes in net assets:				
Net (expense) revenue	\$ (888,304)	(4,036)	(892,340)	(14,408)
General Revenues				
Taxes:				
Property taxes	616,183		616,183	
Other taxes	17,200		17,200	
Property taxes in lieu of vehicle license fees	304,614		304,614	
Sales and use taxes	25,055		25,055	
Total general tax revenues	963,052		963,052	
Investment earnings	12,338	1,151	13,489	790
Other	110,676	209	110,885	
Total general revenues	1,086,066	1,360	1,087,426	790
Extraordinary gain	10,423		10,423	
Transfers	(28)	28		
Total general revenues, extraordinary gain and transfers	1,096,461	1,388	1,097,849	790
Change in net assets	208,157	(2,648)	205,509	(13,618)
Net assets at beginning of year (restated-See Note 31 to the financial statements)	3,570,213	252,870	3,823,083	157,723
Net assets at end of year	\$ 3,778,370	250,222	4,028,592	144,105

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2012 (In Thousands)

	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled cash and investments	\$ 1,321,049	39,151	955	417,471	1,778,626
Cash with fiscal agents	109				109
Investments with fiscal agents	2		369,687		369,689
Receivables, net	516,727	41,364	4,637	58,665	621,393
Property taxes receivables, net	135,292			429	135,721
Due from other funds	63,218			24,206	87,424
Inventories	11,369			1,458	12,827
Deposits with others				16	16
Prepaid items	40			390	430
Restricted assets:					
Cash with fiscal agents	157			85	242
Investments with fiscal agents				63,352	63,352
Lease receivable	5,568			7,117	12,685
Total assets	2,053,531	80,515	375,279	573,189	3,082,514
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	118,055			36,800	154,855
Accrued payroll	44,996			2,583	47,579
Due to other funds	36,162	38,204	4,401	23,278	102,045
Deferred revenues	123,144			35,431	158,575
Unearned revenue	243,327			17,726	261,053
Total liabilities	565,684	38,204	4,401	115,818	724,107
Fund Balances					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids	1,074			3,807	4,881
Inventories and deposits with others	11,369			1,474	12,843
Restricted for:					
Creditors - Debt service				74,738	74,738
Creditors - Capital projects				34,593	34,593
Grantors - Housing assistance	54,360			31,347	85,707
Donations	2,949				2,949
Laws or regulations of other governments:					
Future road improvements				125,904	125,904
Maintenance, operation, acquisition and construction of criminal justice facilities and courthouses	50,825				50,825
Fund purpose		42,311		89,319	131,630
Other purposes	137,579			26,300	163,879
Committed to:					
Realignment health, mental health and social services	65,297				65,297
Unforeseen catastrophic events	55,500				55,500
Capital projects' funding	339,453			5,520	344,973
Health			370,878		370,878
Other purposes	54,984			64,369	119,353
Assigned to:					
Other purposes	51,325				51,325
Unassigned	663,132				663,132
Total fund balances	1,487,847	42,311	370,878	457,371	2,358,407
Total liabilities and fund balances	\$ 2,053,531	80,515	375,279	573,189	3,082,514

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE
 STATEMENT OF NET ASSETS
 June 30, 2012
 (In Thousands)**

Total fund balances - governmental funds	\$ 2,358,407
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.	3,080,565
Unamortized issuance costs - bonds, notes and loans payable deferred charges (to be amortized over the life of the debt).	12,310
Accrued interest on long-term debt.	(25,340)
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.	158,575
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. (See note 2 to the financial statements; table 3.)	(1,903,840)
Internal service funds are used by management to charge the costs of information technology, vehicle operations and maintenance, employee benefits, public liability, road and communications services, materials and supplies (purchasing), and facilities services to individual funds; to make loans for start-up services for new and existing county service districts; and for the financing of clothing and personal sundry items for persons institutionalized at various county facilities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. (See note 2 to the financial statements; table 3.)	97,693
Net assets of governmental activities	\$ 3,778,370

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 925,861			40,651	966,512
Licenses, permits and franchise fees	42,552			9,271	51,823
Fines, forfeitures and penalties	50,905			2,913	53,818
Revenue from use of money and property	17,099	46	2,594	10,026	29,765
Aid from other governmental agencies:					
State	958,169	223,682		94,438	1,276,289
Federal	831,859			137,959	969,818
Other	65,542			16,750	82,292
Charges for current services	336,057			33,529	369,586
Other	54,161			50,486	104,647
Total revenues	3,282,205	223,728	2,594	396,023	3,904,550
Expenditures:					
Current:					
General government	203,179		129	7,067	210,375
Public protection	1,140,718			8,857	1,149,575
Public ways and facilities	1,300			63,622	64,922
Health and sanitation	735,916			46,588	782,504
Public assistance	1,034,961			136,701	1,171,662
Education	844			31,366	32,210
Recreation and cultural	31,175			2,127	33,302
Capital outlay	33,249			179,055	212,304
Debt service:					
Principal	23,200			38,041	61,241
Interest	17,308			77,012	94,320
Bond issuance costs				374	374
Total expenditures	3,221,850		129	590,810	3,812,789
Excess (deficiency) of revenues over (under) expenditures	60,355	223,728	2,465	(194,787)	91,761
Other financing sources (uses):					
Sale of capital assets	360			380	740
Issuance of bonds and loans:					
Face value of bonds issued				32,665	32,665
Discount on issuance of bonds				(182)	(182)
Transfers in	244,148			216,044	460,192
Transfers out	(212,578)	(203,106)	(24,200)	(25,222)	(465,106)
Total other financing sources (uses)	31,930	(203,106)	(24,200)	223,685	28,309
Extraordinary loss				(3,126)	(3,126)
Net change in fund balances	92,285	20,622	(21,735)	25,772	116,944
Fund balances at beginning of year	1,394,380	21,689	392,613	431,526	2,240,208
Increase (decrease) in nonspendable inventories	1,182			73	1,255
Fund balances at end of year	\$ 1,487,847	42,311	370,878	457,371	2,358,407

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
(In Thousands)**

Net change in fund balances - total governmental funds	\$ 116,944
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.	(3,460)
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.	(13,567)
Adjustment to nonspendable inventories.	1,255
Change in accounting estimate for postclosure costs - (public protection function) - San Marcos Landfill.	960
Accounting estimate for pollution remediation	(7,904)
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/amortization expense. (See note 2 to the financial statements; table 4.)	100,614
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (See note 2 to the financial statements; table 4.)	(21,930)
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. (See note 2 to the financial statements; table 4.)	33,721
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. (See note 2 to the financial statements; table 4.)	(14,122)
Dissolution of San Diego County Redevelopment Agency. (See note 33 to the financial statements.)	13,549
Transfer of equipment from the Fleet Internal Service Fund to governmental activities	6,733
Internal service funds are used by management to charge the costs of centralized services to individual funds. The net revenue (or expense) of certain activities of internal service funds is reported within governmental activities. (See note 2 to the financial statements; table 4.)	(4,636)
Change in net assets - governmental activities	\$ 208,157

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2012 (In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Pooled cash and investments	\$ 81,282	210,325
Receivables, net	4,139	1,511
Due from other funds	295	23,437
Inventories	2	1,559
Total current assets	85,718	236,832
Noncurrent assets:		
Due from other funds	3,838	45
Capital assets:		
Land	11,565	
Construction in progress	11,640	87
Buildings and improvements	113,990	
Equipment	1,110	129,655
Software		11,657
Road infrastructure	6,449	
Sewer infrastructure	91,038	
Accumulated depreciation/amortization	(71,605)	(91,289)
Total noncurrent assets	168,025	50,155
Total assets	253,743	286,987
LIABILITIES		
Current liabilities:		
Accounts payable	993	34,820
Accrued payroll	233	1,187
Accrued interest		4
Due to other funds	837	7,284
Unearned revenue	75	583
Loans payable	267	892
Capital lease payable		31
Compensated absences	172	930
Claims and judgments		35,842
Total current liabilities	2,577	81,573
Noncurrent liabilities:		
Loans payable	1,046	2,874
Capital lease payable		154
Compensated absences	249	1,345
Claims and judgments		102,997
Total noncurrent liabilities	1,295	107,370
Total liabilities	3,872	188,943
NET ASSETS		
Invested in capital assets, net of related debt	162,874	49,925
Unrestricted net assets	86,997	48,119
Total net assets	\$ 249,871	98,044

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	\$ 249,871
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	351
Net assets of business-type activities	\$ 250,222

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Operating revenues:		
Charges for current services	\$ 36,476	312,269
Other	236	7,721
Total operating revenues	36,712	319,990
Operating expenses:		
Salaries and employee benefits	7,169	36,786
Repairs and maintenance	5,913	31,776
Equipment rental	1,068	1,053
Sewage processing	14,130	
Contracted services	4,934	164,269
Depreciation/amortization	5,430	15,468
Utilities	291	21,697
Cost of material		6,067
Claims and judgments		32,302
Fuel		13,272
Other	1,981	5,553
Total operating expenses	40,916	328,243
Operating income (loss)	(4,204)	(8,253)
Nonoperating revenues (expenses):		
Grants	539	3,977
Investment earnings	1,151	828
Interest expense	(88)	(198)
Gain (loss) on disposal of assets	(28)	210
Other nonoperating revenues	1	
Total nonoperating revenues (expenses)	1,575	4,817
Income (loss) before capital contributions and transfers	(2,629)	(3,436)
Capital contributions		600
Transfers in	360	9,918
Transfers out	(332)	(11,765)
Change in net assets	(2,601)	(4,683)
Net assets (deficits) at beginning of year	252,472	102,727
Net assets (deficits) at end of year	\$ 249,871	98,044

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	\$ (2,601)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(47)
Change in net assets of business-type activities	\$ (2,648)

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 31,211	20,615
Cash received from other funds	6,343	301,755
Cash payments to suppliers	(27,273)	(226,305)
Cash payments to employees	(7,163)	(36,729)
Cash payments to other funds	(1,485)	(10,540)
Cash paid for claims and judgments		(29,283)
Net cash provided (used) by operating activities	1,633	19,513
Cash flows from noncapital financing activities:		
Operating grants	1,467	3,759
Transfers from other funds	360	9,918
Transfers to other funds	(332)	(5,032)
Payments received on advances to other funds		38
Principal paid on long-term debt		(855)
Interest paid on long-term debt		(189)
Other noncapital increases	1	
Net cash provided (used) by noncapital financing activities	1,496	7,639
Cash flows from capital and related financing activities:		
Capital contributions		567
Acquisition of capital assets	(4,491)	(9,782)
Proceeds from sale of assets	1	681
Principal paid on long-term debt	(254)	
Principal paid on capital lease		(27)
Interest paid on long-term debt	(88)	
Interest paid on capital lease		(10)
Net cash provided (used) by capital and related financing activities	(4,832)	(8,571)
Cash flows from investing activities:		
Investment earnings	565	883
Net increase (decrease) in cash and cash equivalents	(1,138)	19,464
Cash and cash equivalents - beginning of year	82,420	190,861
Cash and cash equivalents - end of year	81,282	210,325
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(4,204)	(8,253)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Decrease (increase) in accounts receivables	1,327	2,516
Decrease (increase) in due from other funds	(511)	(589)
Decrease (increase) in inventory	(1)	(228)
Increase (decrease) in accounts payable	(223)	4,832
Increase (decrease) in accrued payroll	14	102
Increase (decrease) in due to other funds	(218)	2,340
Increase (decrease) in unearned revenue	26	82
Increase (decrease) in compensated absences	(7)	2
Increase (decrease) in claims and judgments		3,241
Depreciation/amortization	5,430	15,468
Total adjustments	5,837	27,766
Net cash provided (used) by operating activities	1,633	19,513
Non-cash investing and capital financing activities:		
Capital acquisitions included in accounts payable	410	1,252
Governmental contributions of capital assets		33
Contribution to governmental capital assets	\$	6,733

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2012 (In Thousands)

	Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS			
Pooled cash and investments	\$ 3,598,411	6,795	345,407
Cash with fiscal agents			1,502
Investments with fiscal agents		1,155	
Receivables:			
Accounts receivable			2,056
Investment earnings receivable	3,524	6	3,530
Due from other government agencies		120	
Deferred charges		315	
Total assets	3,601,935	8,391	352,495
LIABILITIES			
Accounts payable		2,214	19,375
Warrants outstanding			167,292
Accrued payroll			8
Accrued interest		213	
Non-current liabilities:			
Due within one year		393	
Due in more than one year		13,477	
Due to other funds		4,873	
Due to other governments			165,820
Total liabilities		21,170	352,495
NET ASSETS			
Held in trust for pool participants	3,601,935		
Held in trust for private purpose		(12,779)	
Total held in trust (deficit)	\$ 3,601,935	(12,779)	

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund
ADDITIONS		
Contributions:		
Contributions to investments	\$ 5,729,257	
Total contributions	5,729,257	
Investment earnings:		
Net increase (decrease) in fair value of investments	(929)	17
Investment earnings	18,140	13
Total investment earnings	17,211	30
Property taxes - Successor Agency Redevelopment Property Tax Trust Fund Distribution		914
Miscellaneous revenues		20
Total additions	5,746,468	964
DEDUCTIONS		
Administrative expenses		25
Distributions from investments	5,575,484	
Contributions to other agencies		2,214
Interest and fiscal charges		1,081
Total deductions	5,575,484	3,320
Change in net assets before extraordinary loss	170,984	(2,356)
Extraordinary loss		(10,423)
Change in net assets	170,984	(12,779)
Net assets at beginning of year	3,430,951	
Net assets (deficit) at end of year	\$ 3,601,935	(12,779)

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NOTE 1 Summary of Significant Accounting Policies

The Reporting Entity

The County of San Diego (the "County" or "CoSD"), is a political subdivision of the State of California (the "State") and as such can exercise the powers specified by the Constitution and laws of the State of California. The County operates under a charter and is governed by an elected five-member Board of Supervisors (the "Board").

The County provides a full range of general government services including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, inactive waste management, airport management and general financial and administrative support.

The County reporting entity includes all significant organizations, departments, and agencies over 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 and financial relationships with the County. As required by generally accepted accounting principles in the United States of America (GAAP), the financial statements present the financial position of the County and its component units (entities for which the County is considered to be financially responsible).

Blended component units, although legally separate entities are, in substance, part of the County's operations and data from these component units are combined with the data from the primary government.

A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

Blended Component Units

The blended component units listed below are agencies and special districts whose governing board is the County Board of Supervisors. These component units are fiscally dependent on the County and as such financial actions including the setting of rates, issuance of debt and the adoption of the annual budget remain with the County.

Air Pollution Control District (APCD) - The APCD was established to protect the people and the environment from the harmful effects of air pollution. Air quality is continuously monitored throughout the San Diego Air Basin, and programs are developed to

bring about the emission reductions necessary to achieve clean air. The APCD issues permits to limit air pollution, ensures that air pollution control laws are followed, and administers funding that is used to reduce regional mobile source emissions. APCD is reported as a *special revenue fund*.

County of San Diego In-Home Supportive Services Public Authority (IHSSPA) - The IHSSPA was established to assist eligible low-income elderly and persons with disabilities in San Diego County to live high quality lives in their own homes. The IHSSPA program is mandated by the State. As the employer of record, IHSSPA recruits, screens, and trains home care workers who are available to assist eligible consumers in their own homes. IHSSPA is reported as a *special revenue fund*.

County Service Area Districts (CSAD) - The CSADs were established to provide authorized services such as road, park, fire protection and ambulance 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. The CSADs are reported as *special revenue funds*.

Flood Control District (FCD) - The FCD was established to provide flood control in the County's unincorporated area. It is financed primarily by ad valorem property taxes and charges to property owners. The FCD is reported as a *special revenue fund*.

Lighting Maintenance District (LMD) - The LMD 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. The LMD is reported as a *special revenue fund*.

San Diego County Housing Authority (SDCHA) - The SDCHA was established to provide 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. SDCHA is reported as a *special revenue fund*.

San Diego County Redevelopment Agency (SDCRA) - SDCRA 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. Effective February 1, 2012, the SDCRA was dissolved pursuant to California Assembly Bill ABx1 26. SDCRA financial activities through January 31, 2012 are reported in a *special revenue fund* and a *debt service fund*.

Sanitation District (SD) - The SD was established to construct, operate and maintain reliable and sustainable sanitary sewer systems. Revenue sources

include charges to property owners and grants. The *SD* is reported as an *enterprise fund*.

Blended component units governed by boards other than the CoSD Board of Supervisors are listed below. These component units are, in substance, part of the County's operations due to their relationship with the County and the nature of their operations. Specifically, the CoSD Board appoints either all or a majority of their board members and the services they provide solely benefit the County.

San Diego County Capital Asset Leasing Corporation (SANCAL) - SANCAL 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. SANCAL financial activities are reported in a *debt service fund* and a *capital projects fund*.

San Diego County Tobacco Asset Securitization Corporation (SDCTASC) - The SDCTASC was created under the California Nonprofit Public Benefit Corporation Law and was established to purchase tobacco settlement payments allocated to the County from the State of California, pursuant to a Tobacco Master Settlement Agreement.

SDCTASC is governed by a Board of Directors consisting of three members, two of which are employees of the County and one independent director who is not an employee of the County. The SDCTASC is reported as a *special revenue fund*.

San Diego Regional Building Authority (SDRBA) - The SDRBA was established under the Mark-Roos Local Bond Pooling Act of 1985 and authorized to issue bonds for the purpose of acquiring and constructing public capital improvements and to lease them to its members, the County and the San Diego Metropolitan Transit Development Board (MTDB). The services provided by the SDRBA to the MTDB are insignificant.

The SDRBA is governed by a Commission consisting of three members, two of which are County Supervisors appointed by the County Board of Supervisors and concurrently serve on the Board of Directors of the San Diego Trolley, Inc and the Board of Directors of MTDB. The third Commissioner is a member of MTDB and is appointed by the MTDB Board. The SDRBA's financial activities are reported in a *debt service fund* and a *capital projects fund*.

The Tobacco Securitization Joint Powers Authority of Southern California (TSJPA) - The TSJPA was created by a joint exercise of powers agreement between the County and the County of Sacramento pursuant to Government Code Sections 6500 et seq. The TSJPA's purpose is to finance a loan to the San Diego County Tobacco Asset Securitization Corporation (the Corporation) via the sale of tobacco asset-backed

bonds. The Corporation in turn uses the loan proceeds to purchase the County's future tobacco settlement revenues under a purchase and sale agreement. The TSJPA 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. The TSJPA is reported 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.

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. The Commission 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 issued financial report can be obtained by writing to The First 5 Commission, 1495 Pacific Highway, Suite 201, (MS-A211), San Diego, CA, 92101-6466.

Financial Reporting Structure

Basic Financial Statements

The basic financial statements include both government-wide financial statements and fund financial statements. The reporting model, based on GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*," focuses on the County as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) display information about the County as a whole and the change in aggregate financial position resulting from the activities of the fiscal period, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the County (including its blended component units) as well as its discretely presented component unit. In the statement of net assets, both the governmental and

business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resource basis, which incorporates capital assets as well as long-term debt and obligations.

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

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural activities. The business-type activities of the County include airport, sanitation, and wastewater management.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary funds. In governmental and fiduciary funds, assets and liabilities are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current assets in the classified format are those considered available to generate or use cash within twelve months of the end of the fiscal period. Examples include cash, various receivables and short-term investments. All other assets are considered noncurrent. Current liabilities are obligations to be paid within the next fiscal year. Examples include payables and the current portion of long-term liabilities.

Major individual governmental funds are reported as separate columns in the fund financial statements and are presented on a current financial resources and modified accrual basis of accounting. 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.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for and reports all financial resources of the County not accounted for and reported 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 activities. Expenditures also include capital outlay and debt service.

The *Public Safety Special Revenue Fund* accounts for Proposition 172 half-cent sales taxes collected and apportioned to the County by the State Board of Equalization and are restricted for funding public safety activities. Per Government Code Section 30052, a "maintenance of effort" (pre-Proposition 172 public safety funding level) must be maintained by the County to comply with the statute's spending requirements. In accordance with the Code, these funds are allocated to the Sheriff, District Attorney and Probation departments. Transfers out of this fund subsidize the following types of public safety activities: juvenile detention services; facilities maintenance and

support; capital projects, equipment and other one-time expenditures; on-going technology initiatives; and various region-wide services.

The *Tobacco Endowment 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. According to Board of Supervisors Policy E-14, tobacco settlement monies are to be used for healthcare-based programs.

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.

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 accounts for individual external entities investments which are offered as an alternative to a pooled position.

County of San Diego Successor Agency Private Purpose Trust Fund is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the County of San Diego Successor Agency; formed

pursuant to California Assembly Bill ABx1 26.

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.

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 susceptible to accrual when measurable and available. Sales taxes, investment earnings, 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 principal payments on general long-term debt 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 nonoperating 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 nonoperating revenues and expenses.

For government-wide (governmental and business-type activities) and proprietary fund activities, the County applies 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 for business-type activities and proprietary funds. 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.

Assets, Liabilities, and Net Assets or Fund Balance

Cash and Investments

The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held in the County's Investment Pool (the "Pool").

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 based on amortized cost. In accordance with Government Code Section 53647, apportionments applicable to certain agency funds accrue to the benefit of the General Fund.

Investments are stated at fair value. The fair value of investments is determined monthly and is based on quoted market prices.

Receivables and Payables

The major receivables for governmental and business-type activities are taxes, due from other governmental agencies and loans. All property taxes and accounts receivable are shown net of an allowance for uncollectibles (\$11.184 million and \$1.046 million, respectively). Activities between funds that represent lending/borrowing arrangements outstanding at the

end of the fiscal year are 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."

Noncurrent interfund receivables between funds are reported as a nonspendable fund balance account in applicable governmental funds.

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 (levy date). 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.

County Leased Property

The County and its blended component units lease real property to the private sector and other governmental agencies. Direct financing lease receivables are shown as restricted assets on the government-wide statement of net assets - governmental activities and governmental funds balance sheets. Revenue from direct financing and non-cancelable operating leases is reported in the applicable government-wide statement of activities - governmental activities, governmental funds statements of revenues, expenditures, and changes in fund balances and proprietary funds, statements of revenues, expenses, and changes in fund net assets, as applicable.

Inventories and Prepaid Items

Inventories include both inventories on hand for sale and consumable inventories. Inventories are valued at average cost. They are accounted for as expenditures at the time of purchase and reported in governmental funds as an asset with an offsetting nonspendable amount. Proprietary fund types are carried at average cost and are expended when consumed. Prepaid items reflect payments for costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements, with expenditures recorded when consumed. Inventories and prepaid items recorded in the governmental funds do not reflect current appropriate resources and thus, an equivalent portion of fund balance is reported as nonspendable.

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.

Capital Assets

Capital assets are of a long-term character and include: land, buildings and improvements, construction in progress, equipment, infrastructure, software and easements.

Infrastructure assets include roads, bridges and sewers.

Capital assets are recorded at *historical cost* if purchased or constructed. Donated capital assets are recorded at *estimated fair value* at the date of donation. Capital assets with original unit costs equal to or greater than the *capitalization thresholds* shown in **Table 1** are reported in the applicable *governmental activities* or *business-type activities* columns in the government-wide financial statements.

Table 1

Capitalization Thresholds

Land	\$	0
Easements		50
Buildings and improvements		50
Software		50-100
Equipment		5
Infrastructure		25-50

Depreciation and amortization are charged over the capital assets' estimated useful lives using the straight-line method for proprietary and governmental fund types. Governmental fund type depreciation and amortization are only shown in the statement of activities. Proprietary fund type depreciation and amortization are 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	10-50 years
Software	3-10 years
Equipment	5-20 years
Infrastructure	10-50 years

Deferred and Unearned Revenue

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue. Unearned revenue can be found in government-wide financial reporting as well as in governmental fund, proprietary fund, and fiduciary fund financial statements.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual, it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue. This type of deferred revenue is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

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, business-type activities or proprietary funds statement of net assets.

Long-Term Obligations

Long-term liabilities reported in the statement of net assets include the amount due in one year (current) and the amount due in more than one year (noncurrent).

General long-term liabilities consist of the noncurrent portion of claims and judgments, compensated absences, landfill closure and post closure and other noncurrent liabilities. General long-term liabilities are not reported as liabilities in governmental funds but are reported in the governmental activities column in the government-wide statement of net assets. General long-term debt is not limited to liabilities arising from

debt issuances but may also include noncurrent liabilities on other commitments that are not current liabilities properly recorded in governmental funds.

Debt may be issued at par (face) value, with a premium (applicable to debt issued in excess of face value) or at a discount (applicable to debt issued at amounts less than the face value). Occasionally, the County also refunds some of its existing debt. When this occurs, the difference between the funds required to retire (reacquisition price of) the refunded debt and the net carrying amount of refunded debt results in a deferred amount on refunding.

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred issuance costs are reported as deferred charges and amortized over the term of the debt.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and premiums 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.

Capital Appreciation Bonds (CABs) issued by the County represent bonds that are issued at a deep discount, pay no current interest but accrete or compound in value from the date of issuance to the date of maturity. CABs are presented at their maturity value less the unaccreted appreciation. Unaccreted appreciation represents the difference between the maturity value of the debt and their par (face) value. The unaccreted appreciation is accreted as interest over the life of the CABs.

Employees' 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 or the California Labor Code. All vacation pay and a certain portion of compensatory and sick pay for specified employee classes is accrued in the government-wide and proprietary funds financial statements. 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 leave toward determining their length of service for the purpose of calculating retirement benefits.

Accumulated leave benefits including vacation, sick leave, and compensatory time worked are recorded in the government-wide statement of net assets. Amounts recorded as accumulated leave benefits include the employer's share of Social Security and Medicare taxes. 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.

County employees in the unclassified service and certain employees hired prior to 1979 may receive up to 50% and 25%, respectively, of the cash value of all or a portion of their sick leave balances upon termination or retirement. The cash value of these benefits is included in the accumulated leave benefits noted above. This liability has been recorded in the current and long-term portion of compensated absences in the appropriate proprietary funds and government-wide statement of net assets.

California Labor Code Section 4850 entitles safety officers who meet certain criteria to receive full salary in lieu of temporary disability payments for the period of disability, not exceeding 365 days, or until such earlier date as he or she is retired on permanent disability pension. This liability is accrued in the current and long-term portion of compensated absences.

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 conversion of these balances to retirement service credits is included in the County's actuarial accrued liability, as part of the annual actuarial valuation which includes assumptions regarding employee terminations, retirement, death, etc.

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; and the Debt Service and Capital Projects Funds (other governmental funds). Please refer to the notes to required supplementary information for more details

regarding the County's general budget policies.

Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These classifications include: nonspendable; restricted; and the unrestricted classifications of committed, assigned and unassigned. When both restricted and unrestricted resources are available for use, fund balance is generally depleted by restricted resources first, followed by unrestricted resources in the following order: committed, assigned and unassigned. The fund balance classifications are defined as follows:

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors. The Board of Supervisors may establish fund balance commitments by adoption of an ordinance, resolution, or formal board action memorialized by minute orders as may be required by law. Those committed amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned fund balance - amounts that are constrained by the County's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the highest level of decision making authority (the Board of Supervisors), or by a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. In the County, the intent is generally expressed by the Board of Supervisors.

Unassigned fund balance - the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or

assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance

Net Assets

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by the outstanding principal of capital related debt (adjusted by any unamortized premiums, discounts, deferred amounts on refundings, 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.

The County reports net assets as restricted when constraints placed on net assets are externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted net assets.

Indirect Costs

County indirect costs are allocated to benefiting departments and are included in the program expense reported for individual functions and activities. Cost allocations are based on the annual *County-wide Cost Allocation Plan* which is prepared in accordance with Federal Office of Management and Budget Circular A-87.

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.

NOTE 2
Reconciliation of Government-Wide and Fund Financial Statements
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 Funds Balance Sheet / Government-Wide Statement of Net Assets Reconciliation
At June 30, 2012

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 \$(1,903,840) difference are as follows:	
Bonds, notes and loans payable	
Certificates of participation and lease revenue bonds	\$ (400,970)
Taxable pension obligation bonds	(806,845)
Tobacco settlement asset-backed bonds	(576,340)
Loans - non-internal service funds	(2,401)
Unamortized issuance premiums (to be amortized as interest expense)	(13,655)
Unamortized issuance discounts (to be amortized as interest expense)	14,125
Unamortized deferred amounts on refundings (to be amortized as interest expense)	5,896
Compensated absences (excluding Internal Service Funds)	(96,281)
Landfill postclosure - San Marcos landfill	(19,465)
Pollution remediation	(7,904)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (1,903,840)</u>
Internal Service Funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The details of this \$97,693 difference are as follows:	
Net assets of the internal service funds	\$ 98,044
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(398)
Add: Internal payable representing charges in excess of cost to business-type activities - current year	47
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 97,693</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances/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 Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities Reconciliation For the Year Ended June 30, 2012

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/amortization expense. The details of this \$100,614 difference are as follows:

Capital outlay	\$ 212,304
Depreciation/amortization expense	(111,690)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ 100,614</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. The details of this \$(21,930) difference are as follows:

The proceeds from the sale of capital assets provide current financial resources but have no effect on net assets	\$ (740)
The loss on the disposal of capital assets does not affect current financial resources but decreases net assets	(30,323)
The gain on the disposal of capital assets does not affect current financial resources but increases net assets	428
Donations of assets to the County do not provide current financial resources but resources increase net assets	8,705
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ (21,930)</u>

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 \$33,721 difference are as follows:

Debt issued or incurred:	
Refunding bonds issued	\$ (32,665)
Less: Discount	182
Less: Issuance costs	374
Principal repayments	61,241
Accreted interest paid	4,369
Arbitrage	220
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ 33,721</u>

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 \$(14,122) difference are as follows:

Compensated absences	\$ (575)
Accrued interest	127
Accretion of capital appreciation bonds	(7,666)
Amortization of premiums	1,138
Amortization of discounts	(1,076)
Amortization of deferred amounts on refundings	(4,931)
Amortization of issuance costs	(1,139)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ (14,122)</u>

Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this \$(4,636) difference are as follows:

Change in net assets of the internal service funds	\$ (4,683)
Add: Gain from charges to business activities	47
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ (4,636)</u>

NOTE 3 Deposits and Investments

The Treasurer is responsible for authorizing all County bank accounts and pursuant to Government Code Sections 27000.1 - 27000.5, 27130 - 27137, and 53600 - 53686 is responsible for conducting County investment activities of the County's investment pool (the Pool) as well as various individual investment accounts outside of the Pool. Additionally, the Treasurer has oversight responsibilities for investments with fiscal agents.

The Pool is a County sponsored "external investment pool" wherein moneys of the County and other legally separate external entities, which are not part of the County Reporting Entity, are commingled (pooled) and invested on the participants' behalf.

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

A separately issued annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 162, San Diego, California, 92101 and can also be accessed at <http://www.sdtreastax.com>.

Total pooled cash and investments totaled \$6,163,441 consisting of: \$6,087,933 investments in the County pool; \$67.369 million in demand deposits; \$7.614 million of collections in transit; and, \$525 thousand in imprest cash.

Deposits

Government Code Section 53652 et. seq. and the Treasurer's Pool Investment Policy (Pool Policy) prescribe the amount of collateral that is required to secure the deposit of public funds.

Federal Depository Insurance (FDIC) is available for funds deposited at any one financial institution up to a maximum of \$250,000 for demand deposits, time and savings deposits. The aforementioned Government Code and Pool Policy require that depositories collateralize public funds with securities having a market value of at least 10% in excess of the total amount of the deposits. These securities shall be

placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed upon third party custodian bank.

Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized.

The Investment Pool does not have a formal policy regarding sweep (deposit) accounts, but the practice is to utilize national or state chartered banks where the excess over FDIC insurance is invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with California Government Code.

California Government Code Section 53652 et. seq. requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. At June 30, 2012, the County's deposits were not exposed to custodial credit risk as these deposits were either covered by FDIC insurance or collateralized with securities held by a named agent depository as noted below:

a. Cash in banks is defined as short-term, highly liquid deposits with an original maturity of three months or less. At year-end, the carrying amount of the Investment Pool's deposits was \$67.369 million, and the bank balance at June 30, 2012 was \$67.402 million, consisting of demand deposits with various financial institutions. The difference between the carrying amount and the bank balance includes temporary reconciling items such as cash on hand, outstanding checks, and deposits in transit. Of the bank balance, \$11.12 million was covered by federal deposit insurance and \$56.282 million was collateralized with securities held by a named agent depository on behalf of the Investment Pool as required by California Government Code Section 53656. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

b. The carrying amount of demand deposits with Fiscal Agents (outside of the Pool) was \$1.853 million and the bank balance per various financial institutions was \$2.213 million. Of the total bank balance, \$403 thousand was covered by federal deposit insurance and \$1.810 million was collateralized by a named agent depository.

Investments

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

Permitted types of investments and financial instruments include: U.S. treasuries, Federal agencies, and local agency obligations; registered treasury notes or bonds of all 50 states; 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; mortgage pass-through securities; mortgage backed securities; mortgage collateralized obligations; and shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7.

Investments in the Investment Pool 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 custodian bank. Repurchase agreements and institutional money market funds are carried at portfolio book value (carrying cost). Open-end institutional money market mutual funds are not categorized as to custodial credit risk because the investment in these funds is not evidenced by specific securities. All purchases of investments are accounted for on a trade-date basis. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

In addition to the above, the Board annually adopts a Pooled Money Fund Investment Policy. This policy is based on the criteria in Government Code Section 53601 but adds further specificity and restrictions to permitted investments.

No policies have been established for investments with fiscal agents, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

In conjunction with the discussion below concerning investment risks, please refer to **Tables 7** and **8** respectively, which provide details on pooled investments and those held with fiscal agents at fiscal year-end. Additionally, **Table 9** provides a comparison

of Investment Pool policy restrictions with Government Code Section 53601 requirements.

Interest Rate Risk - Investments

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 the Investment Pool requires at least 25 percent of securities to mature within 90 days, and at least 50 percent of securities to mature within one year. In addition, the Investment Pool limits the maximum effective duration of the portfolio to 18 months. As of June 30, 2012, the Investment Pool was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with California Government Code. Actual weighted average days to maturity by investment type is presented in **Table 7**.

California Government Code Section 53601 indicates where the Code does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

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.

Credit Risk - Investments

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations.

The Investment Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "A1" for short term. Non-rated securities include sweep accounts, collateralized certificates of deposit and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and

collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by California Government Code section 53601, having a fair market value of at least 102% of the amount of the repurchase agreement. Credit quality based on Standard and Poor's Fund Credit Quality Rating is noted below:

Table 5

S & P Investment Rating

	Investment Pool	Investments with Fiscal Agents
Overall credit rating	AAAf/S1	
Short-term	A-1	A-1
Long-term	A	A

Concentration of Credit Risk - Investments

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

The Investment Policy limits the amount of exposure to any one single issuer to the percentages listed in **Table 9**. As noted in **Table 9**, the Investment Pool's Investment Policy is more restrictive, in most cases, than the California Government Code. As of June 30, 2012, all Pool investments were in compliance with State law and with the Investment Policy.

The Investment Pool's holdings of the securities of the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) are issued by agencies that remain under conservatorship by the Director of the Federal Housing Agency. The U.S. government does not guarantee, directly or indirectly, the securities of the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), FNMA, or FHLMC. The Investment Pool's investments in FHLB, FFCB, FNMA and FHLMC securities as of June 30, 2012 comprised 15.1%, 6.61%, 15.81%, and 19.19% of the total County Investment Pool's investments, respectively.

No general policies have been established to limit the amount of exposure to any one single issuer, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements. Instruments in any one issuer that represent 5% or more of the County investments with fiscal agents by individual major fund or nonmajor funds in the aggregate at June 30, 2012 are shown in **Table 6**.

Table 6

Concentration of Credit Risk - Investments With Fiscal Agents

Issuer	Tobacco Endowment Fund	Percent	Nonmajor Governmental Funds	Percent
BlackRock MuniFund	\$ 36,670	10		
Federal national mortgage association			\$ 49,025	77
Federated treasury obligation			12,908	20

Custodial Credit Risk - Investments

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 outside party.

The investment policy does not permit investments in uninsured and unregistered securities not held by the County. The County of San Diego utilizes third party delivery versus payment custodian which mitigates any custodial credit risk. Securities purchased by the County Investment Pool are held by a third-party custodian, the Bank of New York Mellon Corporation, in their trust department to mitigate custodial credit risk.

Foreign Currency Risk - Investments

This is the risk that investments are exposed to foreign currency risk.

The County's investments do not have any foreign currency risk as all investments are in U.S. dollar-denominated assets.

Notes to the Financial Statements

(Amounts expressed in thousands unless otherwise noted)

County of San Diego
Comprehensive Annual Financial Report
For the year ended June 30, 2012

Table 7

Pooled Investments At June 30, 2012

	Fair Value	Book Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
US government agencies:							
Federal home loan mortgage corporation notes	\$ 1,167,981	1,164,122	0.07% - 5.13%	7/12 - 3/17	500	A-1+/AA+	19.19%
Federal home loan bank notes	919,328	914,186	0.12% - 3.88%	7/12 - 6/16	347	A-1+/AA+	15.10%
Federal national mortgage association notes	962,676	958,350	0.06% - 5.00%	7/12 - 4/17	929	A-1+/AA+	15.81%
Federal farm credit bank notes	402,509	402,554	0.17% - 0.61%	8/12 - 6/15	447	A-1+/AA+	6.61%
US treasury notes	286,075	281,266	0.88% - 4.50%	8/12 - 5/17	734	AA+	4.70%
Commercial paper	1,049,982	1,050,128	0.11% - 0.20%	7/12 - 8/12	27	A-1/A-1+	17.25%
Money market mutual funds	79,275	79,275	0.01% - 0.05%	7/12	41	AAA	1.30%
Negotiable certificates of deposit	1,185,002	1,185,003	0.11% - 1.00%	7/12 - 5/13	35	N/A	19.46%
Bond funds	35,105	35,000	0.44%	8/13	412	AA	0.58%
Total investments	\$ 6,087,933	6,069,884			373		100.00%

Table 8

Investments with Fiscal Agents At June 30, 2012

	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
County investments with fiscal agents						
Unrestricted:						
Fixed income tax exempt bonds	\$ 4,870	0% - 5.13%	9/12 - 8/22	2997	A	1.12%
Fixed income tax exempt bonds	27,065	0% - 5.25%	8/12 - 6/28	3038	A+	6.25%
Fixed income tax exempt bonds	50,169	4% - 7%	11/12 - 12/28	3009	AA	11.59%
Fixed income tax exempt bonds	27,059	4.50% - 5.75%	4/20 - 1/34	4873	AA-	6.25%
Fixed income tax exempt bonds	137,816	0% - 6.25%	12/12 - 6/33	3923	AA+	31.83%
Fixed income tax exempt bonds	44,194	5% - 8.95%	7/13 - 10/33	3666	AAA	10.21%
Fixed income tax exempt bonds	4,650	5.00%	9/22	7094	BBB	1.07%
Fixed income tax exempt bonds	2,436	5.25%	11/29	6347	BBB+	0.56%
Fixed income tax exempt bonds	34,760	5% - 6.38%	1/13 - 2/33	4282	NR	8.03%
MuniFunds	36,670	0.00%	8/12	33	AAA	8.47%
Subtotal	369,689					
Restricted:						
Federal national mortgage association notes	14,864	2.75% - 4.63%	2/14 - 10/14	665	AA+	3.43%
Federal national mortgage association discount notes	34,162	0.00%	7/12	9	N/A	7.89%
Money market mutual funds	14,326	0% - .01%	8/12	48-54	AAA/A-1+	3.30%
Subtotal	63,352					
Total County investments with fiscal agents	433,041					100.00%
Private Purpose investments:						
Money market mutual funds	1,155	0.00%	8/12	48	AAA	100.00%
Total Private Purpose investments	1,155					100.00%
Total investments with fiscal agents	\$ 434,196					

Table 9

Investment Pool Policy Restrictions versus California Government (Gov) Code Section 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 Treasury obligations	5 years	5 years	None	None	None	None	None	None
Agency obligations	5 years	5 years	None	None	None	35%	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-1
Commercial paper (1)	270 days	270 days	40%	40%	10%	5%	A-1	A
Negotiable certificates of deposit	5 years	5 years	30%	30%	None	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	10%	None	None
Corporate medium-term notes	5 years	5 years	30%	30%	30%	5%	A	A
Money market mutual funds	N/A	N/A	20%	15%	10%	10%	AAAm	AAAm
Bond funds	N/A	N/A	None	2.5%	None	2.5%	None	None
Pass-through securities (3)	5 years	5 years	20%	20%	None	5%	A/AA	A/AA

(1) Government code Section 53635 (a)(1-2) specifies percentage limitations for this security type for county investment pools.

(2) Maximum exposure per issue - The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RP's with maturities greater than 5 days, and 15% of the portfolio for RP's maturing in 5 days or less. The maximum exposure to a single broker/dealer of Repurchase Agreements shall be 10% of the portfolio value for maturities greater than 6 days, and 15% of the portfolio value for maturities of 6 days or less.

(3) Rating of "A" required for issuer, if rated; and rating of "AA" required for issue.

NOTE 4
Restricted Assets

Restricted assets include monies or other resources required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements. For fiscal year 2012 restricted assets were as follows:

Table 10

Restricted Assets

Fund	Legal or Contractual Requirements	Debt Covenants
General Fund	\$ 157	\$ 5,568
Nonmajor Governmental Funds		
Housing Authority Special Revenue Fund	470	
Tobacco Securitization Joint Special Revenue Fund		47,069
Pension Obligation Bonds Debt Service Fund		8
San Diego Regional Building Authority Debt Service Fund		18,296
SANCAL Debt Service Fund		4,711

NOTE 5
Receivables

Details of receivables reported in the government-wide Statement of Net Assets are presented in **Table 11**. Amounts that are not expected to be collected within the next fiscal year are identified below:

Due from Other Governmental Agencies - Governmental activities - \$62.433 million.

This amount represents Senate Bill (SB) 90 cost reimbursements due the County for the provision of State mandated programs and services mostly for fiscal years prior to 2004. The State Constitution requires reimbursement for these costs and interest will accrue on the reimbursement claims until they are paid according to Government Code Section 17617 over a period not more than 15 years beginning in fiscal year 2007. The State began to reimburse the County for these programs and services in fiscal year 2007, but has not budgeted appropriations in the current year.

Loans - Governmental activities- \$68.684 million

This amount includes: \$40.042 million in housing rehabilitation loan programs for low-income or special need residents, and loans for low income housing down payments; \$27.607 million in community development block grant loans; and \$1.035 million owed to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to provide funding for project improvements for the Upper San Diego River Project.

Notes to the Financial Statements

(Amounts expressed in thousands unless otherwise noted)

Note that at the fund level, in the General Fund, this loan is presented as "Due From Other Funds". See Note 8 to the financial statements, "Interfund Balances".

Loans- Business-type activities- \$7.116 million

This amount includes \$3.278 million in Airport Enterprise Fund (AEF) loans to Airport lessees for the purchase of AEF reversionary interests in leasehold improvements existing at the expiration of previous leases; and \$3.838

million owed to the AEF from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to fund airport projects. Note that in the Airport Enterprise Fund, this loan is presented as "Due From Other Funds". See Note 8 to the financial statements, "Interfund Balances".

Table 11

**Receivables
Primary Government and Discretely Presented Component Unit
At June 30, 2012**

	Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:								
General Fund	\$ 5,093	1,267	453,424	55,480	1,463	516,727		516,727
Public Safety Special Revenue Fund			41,364			41,364		41,364
Tobacco Endowment Fund		4,637				4,637		4,637
Other Governmental Funds	21,738	930	24,947	12,037	59	59,711	(1,046)	58,665
Internal Service Funds	238	162	973	132	6	1,511		1,511
Total governmental activities - fund level	\$ 27,069	6,996	520,708	67,649	1,528	623,950	(1,046)	622,904
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				1,035		1,035		1,035
Total governmental activities - Statement of Net Assets	\$ 27,069	6,996	520,708	68,684	1,528	624,985	(1,046)	623,939
Business-type activities:								
Enterprise Funds	\$ 104	222	535	3,278		4,139		4,139
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				3,838		3,838		3,838
Total business-type activities - Statement of Net Assets	104	222	535	7,116		7,977		7,977
Component Unit:								
First 5 Commission of San Diego	\$ 1	222	5,695			5,918		5,918

NOTE 6 County Property on Lease to Others

The County's blended component unit - SDRBA has a direct financing lease with the San Miguel Consolidated Fire Protection District (District) for two District fire stations. Additionally, the County has a sublease of a share of the Metropolitan Transit System (MTS) Towers. The share of the County's property under the MTS Towers' sub lease is an estimated \$12.74 million in structures and improvements with accumulated depreciation of \$5.96 million at June 30, 2012. The lease revenue received by the SDRBA and the County for the year ended June 30, 2012 was approximately \$731 thousand and \$890 thousand, respectively.

The County also has noncancelable operating leases for certain properties which are not material to the County's governmental operations. 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 \$2.46 million in land at June 30, 2012.

Lease revenue from noncancelable operating leases for the year ended June 30, 2012 was approximately \$16.7 million. Future minimum lease payments to be received under the direct financing and noncancelable operating leases are noted in **Table 12**.

Table 12

Lease Revenue County Property Leased To Others		
Fiscal Year	Direct Financing Leases	Operating Leases
2013	\$ 1,640	\$ 17,237
2014	1,626	16,278
2015	1,637	11,410
2016	1,624	10,235
2017	1,627	9,167
2018 - 2022	4,531	41,992
2023 - 2027		36,701
2028 - 2032		34,559
2033 - 2037		23,944
2038 - 2042		13,233
2043 - 2047		9,147
2048 - 2052		7,278
2053 - 2057		4,209
2058 - 2062		1,386
2063 - 2067		130
Total	\$ 12,685	\$ 236,906

NOTE 7 Capital Assets

Changes in Capital Assets

Increases and decreases in the County's capital assets for governmental and business-type activities during the fiscal year were as follows:

Table 13

Capital Assets - Governmental Activities

	Beginning Balance at July 1, 2011	Increases	Decreases	Ending Balance at June 30, 2012
Capital assets, not being depreciated/amortized:				
Land	\$ 341,692	38,931	(15)	\$ 380,608
Easements	5,640	1,212		6,852
Construction in progress	138,525	163,251	(93,650)	208,126
Total capital assets, not being depreciated/amortized	485,857	203,394	(93,665)	595,586
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,357,516	42,562	(69,135)	1,330,943
Software	83,190	22,630	(55,480)	50,340
Equipment	251,350	20,824	(12,987)	259,187
Road infrastructure	2,454,528	34,483		2,489,011
Bridge infrastructure	67,028	1,833		68,861
Total capital assets, being depreciated/amortized	4,213,612	122,332	(137,602)	4,198,342
Less accumulated depreciation/amortization for:				
Buildings and improvements	(348,457)	(27,457)	39,237	(336,677)
Software	(67,165)	(9,468)	55,480	(21,153)
Equipment	(143,597)	(21,807)	11,794	(153,610)
Road infrastructure	(1,065,617)	(67,134)		(1,132,751)
Bridge infrastructure	(17,770)	(1,292)		(19,062)
Total accumulated depreciation/amortization	(1,642,606)	(127,158)	106,511	(1,663,253)
Total capital assets, being depreciated/amortized, net	2,571,006	(4,826)	(31,091)	2,535,089
Governmental activities capital assets, net	<u>\$ 3,056,863</u>	<u>198,568</u>	<u>(124,756)</u>	<u>\$ 3,130,675</u>

Table 14

Capital Assets - Business-type Activities

	Beginning Balance at July 1, 2011	Increases	Decreases	Ending Balance at June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 11,565			\$ 11,565
Construction in progress	12,587	4,803	(5,750)	11,640
Total capital assets, not being depreciated	24,152	4,803	(5,750)	23,205
Capital assets, being depreciated:				
Buildings and improvements	114,787	473	(1,270)	113,990
Equipment	1,169	8	(67)	1,110
Road infrastructure	6,445	4		6,449
Sewer infrastructure	85,764	5,274		91,038
Total capital assets, being depreciated	208,165	5,759	(1,337)	212,587
Less accumulated depreciation for:				
Buildings and improvements	(30,912)	(3,545)	1,270	(33,187)
Equipment	(924)	(40)	38	(926)
Road infrastructure	(194)	(167)		(361)
Sewer infrastructure	(35,453)	(1,678)		(37,131)
Total accumulated depreciation	(67,483)	(5,430)	1,308	(71,605)
Total capital assets, being depreciated, net	140,682	329	(29)	140,982
Business-type activities capital assets, net	\$ 164,834	5,132	(5,779)	\$ 164,187

Depreciation/Amortization

Depreciation/amortization expense was charged to governmental activities and business-type activities as shown below.

Table 15

Depreciation/Amortization Expense - Governmental Activities

General government	\$	6,599
Public protection		24,468
Public ways and facilities		67,742
Health and sanitation		6,613
Public assistance		1,474
Education		2,160
Recreation and cultural		2,634
Internal Service Funds		15,468
Total	\$	127,158

Table 16

Depreciation Expense - Business-type Activities

Airport Fund	\$	3,647
Sanitation District Fund		1,765
Wastewater Management Fund		18
Total	\$	5,430

Capital and Other Commitments

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year or years. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned are included within committed or assigned fund balance, as appropriate. At June 30, 2012, the County General Fund's outstanding encumbrances totaled \$390.778 million while the Public Safety Fund's outstanding encumbrances totaled \$3.606 million. Non-major governmental funds' outstanding encumbrances totaled \$36.006 million.

At June 30, 2012, major contracts entered into for structures and improvements and other commitments within governmental and business-type activities are noted in **Table 17**.

Table 17

Capital Commitments At June 30, 2012

	Remaining Commitments
Governmental Activities	
Other Governmental Funds:	
Construction of Women's Detention Facility	\$ 149,455
Construction of Waterfront Park	33,993
Development of Integrated Property Tax System	29,110
Construction of County Operations Center Phase 1B	22,681
Construction of Rancho San Diego Sheriff's Station	9,985
Construction of County Operations Center Phase 1A	5,541
Construction of South Santa Fe Ave.	4,196
Improvement to Sweetwater Park	3,612
Construction of Lawson Valley Road Bridge	1,894
Improvement to Lincoln Acres Library	1,207
Construction of Jamacha Blvd. Phase II	1,085
Subtotal	262,759
Business-type Activities	
Enterprise Funds:	
Construction of Jamacha Pump Station	4,669
Construction of Flinn Springs Interceptor	1,366
Subtotal	6,035
Total	\$ 268,794

NOTE 8
Interfund Balances

Interfund balances at fiscal year-end consisted of the following amounts:

Table 18

**Interfund Balances
 At June 30, 2012**

		DUE FROM							
		General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Private Purpose Trust Fund	Total
DUE TO	General Fund	\$	38,204	4,401	13,755	116	5,707	1,035	\$ 63,218
	Nonmajor Governmental		15,611		8,170	378	47		24,206
	Nonmajor Enterprise		37			256	2	3,838	4,133
	Internal Service		20,514		1,353	87	1,528		23,482
	Total	\$	36,162	38,204	4,401	23,278	837	7,284	4,873

Descriptions of amounts not due to be repaid in the subsequent year are discussed below:

- a) \$60 thousand is due to the Special District Loans Internal Service Fund from the County Service District Special Revenue Funds as a result of a loan to improve and maintain County roads. Loan repayments are made from property tax collections. \$45 thousand of the balance is not scheduled to be collected in the subsequent year.
- b) \$1.035 million is due to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund (Upper San Diego River Project) as a result of a loan to provide funding for Project improvements.
- c) \$3.838 million is due from the County of San Diego Successor Agency Private Purpose Trust Fund to the Airport Enterprise Fund as a result of a loan to fund airport projects.

For further discussion of the loans to the County of San Diego Successor Agency Private Purpose Trust Fund, refer to Note 33 to the financial statements, "County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency". Note that on the Statement of Net Assets, the "Due from other funds" for the General Fund's \$1.035 million Upper San Diego River Project loan and the "Due from other funds" for the \$3.838 million Airport Enterprise Fund's airport projects loan, are included in the governmental activities' and business-type activities' "Receivables, net", respectively. See note 5 to the financial statements, "Receivables."

All remaining balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.

NOTE 9
Interfund Transfers

Interfund transfers at fiscal year-end consisted of the following amounts:

Table 19

Transfers In/Transfers Out
At June 30, 2012

		TRANSFERS OUT						Total
		General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
TRANSFERS IN	General Fund	\$	203,106	24,200	14,903		1,939	\$ 244,148
	Nonmajor Governmental		203,971		8,648	332	3,093	216,044
	Nonmajor Enterprise		310		50			360
	Internal Service		8,297		1,621			9,918
	Governmental Activities*						6,733	6,733
	Total	\$	212,578	203,106	24,200	25,222	332	11,765

In general, transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations.

*Transfers made in fiscal year 2012 for purposes other than those described above included a one-time \$6.733 million "transfer out" of capital assets (equipment) from the Fleet Internal Service Fund to the General Fund. As the General Fund does not report capital assets under the modified accrual basis of accounting, there is no corresponding "transfer in" reported in the General Fund; however, the assets are reported in the Government-wide Statement of Net Assets in the Governmental Activities column.

NOTE 10
Payables

The County's payables at fiscal year-end are shown below for the General Fund, other governmental funds, internal service funds, business-type activities funds, and the discrete component unit:

Table 20

Payables
At June 30, 2012

	Vendors	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:				
General Fund	\$ 92,034	21,654	4,367	\$ 118,055
Other Governmental Funds	35,093	1,050	657	36,800
Internal Service Funds	34,023	797		34,820
Total governmental activities	\$ 161,150	23,501	5,024	\$ 189,675
Business-type activities:				
Enterprise Funds	\$ 991	2		\$ 993
Component Unit:				
First 5 Commission of San Diego	\$ 3,778	9,702	1,810	\$ 15,290

NOTE 11
Short-Term Obligations

The County issues tax anticipation notes in advance of property tax collections, depositing the proceeds in the General Fund. These notes are necessary to fund the County's annual cash flow needs. The majority of property tax collections are received in December and April.

Short-term debt activity for the fiscal year was as follows:

Table 21

Short-Term Obligations

	Beginning Balance at July 1, 2011	Issued	Redeemed	Ending Balance at June 30, 2012
Tax and revenue anticipation notes	\$	50,000	50,000	\$

NOTE 12 Lease Obligations

Operating Leases

Real Property

The County has obligations under long-term operating lease agreements through fiscal year 2022 (**Table 22**). The County is the lessee under the terms of several non-cancelable operating leases for real property used to house certain County operations. The total rental expense for all real property leases for the year ended June 30, 2012 was approximately \$31.52 million, including \$22.55 million for non-cancelable leases.

The future minimum lease payments for these non-cancelable leases are as follows:

Fiscal Year	Minimum Lease Payments
2013	\$ 19,956
2014	16,497
2015	11,986
2016	8,523
2017	7,087
2018-2022	18,344
Total	\$ 82,393

Personal Property

The County has also entered into operating leases for personal property, a large portion of which represents duplicating 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 be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2012, was approximately \$2.9 million.

Capital Lease

Minimum Lease Payments

Equipment has been leased from the Bowe Bell and Howell Company. The present value of the minimum lease obligation has been capitalized in the Facilities Management internal service fund statement of net assets; and is reflected as a liability in those statements. The County assumes responsibility for all maintenance and repair of the equipment under the terms of the lease agreement. Future minimum lease payments under the capital lease are noted in **Table 23**.

Table 23

Fiscal Year	Amount
2013	\$ 40
2014	40
2015	40
2016	40
2017	40
2018	14
Total minimum lease payments	214
Less: Amount representing interest	(29)
Net lease payments	\$ 185

Book Value

The book value of the equipment capital lease is as follows:

Capital Lease Property	Original Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 310	142	168

The accumulated amortization of this equipment capital lease was \$142 thousand as of June 30, 2012, and is included in the Internal Service Funds' depreciation/amortization of \$15.468 million in **Table 15**.

NOTE 13 Long-Term Debt

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs)

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) provide funds for the acquisition and construction of major capital facilities and equipment. The repayment of these COPs and LRBs is secured by a lease structure where the borrowing entity, such as the County or the San Miguel Consolidated Fire Protection District (SMCFPD) (not a component unit of the County), leases certain properties to another entity, a lessor, which in turn leases the properties back to the County or the SMCFPD. These lessors are the San Diego Capital Asset Leasing Corporation (SANCAL), and the San Diego Regional Building Authority (SDRBA); both blended component units of the County. (See discussion of Blended Component Units under Note 1 "Summary of Significant Accounting Policies".)

COPs and LRBs are secured by: a) (lease) base rental payments, for the use of certain facilities or equipment and b) encumbrances on the facilities. The leased premises are typically facilities or equipment

Notes to the Financial Statements

(Amounts expressed in thousands unless otherwise noted)

purchased with proceeds of the COPs or LRBs. In the case of the County, the base rental payments are made primarily from the County General Fund to the SANCAL or SDRBA; in the case of the SDRBA's financing for the SMCFPD, base rental payments are made from SMCFPD to the SDRBA. Under lease terms, the County and the SMCFPD are required to make the necessary annual appropriations for lease payments, except to the extent those payments are eligible to be abated in accordance with the terms of the leases.

COPs and LRBs evidence a pro rata share in a specific pledged revenue stream of lease payments, and investors in the certificates or bonds are entitled to receive a share in these lease payments from a particular project. Lease payments are passed through the lessor to the investors. The lessor assigns the lease and lease payments to a trustee, which distributes the lease payments to the investors.

In August 2011, the San Diego Capital Asset Leasing Corporation issued \$32.665 million of fixed rate certificates of participation titled "County of San Diego Certificates of Participation (County Administration Center Waterfront Park (the Certificates))." The Certificates were issued at fixed interest rates ranging from 3.00% to 5.125% with maturity dates ranging from February 1, 2013 to February 1, 2042.

These Certificates were issued with a discount of \$182 thousand. Certificate proceeds of \$32.483 million were distributed as follows: 1) \$30.004 million was transferred to the construction fund used to pay construction costs on the County Administration Center Waterfront Park project; 2) \$2.094 million of proceeds were used to fund the Certificates' debt service reserve fund; 3) \$151 thousand was used to pay the underwriter's discount; and 4) \$234 thousand was set aside to pay certain costs of issuance. The interest on these Certificates is excludable from gross income for federal income tax purposes and is exempt from State of California income taxes.

Details of COPs and LRBs outstanding at June 30, 2012 are as follows:

Table 25

Certificates of Participation (COP) and Lease Revenue Bonds (LRB)

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2012
1993 Master Refunding COP	\$ 203,400	2.50 - 5.625%	2013	\$ 3,800
2003 San Miguel Consolidated Fire Protection District Refunding LRB	10,005	2.00 - 5.00%	2020	5,855
2005 Edgemoor Project COP	83,510	3.00 - 5.00%	2030	71,780
2005 Regional Communications System Refunding COP	28,885	3.00 - 5.00%	2019	11,120
2005 North & East Justice Facilities Refunding COP	28,210	3.25 - 5.00%	2020	18,065
2006 Edgemoor Completion Project COP	42,390	4.00 - 5.00%	2030	38,415
2009 Series A COC and Annex Project LRB	136,885	3.00 - 5.50%	2036	133,755
2009 Justice Facilities Refunding of 1998 Courthouse COP	32,640	2.00 - 5.00%	2023	25,520
2009 Justice Facilities Refunding of 1997 Central Jail COP	48,300	2.00 - 5.00%	2026	42,730
2011 Metropolitan Transit System Towers Refunding COP	19,260	1.00 - 5.00%	2020	17,265
2011 CAC Waterfront Park Project COP	32,665	3.00 - 5.00%	2042	32,665
Total	\$ 666,150			\$ 400,970

Annual debt service requirements to maturity for COPs and LRBs are as follows:

Table 26

Certificates of Participation and Lease Revenue Bonds - Debt Service Requirements to Maturity			
Fiscal Year	Principal	Interest	Total
2013	\$ 25,295	18,388	\$ 43,683
2014	20,015	17,589	37,604
2015	19,285	16,800	36,085
2016	20,030	15,966	35,996
2017	20,935	15,052	35,987
2018-2022	97,460	60,859	158,319
2023-2027	82,045	40,021	122,066
2028-2032	65,130	21,131	86,261
2033-2037	41,750	7,290	49,040
2038-2042	9,025	1,241	10,266
Subtotal	\$ 400,970	214,337	\$ 615,307
Add:			
Unamortized issuance premium	13,655		
Less:			
Unamortized deferred amounts on refundings	(4,323)		
Unamortized discount	(176)		
Total	\$ 410,126		

Taxable Pension Obligation Bonds (POBs)

POBs are issued by the County to reduce its pension unfunded actuarial accrued liability and to achieve interest rate savings by issuing bonds at interest rates which are less than the assumed rate of return earned on proceeds placed in the San Diego County Employees Retirement Association's (SDCERA) pension plan. POBs also have been issued to refund previously issued POB debt. Because current federal tax law restricts the investment of the proceeds of tax-exempt bonds in higher-yielding taxable securities, POBs are issued on a taxable basis.

Details of POBs outstanding at June 30, 2012 are as follows:

Table 27

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2012
2002 Series A	\$ 132,215	3.88 - 4.95%	2016	\$ 69,505
2004 Series A	241,360	3.28 - 5.86%	2023	212,870
2004 Series B1-2	147,825	5.91%	2025	147,825
2004 Series C CABs	64,928	4.66 - 5.76%	2016	61,015
2004 Series C Unaccreted Interest CABs				(5,310)
2008 Series A	343,515	3.33 - 6.03%	2027	320,940
Total	\$ 929,843			\$ 806,845

Annual debt service requirements to maturity for POBs are shown below in **Table 28**.

Table 28

Taxable Pension Obligation Bonds - Debt Service Requirements to Maturity				
Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2013	\$ 38,700		2,386	42,313
2014	33,043		1,575	41,233
2015	38,240		1,202	39,556
2016	32,755		147	38,380
2017	44,340			36,065
2018-2022	264,695		136,586	401,281
2023-2027	340,825		44,234	385,059
Subtotal	\$ 792,598	5,310	378,367	\$ 1,176,275
Add:				
Accreted appreciation through June 30, 2012	29,932			
Less:				
Accreted appreciation paid through fiscal year 2012	(10,200)			
Less:				
Accreted appreciation to be paid in fiscal year 2013	(5,485)			
Subtotal	806,845			
Less:				
Unamortized deferred amounts on refundings	(1,573)			
Total	\$ 805,272			

Tobacco Settlement Asset-Backed Bonds (TSAB)

TSAB are issued by the Tobacco Securitization Joint Powers Authority of Southern California (Authority) to securitize future revenue streams available to the County pursuant to the agreements described below.

A 1998 Master Settlement Agreement (MSA) was originally entered into by the four major cigarette

manufacturers, 46 states and six other U.S. jurisdictions (the "Settling States") to provide state governments (including California) with compensation for smoking related medical costs and to help reduce smoking in the United States. There is no limit to the yearly settlement payments, they are perpetual. Also, a Memorandum of Understanding (the "MOU") and a supplemental agreement (the "ARIMOU") was agreed to by the State of California and all California counties and four California cities, granting those California municipalities the right to receive tobacco settlement allocation payments, (also known as Tobacco Settlement Revenues - (TSRs)).

In fiscal year 2002, the Authority issued \$446.86 million 2001 Tobacco Settlement Asset-Backed Bonds (Bonds), to fund the Authority's loan to the San Diego Tobacco Asset Securitization Corporation (Corporation), pursuant to a loan agreement between the Authority and the Corporation. (Both entities are blended component units of the County.) According to the loan agreement, the Corporation has pledged, assigned and granted to the Authority, a first priority perfected security interest in all rights, title and interest of the Corporation, to the TSRs the Corporation purchased from the County, and future TSRs. The Corporation used the net proceeds of the loan, \$411.913 million, to pay the County, in exchange for the County's transfer to the Corporation of all the County's rights, title and interest in the TSRs. Net proceeds have been placed in an endowment fund to fund healthcare-based programs pursuant to Board Policy E-14 and IRS regulations, and do not secure the repayment of the TSAB.

In May 2006, the Authority issued Series 2006 TSAB in the amount of \$583.631 million to refund the outstanding principal of the original 2001 bonds noted above and to loan an additional \$123.515 million to the Corporation. The proceeds were placed into the endowment fund for the aforementioned purposes. The Series 2006 Bonds are limited obligations of the Authority, anticipated to reach final maturity in fiscal year 2036-2037 based on receipts of future TSRs as projected in the May 2006 Global Insight Base Case analysis (the "Base Case") performed in conjunction with the issuance of the Series 2006 TSAB.

Under the terms of the bond indentures, TSRs are pledged to the repayment of the bonds. Accordingly,

the bonds are payable solely from certain funds held under the indenture, including TSRs and earnings on such funds (collections).

The minimum payments under the TSAB are based on the indenture and the Series 2006 Supplement, both dated as of May 1, 2006. However, actual payments on the TSAB depend on the amount of TSRs received by the County. The amount of these TSRs is affected by cigarette consumption and the financial capability of the participating manufacturers. There are a number of risks associated with the amount of actual TSRs the County receives each year, including litigation affecting the participating manufacturers and possible bankruptcy as a result thereof, increased growth of non participating manufacturer's market share, disputed payments set-aside by the participating manufacturers into an escrow account, a decline in cigarette consumption materially beyond forecasted levels, reduction in investment earnings due to unforeseen market conditions, and other future adjustments to the calculation of the TSRs.

No assurance can be given that actual cigarette consumption in the United States during the term of the TSAB will be as assumed in the Base Case, or that the other assumptions underlying these Base Case assumptions, including that certain adjustments and offsets will not apply to payments due under the MSA, will be consistent with future events. If actual events deviate from one or more of the assumptions underlying the Base Case, the amount of TSRs available to make payments, including Turbo Redemption Payments will be affected. No assurance can be given that these structuring assumptions, upon which the projections of the TSAB payments and Turbo Redemptions are based, will be realized.

Details of TSAB outstanding at June 30, 2012 are as follows:

Table 29

Tobacco Settlement Asset-Backed Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2012
Series 2006A Senior Current Interest Bonds	\$ 534,610	4.75 - 5.125%	2018-2031	\$ 503,395
Series 2006B CABs	19,770	6.25%	2033	96,549
2006B unaccreted appreciation CABs				(67,796)
Series 2006C CABs	8,686	6.40%	2034	48,291
2006C unaccreted appreciation CABs				(35,545)
Series 2006D CABs	20,565	7.10%	2037	158,338
2006D unaccreted appreciation CABs				(126,892)
Total	\$ 583,631			\$ 576,340

In the following schedule, the principal and interest payments are presented as if turbo redemptions will be made beginning June 1, 2013 through June 1, 2037 based upon the May 2006 Base Case analysis of the TSR collections to fund the Turbo Redemptions. Turbo Redemptions occur when all excess revenues after the payment of operating expenses, interest, and rated principal are used to retire term bonds early in order of maturity. The principal or accreted value of the TSAB must be paid by its stated maturity date to avoid an Event of Default under the Indenture. Under the Indenture, collections which are in excess of the requirements for, among other things, the periodic funding of operating expenses, sinking fund installments, turbo term bond maturities and replenishment of the Senior Liquidity Reserve Account are applied to the mandatory redemption of the TSAB at the principal amount or accreted value thereof on each distribution date in accordance with the payment priorities.

The fiscal year 2012 receipts of TSR were adequate to allow for \$3.755 million of Turbo Redemption on June 1, 2012.

Based on the Base Case assumptions, annual debt service requirements to maturity for TSAB are as follows:

Table 30

Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2013	\$ 11,820	4,925	25,217	\$ 41,962
2014	12,065	5,258	24,654	41,977
2015	13,000	5,617	24,078	42,695
2016	14,065	5,998	23,456	43,519
2017	15,185	6,402	22,783	44,370
2018-2022	109,690	39,166	100,147	249,003
2023-2027	157,595	54,399	67,962	279,956
2028-2032	187,270	72,975	21,780	282,025
2033-2037	31,726	35,493	-	67,219
Subtotal	\$ 552,416	230,233	310,077	\$ 1,092,726
Add:				
Accreted appreciation through June 30, 2012	23,924			
Subtotal	576,340			
Less:				
Unamortized issuance discount	(13,949)			
Total	\$ 562,391			

TSAB pledged revenue for the year ended June 30, 2012 was as follows:

Table 31

Tobacco Settlement Asset-Backed Bonds - Pledged Revenues

Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Fiscal Year 2012	
			Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 Tobacco Settlement Asset-Backed Bonds	2037	\$ 1,116,650	\$ 29,197	\$ 27,344

Loans - Governmental Activities

Loans for various governmental activities included a United States Department of Agriculture Farmers Home Administration loan for the construction of low income housing; and California Energy Commission loans to fund various projects in County facilities to increase energy efficiency.

Details of loans outstanding at June 30, 2012 for governmental activities are as follows:

Table 32

Loans - Governmental Activities

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2012
Loans - non internal service funds (ISF)				
Firebird Manor	\$ 4,486	1.00%	2028	\$ 2,401
Total loans - non-ISF	4,486			2,401
Loans - ISF				
California Energy Comm Loan 1 (Facilities ISF)	1,977	4.00%	2015	560
California Energy Comm Loan 2 (Facilities ISF)	3,001	3.95%	2016	1,156
California Energy Comm Loan 3 (Facilities ISF)	2,565	4.50%	2018	2,050
Total loans - ISF	7,543			3,766
Total	\$ 12,029			\$ 6,167

Annual debt service requirements to maturity for loans - governmental activities are as follows:

Table 33

**Loans - Governmental Activities
Debt Service Requirements to Maturity**

Fiscal Year	Principal	Interest	Total
2013	\$ 1,032	174	\$ 1,206
2014	1,073	135	1,208
2015	993	95	1,088
2016	493	65	558
2017	510	48	558
2018-2022	1,134	82	1,216
2023-2027	792	31	823
2028	140	1	141
Total	\$ 6,167	631	\$ 6,798

Loans - Business-type Activities

Loans for business-type activities included California Department of Transportation loans for the construction of a sewer line and the installation of a control tower at the Ramona Airport.

Details of loans outstanding at June 30, 2012 for business-type activities are as follows:

Table 34

Loans - Business-type Activities

Loan	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2012
2001 Airport Development Loan - Ramona Sewer Line	\$ 2,388	5.63%	2017	\$ 875
2001 Airport Development Loan - Ramona Control Tower	1,196	5.63%	2017	438
Total	\$ 3,584			\$ 1,313

Annual debt service requirements to maturity for loans - business-type activities are as follows:

Table 35

**Loans - Business-type Activities
Debt Service Requirements to Maturity**

Fiscal Year	Principal	Interest	Total
2013	\$ 267	74	\$ 341
2014	279	59	338
2015	291	43	334
2016	304	27	331
2017	172	10	182
Total	\$ 1,313	213	\$ 1,526

Prior Year Defeasance of Long-Term Debt

In prior years, the County defeased TSAB 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 obligation. At June 30, 2012, the defeased TSAB were completely paid off and no bonds remained outstanding.

Arbitrage

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, 2012, the probable arbitrage rebate was zero.

NOTE 14 Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2012 were as follows:

Table 36

Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2011	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2012	Amounts Due Within One Year
Governmental Activities:						
COPs, bonds & loans						
Certificates of participation and lease revenue bonds	\$ 392,100	32,665	(23,795)		400,970	\$ 25,295
Taxable pension obligation bonds	841,337		(37,545)	3,053	806,845	38,700
Tobacco settlement asset-backed bonds	575,482		(3,755)	4,613	576,340	11,820
SDCRA revenue refunding bonds	14,280		(14,280)			
Loans - non-internal service funds	2,541		(140)		2,401	140
Loans - internal service funds (ISF)	4,621		(855)		3,766	892
Arbitrage	220		(220)			
Unamortized issuance premiums	14,793		(1,138)		13,655	1,138
Unamortized issuance discounts	(15,055)	(182)	1,112		(14,125)	(1,076)
Unamortized deferred amounts on refundings	(10,827)		4,931		(5,896)	(506)
Total COPs, bonds & loans	1,819,492	32,483	(75,685)	7,666	1,783,956	76,403
Other long-term liabilities:						
Capital Leases - ISF	\$ 212		(27)		185	\$ 31
Claims and judgments - ISF	135,599	32,302	(29,062)		138,839	35,842
Compensated absences - non-ISF	95,706	66,485	(65,910)		96,281	37,332
Compensated absences - ISF	2,274	1,671	(1,670)		2,275	930
Landfill postclosure	20,425		(960)		19,465	777
Pollution remediation		7,904			7,904	2,454
Total Other long-term liabilities	254,216	108,362	(97,629)		264,949	77,366
Total Governmental Activities	\$ 2,073,708	140,845	(173,314)	7,666	2,048,905	\$ 153,769
Business-type activities:						
Loans	\$ 1,566		(253)		1,313	\$ 267
Compensated absences	428	278	(285)		421	172
Total Business-type Activities	\$ 1,994	278	(538)		1,734	\$ 439

NOTE 15 Funds Used to Liquidate Liabilities

The following funds presented in **Table 37** below have typically been used to liquidate other long-term obligations in prior years:

Table 37

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, Inactive Wastesites and Air Pollution; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and, Enterprise Funds - Airport and Wastewater Management
Landfill Postclosure	General Fund, Special Revenue Fund: Inactive Wastesites
Pollution Remediation	General Fund, Special Revenue Fund: Inactive Wastesites

NOTE 16 Reassessment District Improvement Bonds

In July of 1991, the County issued \$28.804 million of 4-S Ranch bonds to finance the acquisition and construction of various public improvements required for the development of land located in north San Diego County west of Interstate 15 and the community of Rancho Bernardo. In July of 1997 the 4-S Ranch bonds were refunded. The County Treasurer-Tax Collector acts as an agent for property owners and bondholders in collecting and forwarding special assessment monies. The County is not obligated to pay for any special assessment bonds. Special assessment debt is solely the obligation of various separate governmental agencies. The County has covenanted to initiate judicial foreclosure in the event of a delinquency in the payment of reassessments. The 4-S Ranch special assessment debt matured on

September 2, 2011 and no bonds remain outstanding.

NOTE 17

Conduit Debt Obligations

From time to time, the County has issued tax-exempt conduit debt under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California on behalf of qualified borrowers to provide financial assistance for projects deemed to be of public interest.

Conduit debt consisted of the following: a) twelve certificates of participation (COPs) for the acquisition, construction, capital improvement and equipping of various facilities and b) three mortgage revenue bonds for the construction and permanent financing of multi-family residential rental projects located in the County to be partially occupied by persons of low or moderate incomes. Conduit debt is secured by the property that is financed and is payable from the respective COPs' base rentals; and underlying payments on mortgage loans. Upon repayment of the debt, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance.

The County is not obligated in any manner for repayment of this debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

As of June 30, 2012, the aggregate conduit debt principal amount outstanding was \$268.716 million.

NOTE 18

Landfill Site 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 2007. Post closure maintenance began in April 2007.

The projected landfill postclosure care liability at June 30, 2012 for the San Marcos Landfill was \$19.465 million. This estimated amount is based on what it would cost to perform all postclosure care in calendar year 2012 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. 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, 2012, \$24.947 million has been spent on closure costs, including revegetation. As part of final closure requirements, the County was required to vegetate the cover surface of the landfill. As of June 30, 2012 revegetation requirements have been met and closure costs considered complete.

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.

NOTE 19 Pollution Remediation

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., California Regional Water Quality Control Board) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing, and/or cleanup activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, removal of storage tanks, and other hazardous materials.

As of June 30, 2012, the County's estimated pollution remediation obligations totaled \$7.904 million. These obligations were all associated with the County's government-wide governmental activities. The estimated liabilities were determined by project managers and/or consultants, based on historical cost information for projects of the same type, size and complexity and measured at their current value or current quotes from outside service providers. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

NOTE 20 Fund Balance Policy - General Fund

In 2011 the Board of Supervisors adopted the updated Policy B-71 "Fund Balance and Reserves" to establish guidelines regarding the maintenance of General Fund fund balance levels that will help to protect the fiscal health and stability of the County. This policy includes:

Fund Balance Committed To Unforeseen Catastrophic Events: The amount of fund balance committed to unforeseen catastrophic events shall be targeted at the equivalent of 5% of the total amount of budgeted general purpose revenue. The establishment of this fund balance commitment is governed by Government Code §29085-29086, which allows the amount to be increased or decreased at the time the budget is adopted, but once the budget is adopted, it may only be used for legally declared emergencies as defined in Government Code §29127. The Board may waive the requirement to maintain the fund balance at the targeted level specified if it finds that it is in the best interest of the residents of the County to so do. This commitment is reported on the General Fund's Balance Sheet.

General Fund Minimum Fund Balance: In order to be prepared for broader levels of economic uncertainty, the minimum level of Unassigned fund balance in the General Fund shall be targeted at the equivalent of 10% of the total amount of budgeted general purpose revenue. The Board may waive the requirement to maintain the fund balance at the targeted level specified if it finds that it is in the best interest of the residents of the County to so do. To the extent that fund balance is available in excess of that amount, the Chief Administrative Officer (CAO) may recommend the appropriation or commitment of the available balance for one time purposes. The recommendations may appear in the CAO Proposed Operational Plan or as an agenda item for a regularly scheduled meeting of the Board. In fiscal year 2010 the County Board of Supervisors took action to set aside \$100 million of the General Fund's fund balance for future economic uncertainty. This amount is included in the Unassigned fund balance classification on the General Fund's Balance Sheet.

Restoration of Fund Balances: In the event that the fund balance commitment for unforeseen catastrophic events or the General Fund Minimum Unassigned fund balance falls below targeted levels, the CAO will present a plan to the Board of Supervisors for restoration of those targeted levels.

NOTE 21

Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose

At June 30, 2012, the fund balances restricted for laws or regulations of other governments: fund purpose are presented in **Table 38** as follows:

Table 38

Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose		
At June 30, 2012		
Fund Type:	Purpose	Amount
Major Fund		
Public Safety Fund	Public safety activities	\$ 42,311
Nonmajor Funds		
Special Revenue Funds		
Air Pollution Fund	Air pollution activities	\$ 17,528
Asset Forfeiture Program Fund	Law enforcement	9,464
County Library Fund	Library services	7,520
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services	18,625
Edgemoor Development Fund	Edgemoor development	13,314
In Home Supportive Services Public Authority Fund	In home supportive services	85
Inmate Welfare Fund	Benefit, education, and welfare of jail inmates	9,504
Lighting Maintenance District Fund	Street and road lighting maintenance	1,267
Other Special District Funds	Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs	578
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities	11,434
Total Nonmajor Funds (Special Revenue Funds)		\$ 89,319
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose		\$ 131,630

NOTE 22

Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2012, the fund balances restricted for laws or regulations of other governments: other purposes are presented in **Table 39** as follows:

Table 39

Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	
At June 30, 2012	
Major Fund	
General Fund	
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	\$ 23,043
Improvement and maintenance of recorded document systems	17,327
Defray administrative costs, other general restrictions	16,532
Teeter tax loss	14,643
Vector control	13,918
Mental health	12,605
Fire safety projects and equipment	9,526
Fingerprinting equipment purchase and operation	7,655
Sheriff automated warrant system	4,736
Public Defender defense of indigent cases	3,918
Emergency medical services, various construction costs	3,178
Domestic violence and child abuse prevention	2,450
Real estate fraud prosecution	2,180
Probation Department activities	1,836
Sheriff vehicle maintenance and replacement	1,770
Equipment replacement/system enhancement Caller ID Remote Access Network	1,116
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles	521
Parole revocation hearings	286
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom building or court facilities	193
Social services child safety education	95
Public safety activities	50
Sheriff's correction training	1
Total General Fund	\$ 137,579
Nonmajor Funds	
Special Revenue Funds	
Flood Control District Fund	
Flood control future drainage improvements	\$ 26,166
Housing Authority Fund	
Housing repairs and improvements	134
Total Nonmajor Funds (Special Revenue Funds)	\$ 26,300
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	\$ 163,879

NOTE 23
Fund Balances Committed to Other Purposes

At June 30, 2012, the fund balances committed to other purposes are presented in **Table 40** as follows:

Major Fund	
General Fund	
Replacement and upgrade of Public Safety Communication System	\$ 16,300
Regional communication system infrastructure enhancements	15,673
Health based programs reducing adult/youth smoking	8,120
Sheriff's Department future capital expenditures	6,000
Sheriff's Department helicopter replacement	2,674
Department of Environmental Health services	2,212
Future lease payments	857
Landfill postclosure and landfill maintenance	844
Department of Planning and Land Use services	659
Management of conduit financing programs	545
Registrar of Voters equipment acquisition	445
Future replacement of Health and Human Services Agency public health clinic	353
Assessor/Recorder/County Clerk services	111
Parks and Recreation land acquisition	85
South County Shelter capital improvements	60
Senior Volunteer Patrols Program in the unincorporated communities	25
Capital Improvement	12
Clerk of the Board services	5
Parks and Recreation turf replacement Sweetwater Valley	4
Total General Fund	\$ 54,984
Nonmajor Funds	
Special Revenue Funds	
Inactive Wastesites Fund	
Landfill postclosure and landfill maintenance	\$ 64,369
Total Nonmajor Funds (Special Revenue Funds)	\$ 64,369
Total Fund Balances Committed to Other Purposes	\$ 119,353

NOTE 24
Fund Balances Assigned to Other Purposes

At June 30, 2012, the fund balances assigned to other purposes are presented in **Table 41** as follows:

Major Fund	
General Fund	
Health, mental health and social services	\$ 17,868
Law enforcement, detention, legal and other protection services	10,702
Legislative and administrative services	9,923
Park and Recreation services	3,238
Assessor/Recorder/County Clerk services	3,165
Planning, land use, agriculture, watershed and other public services	2,855
Treasurer-Tax Collector services	1,077
Fire protection	1,036
Registrar of Voters services	760
Maintenance	516
Animal Services	185
Total General Fund	\$ 51,325

NOTE 25
Net Assets Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2012, the net assets restricted for laws or regulations of other governments: other purposes are presented in **Table 42** as follows:

Table 42

Net Assets Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2012

Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	\$ 23,043
Road, park lighting maintenance, fire protection and ambulance services	18,625
Air pollution activities	17,528
Developing new or rehabilitating existing neighborhood or community park or recreational facilities	11,434
Sheriff's correction training	9,527
Benefit, education, and welfare of jail inmates	9,504
Law enforcement	9,464
Fingerprinting equipment purchase and operation	7,655
Library services	7,520
Sheriff automated warrant system	4,736
Public Defender defense of indigent cases	3,918
Emergency medical services, various construction costs	3,178
Edgemoor development	2,663
Domestic violence and child abuse prevention	2,450
Real estate fraud prosecution	2,180
Probation Department activities	1,836
Sheriff vehicle maintenance and replacement	1,770
Street and road lighting maintenance	1,267
Equipment replacement/system enhancement Caller ID Remote Access Network	1,116
Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purpose capital improvements and repairs	578
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles	521
Parole revocation proceedings	286
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom building or court facilities	193
Housing repairs and improvements	134
Social services child safety education	95
In home supportive services	85
Total Net Assets Restricted for Laws or Regulations of Other Governments: Other Purposes	\$ 141,306

NOTE 26
Risk Management

The County operates a Risk Management Program, whereby it is self-insured for general liability (California Government Code Section 990), medical malpractice (California Government Code Section 990.9), automobile liability (California Vehicle Code Section 16020(b)(4)) and workers' compensation (California Code of Regulations, Title 8, Section 15203.4). The County purchases insurance coverage for all risk property losses, government crime insurance, including employee dishonesty and faithful performance, airport comprehensive liability, and aircraft hull and liability insurance. 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. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

At June 30, 2012, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 3%), totaled \$138.8 million, including \$25.8 million in public liability and \$113 million in workers' compensation. Changes in the balances of claim liabilities for fiscal year 2012 and 2011 are shown below:

Table 43

Risk Management - Changes in Claim Liabilities

	2012	2011
Employee Benefits Fund		
Unpaid claims, July 1	\$ 106,563	\$ 94,973
Incurred claims	28,057	32,707
Claim payments	(21,660)	(21,117)
Unpaid claims, June 30	\$ 112,960	\$ 106,563
Public Liability Insurance Fund		
Unpaid claims, July 1	\$ 29,036	\$ 23,126
Incurred claims	4,245	14,950
Claim payments	(7,402)	(9,040)
Unpaid claims, June 30	\$ 25,879	\$ 29,036

NOTE 27 Contingencies

Litigation

The County has a potential liability of \$10.8 million that could result if unfavorable final decisions are 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.

Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately \$173.45 million in sick leave, holiday and compensatory time. With the exception of sick leave for eligible employees, these benefits are not payable to employees upon termination and are normally liquidated at year end or as employees elect to use their benefits per 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 liabilities in the appropriate proprietary funds and the statement of net assets.

Federal and State Programs

Amounts received or receivable from grantor 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.

NOTE 28 Joint Ventures

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 for the City and the County, other public agencies, and the private sector. It is governed by a Board of Directors consisting of the City Manager and the Chief Administrative Officer. SanGIS relies mostly on an annual budget of \$1.3 million shared equally by the City and the County to supplement its operating revenues. In its latest report, SanGIS reported an increase in net assets of \$91 thousand and ending net assets of \$240 thousand for the fiscal year ended June 30, 2011. The financial report may be obtained by

writing to SanGIS at 5510 Overland Ave., Suite 230, San Diego CA 92123 or by calling (858) 874-7000 or by E-mail at webmaster@sangis.org.

The County is a participant with eighteen incorporated cities to operate the Unified San Diego County 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 organization is governed by the Unified Disaster Council (UDC) with one voting member from San Diego County Board of Supervisors who serves as Chair of the Council, and a representative from each of the 18 incorporated cities. The County of San Diego Office of Emergency Services (OES) serves as staff to the UDC. OES is a liaison between the incorporated cities, the State Office of Emergency Services, the Federal Emergency Management Agency, and the American Red Cross. A contractual agreement requires that the cities and the County provide the total required funding each year; one half from the cities and the other half from the County. In its latest report, the organization reported an increase in net assets of \$52 thousand and ending net assets of \$358 thousand for the fiscal year ended June 30, 2011. Separate financial statements may be obtained from the Operational Area Emergency Operations Center, 5555 Overland Ave., Suite 1911, San Diego CA 92123 or by calling (858) 565-3490.

The City of San Diego and the County of San Diego jointly formed a Consortium under the Workforce Investment Act of 1998 to provide regional employment and training services. The Consortium is governed by a five member board consisting of two members designated from the County Board of Supervisors, two members designated from the San Diego City Council and one member from the Board of Directors of United Way, a charitable organization. The board assigned the San Diego Workforce Partnership, Inc. as grant recipient and the administrative entity to operate the San Diego Consortium. The City and the County agreed to share equally any debt or liability incurred with respect to State and Federal grants. For the year ended June 30, 2011, the Partnership reported an increase in net assets of \$454 thousand and ending net assets of \$636 thousand. Complete financial reports may be obtained by writing to the San Diego Workforce Partnership, 3910 University Ave., Suite 400, San Diego CA 92105-1326 or by calling (619) 228-2900.

NOTE 29
Pension and Retiree Health Plans

Pension Plan

Plan Description

The County contributes to the San Diego County Employees Retirement Association pension plan, (SDCERA-PP), a cost-sharing multiple-employer defined benefit pension plan that is administered by SDCERA. The SDCERA-PP has four Tiers and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier B is the current open system. Tier I and Tier A are closed to new entrants but have active members and Tier II was eliminated for active members. The Retirement Act, (also referred to as the Retirement Law of 1937 and Government Code Section 31450 et.seq.) assigns the County Board of Supervisors, the authority to establish and amend benefit provisions and assigns the SDCERA Board of Retirement the authority to approve retiree members and beneficiaries cost-of-living increases. (See note below regarding SDCERA Financial Report information.)

Funding Policy

The Retirement Act requires that County and member contributions be actuarially determined to provide a specific level of benefit. Contribution rates are expressed as a percentage of covered payroll and member rates vary according to age at entry, benefit tier level and certain negotiated contracts that provide for the County to pay a portion of members' contributions. California Government Code Section 31454 requires the Board of Supervisors to adjust the rates of the San Diego County employer and employee retirement contributions in accordance with the recommendations of the Board of Retirement of SDCERA.

The actuarially determined rates adopted by SDCERA established the average member contribution rate at 10.94% for all categories combined (General Tier I, General Tier A, General Tier B, Safety Tier A and Safety Tier B members) and set the employer contribution rate for all categories combined at 26.98%.

CoSD employer contributions to SDCERA-PP for the three years ended June 30, 2012, which equaled or exceeded the required contributions are noted in

Table 44.

Table 44

CoSD Employer Contributions - SDCERA - PP

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Contributions Made	Percentage of ARC Contributed
2012	\$ 249,891	\$ 255,233	102.1%
2011	186,979	214,978	115.0%
2010	172,453	176,243	102.2%

Retiree Health Plan

Plan Description

Effective July 1, 2007, the County commenced contributing to the SDCERA retiree health plan, (SDCERA-RHP) a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The Retirement Act assigns the authority to establish and amend health allowance benefits to the SDCERA Board of Retirement. The retiree health plan provides a non-taxable health insurance allowance to Tier I and Tier II retirees. Health insurance allowances range from \$200 per month to \$400 per month based on members' service credits. (See note below regarding SDCERA Financial Report information.)

Funding Policy

The SDCERA-RHP was established and is administered as an Internal Revenue Code Section 401(h) account within the defined benefit pension plan under the authority granted by the Retirement Act to the SDCERA Board of Retirement. The SDCERA-RHP is funded by employer contributions that are based on an actuarially determined 20 year level dollar amortization schedule. The health insurance allowance is not a vested benefit and may be reduced or discontinued at any time by the SDCERA Board of Retirement. Additionally, the total amount of employer contributions are limited by the provisions of 401(h).

CoSD's employer contributions to SDCERA-RHP for the three years ended June 30, 2012, which equaled or exceeded the required contributions, were the following:

Table 45

COSD Employer Contributions - SDCERA-RHP

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Contributions Made	Percentage of ARC Contributed
2012	\$ 17,429	\$ 17,600	101.0%
2011	16,239	16,239	100.0%
2010	16,886	16,886	100.0%

SDCERA Financial Report

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-PP and the SDCERA-RHP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 200, San Diego, California 92108-1685 or by calling (619) 515-6800.

**NOTE 30
Fund Deficit**

Table 46

**Fund Deficit
At June 30, 2012**

Internal Service Fund:		
Employee Benefits Fund	\$	(8,850)

The Employee Benefits Fund deficit of \$8.9 million resulted primarily from the accrual of the estimated liability and costs associated with the reported and unreported workers' compensation claims as prepared by an actuary for the reporting period ending June 30, 2012. The liability increased to \$113.0 million from the prior year's estimate of 106.6 million. The County intends to reduce the deficit through increased premium rate charges to County departments by \$2.0 million per year in excess of projected operating expenses beginning in fiscal year 2012-13.

**NOTE 31
Restatement**

First 5 Commission of San Diego

On March 16, 2011 both houses of the California Legislature approved Assembly Bill No. 99 (AB 99) and the bill was signed by Governor Edmund G. Brown, Jr. on March 24, 2011. This bill required First 5 California to remit \$50 million, and the combined County Commissions to remit \$950 million to the State Treasury by June 30, 2012. Commissions that receive less than \$600 thousand per year in Prop 10 revenue were exempt from this requirement.

Each County Commission not exempt from the requirement was to remit 50% of its fund balance as of June 30, 2010 to the State Treasury. If the State received more than \$950 million, the excess would be returned to the County Commissions. As First 5 Commission of San Diego's net assets was \$176.749 million on June 30, 2010, it was required to send \$88.376 million to the State Treasurer by June 30, 2012.

The Department of Finance indicated that AB 99 did not require voter approval because it was consistent with the purposes of Proposition 10 and was a one-time action that did not institute on-going changes.

Twelve County Commissions (including San Diego) combined their individual lawsuits into one suit in the Fresno Superior Court against the State of California that claimed AB 99 was not lawful. Arguments were heard by the presiding judge on August 30, 2011 and the case was decided on November 21, 2011 in favor of the counties. The State did not appeal the Court's decision.

Even though the First 5 Commission of San Diego participated in the lawsuit, the Commission materially reduced funding to account for the potential loss of \$88.376 million in fund balance and related cash and was an expenditure for the 2010-11 fiscal year. The court ruling in essence returned the \$88.376 million to the fund balance. Thus, the \$88.376 million accrual in the June 30, 2011 Financial Statements was reversed in the June 30, 2012 Financial Statement, Statement of Activities as a prior period adjustment.

Table 47

Restatement - First 5 Commission of San Diego

Net asset balance as of June 30, 2011	\$	69,347
Adjustment for restatement		88,376
Net asset balance, restated June 30, 2011	\$	157,723

NOTE 32 Subsequent Events

Tax and Revenue Anticipation Notes

In July 2012, the County issued tax and revenue anticipation notes (TRANS) totaling \$50 million due June 28, 2013 at a coupon rate of 2.00% and a yield of 0.17%. Proceeds from the notes will be used to meet fiscal year 2013 cash flow requirements. Fiscal year 2013 unrestricted revenues collateralize the notes.

San Diego County Capital Asset Leasing Corporation - "County of San Diego Certificates of Participation (2012 Cedar and Kettner Development Project)"

In October 2012, the San Diego County Capital Asset Leasing Corporation issued \$29.335 million of fixed rate Certificates of Participation titled, 2012 Cedar and Kettner Development Project (the "Series 2012 Certificates"). The Series 2012 Certificates were issued at fixed interest rates ranging from 2.00% to 5.00% with maturity dates ranging from February 1, 2014 to February 1, 2042.

These Certificates were issued with a premium of \$574 thousand. Certificate proceeds of \$29.909 million along with the County's contribution of \$8.26 million were distributed as follows: 1) \$27.84 million was transferred to the construction fund used to pay construction costs on the Cedar and Kettner Development project; 2) \$8.26 million was transferred to the capital project fund; 3) \$1.663 million of proceeds were used to fund the Series 2012 Certificates' debt service reserve fund; 4) \$142 thousand were used to pay the underwriter's discount; and 5) \$264 thousand was set aside to pay certain costs of issuance.

NOTE 33 County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County that previously had reported the San Diego County Redevelopment Agency (SDCRA) as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the County or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, via Minute Order 14, the County Board of Supervisors designated the

County as the successor agency to the SDCRA; in accordance with the Bill.

Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the SDCRA continued to be reported in the governmental funds of the County. After the date of dissolution, as allowed in the Bill, the County elected to retain the housing assets and functions previously performed by the former SDCRA. The assets and activities for the newly created County Housing Fund are reported in the County's governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved SDCRA, are reported in the County of San Diego Successor Agency Private Purpose Trust Fund (fiduciary fund) financial statements of the County.

The transfer of the assets and liabilities of the former SDCRA as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the County to the County of San Diego Successor Agency Private Purpose Trust Fund was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the County of San Diego Successor Agency Private-Purpose Trust Fund as an extraordinary loss. An extraordinary gain was reported on the County's Statement of Net Assets' Governmental Activities, principally due to the transfer of the former SDCRA's long-term debt to the County of San Diego Successor Agency Private Purpose Trust Fund.

Due To Other Funds

The County of San Diego Successor Agency Private Purpose Trust Fund's "Due To Other Funds" consists of the \$1.035 million Upper San Diego River Project and \$3.838 million Airport Projects loans made from the County's General Fund and Airport Enterprise Fund, respectively, to the former San Diego County Redevelopment Agency (SDCRA). Upon dissolution of the SDCRA on February 1, 2012, these loans were transferred to the County of San Diego Successor Agency Private Purpose Trust Fund. Interest accrues on the average quarterly outstanding balance, at a rate equal to the average County earned investment rate as determined by the County Treasurer. Under California Assembly Bills ABx1 26 and AB 1484, it is expected that the County Successor Agency will pay principle and interest on the loans outstanding when funds are available for this purpose. The timing and total amount of any repayment is subject to applicable law.

NOTE 34

San Diego County Redevelopment Agency (SDCRA) Revenue Refunding Bonds

In December 2005, the San Diego County Redevelopment Agency (SDCRA) issued \$16 million Revenue Refunding Bonds Series 2005A that mature in fiscal year 2033. The SDCRA has pledged property tax increment revenues generated within the Gillespie Field Project Area to pay for the bonds. Gillespie Field Airport revenues may also be used to fund debt service payments if there are insufficient property tax increment revenues to cover a particular fiscal year's debt service requirement. Bonds are also payable from funds held under the indenture, including earnings on such funds. Pursuant to California Assembly Bill ABx1 26, the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund.

SDCRA revenue refunding bonds outstanding at June 30, 2012 were the following:

Table 48

SDCRA Revenue Refunding Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2012
Revenue Refunding Bonds Series 2005A	\$ 16,000	3.65 - 5.75%	2033	\$13,905
Total	\$ 16,000			\$13,905

Annual debt service requirements to maturity for SDCRA bonds are as follows:

Table 49

SDCRA Revenue Refunding Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2013	\$ 395	748 \$	1,143
2014	415	728	1,143
2015	430	708	1,138
2016	455	686	1,141
2017	475	662	1,137
2018-2022	2,770	2,905	5,675
2023-2027	3,590	2,054	5,644
2028-2032	4,505	880	5,385
2033	870	21	891
Total	\$ 13,905	9,392 \$	23,297
Less:			
Unamortized issuance discount	(35)		
Total	\$ 13,870		

SDCRA pledged revenue for the year ended June 30, 2012 was as follows:

Table 50

SDCRA Revenue Refunding Bonds - Pledged Revenues

Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Fiscal Year 2012	
			Debt Principal & Interest Paid	Pledged Revenue Received
Series 2005A Revenue Refunding Bonds	2033	\$ 23,297 \$	1,142 \$	1,451

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2012 were as follows:

Table 51

SDCRA Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2011	Additions	Reductions	Ending Balance at June 30, 2012	Amounts Due Within One Year
SDCRA revenue refunding bonds Series 2005A	\$	13,905		13,905 \$	395
Unamortized issuance discounts		(35)		(35)	(2)
Total Private Purpose Trust Fund Debt	\$	13,870		13,870 \$	393

NOTE 35

New Governmental Accounting Standards

Implementation Status

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements.

The provisions of Statement No. 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.

The County of San Diego is not an agent employer. It contributes to SDCERA's cost-sharing multiple-employer defined benefit health plan administered by SDCERA which is not an agent multiple employer plan; consequently this Statement is not applicable.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap

counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

The application of the revised guidance for hedge accounting termination provisions did not have a material impact to the County of San Diego's financial statements.

Under Analysis

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

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. A transferor reports the facility subject to an SCA as its capital asset, generally following existing measurement, recognition, and disclosure guidance for capital assets. New facilities constructed or acquired by the operator or improvements to existing facilities made by the operator are reported at fair value by the transferor. A liability is recognized, for the present value of significant contractual obligations to sacrifice financial resources imposed on the transferor, along with a corresponding deferred inflow of resources. Revenue is recognized by the transferor in a systematic and rational manner over the term of the arrangement.

This Statement also provides guidance for governments that are operators in an SCA. The governmental operator reports an intangible asset at cost for its right to access the facility and collect third-party fees; it amortizes the intangible asset over the term of the arrangement in a systematic and rational

manner. For existing facilities, a governmental operator's cost may be the amount of an up-front payment or the present value of installment payments. For new or improved facilities, a governmental operator's cost may be its cost of improving an existing facility or constructing or acquiring a new facility.

For revenue sharing arrangements, this Statement requires governmental operators to report all revenues and expenses. A transferor reports its portion of the shared revenues.

This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments.

This Statement is effective for periods beginning after December 15, 2011.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit

have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

Financial Accounting Standards Board (FASB) Statements and Interpretations

Accounting Principles Board Opinions

Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements,

including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In March 2012, GASB issued Statement No. 65: *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

This Statement is effective for periods beginning after December 15, 2012.

In March 2012, GASB issued Statement No. 66: *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting accounting and financial reporting guidance that resulted from the issuance of two recent standards-Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement provides guidance on how to address conflicts in those pronouncements with Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*.

The provisions of this Statement are effective for periods beginning after December 15, 2012.

In June 2012, GASB issued Statement No. 67: *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts)

that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

This Statement is effective for fiscal years beginning after June 15, 2013.

This Statement does not apply to the basic financial statements of the County. The County contributes to a cost-sharing multiple-employer defined benefit pension plan.

In June 2012, GASB issued Statement No. 68: *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing

pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer.

Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.



Required Supplementary Information

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

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 887,461	887,461	925,861
Licenses, permits and franchise fees	41,618	41,618	42,552
Fines, forfeitures and penalties	55,943	59,053	50,905
Revenue from use of money and property	17,691	17,991	17,099
Aid from other governmental agencies:			
State	948,761	1,010,045	958,169
Federal	907,441	929,754	831,859
Other	99,157	65,994	65,542
Charges for current services	324,640	325,935	336,057
Other	31,053	32,777	54,161
Total revenues	3,313,765	3,370,628	3,282,205
Expenditures:			
Current:			
General government:			
Assessor/recorder/county clerk - finance	34,621	35,220	33,757
Auditor and controller	27,496	26,251	25,352
Auditor and controller - information technology management services	6,186	7,425	6,463
Board of supervisors district #1	1,254	1,454	1,223
Board of supervisors district #2	1,258	1,258	1,183
Board of supervisors district #3	1,230	1,285	1,132
Board of supervisors district #4	1,228	1,392	1,117
Board of supervisors district #5	1,352	1,552	1,394
Board of supervisors general office	1,077	1,077	976
Chief administrative office - legislative and administrative	4,306	4,306	4,116
Civil service commission	546	546	537
Clerk of the board of supervisors - legislative and administrative	3,156	3,138	2,871
Clerk of the board of supervisors - property management	3,275	762	598
Community enhancement	2,522	2,529	2,510
Community projects	5,710	5,681	3,868
Community services	8,111	8,111	2,132
County administration center major maintenance	733	733	400
County communications office	2,774	2,774	2,455
County counsel	22,289	22,274	21,106
County technology office	10,380	10,380	8,722
Countywide general expense	41,245	41,246	7,441
Finance and general government - legislative and administrative	4,289	2,160	1,311
Finance and general government - other general	34,277	36,405	7,015
Finance and general government group		2,545	2,120
Health and human services - legislative and administrative	440	440	325
Human resources - other general government	4,543	4,543	4,239
Human resources - personnel	20,768	20,768	15,221
Land use and environment - legislative and administrative	6,455	6,455	4,984
Public safety - legislative and administrative	7,965	8,441	5,983
Registrar of voters	28,892	28,893	14,877
Treasurer - tax collector	21,720	21,720	17,751
Total general government	\$ 310,098	311,764	203,179

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

General Fund

For the Year Ended June 30, 2012 (In Thousands)

(Continued)

	Original Budget	Final Budget	Actual
Public protection:			
Agriculture weights and measures	\$ 15,874	15,827	14,202
Agriculture weights and measures - sealer	3,089	3,089	3,178
Assessor/recorder/county clerk - other protection	19,801	20,184	13,598
Child support	49,569	49,568	45,410
Citizens law enforcement review board	569	569	513
Contributions for trial courts	71,684	71,684	69,848
Department of animal services	15,172	15,172	14,531
District attorney-judicial	146,979	147,729	132,621
Grand jury	620	620	525
Local agency formation commission administration	342	342	342
Medical examiner	8,802	8,963	8,268
Office of emergency services	11,325	12,713	6,567
Planning and land use - fire protection	49	49	
Planning and land use - other protection	34,153	34,380	25,655
Probation - adult detention	2,847	2,848	3,381
Probation - detention and correction	114,839	122,928	108,274
Probation - juvenile detention	45,719	45,718	44,166
Public defender	68,092	68,150	64,595
Public safety - fire protection	30,296	31,892	19,714
Public works, flood control, soil and water, general	9,568	9,891	8,669
Public works, general - other protection	956	956	38
Sheriff - adult detention	198,669	199,220	188,458
Sheriff - other protection	2,695	2,691	2,318
Sheriff - police protection	385,297	400,681	365,847
Total public protection	1,237,006	1,265,864	1,140,718
Public ways and facilities:			
Public works, dept of gen	1,262	1,043	449
Public works, general - public ways	1,173	1,558	851
Total public ways and facilities	2,435	2,601	1,300
Health and sanitation:			
Environmental health	47,019	47,007	36,369
Health and human services agency - drug and alcohol abuse services	54,524	57,523	50,128
Health and human services agency - health	161,878	158,182	136,177
Health and human services agency - health administration	1,325	1,325	1,065
Health and human services agency - medical care	199,546	215,531	218,218
Health and human services agency - mental health	335,332	335,333	293,897
Public works, general - sanitation	113	113	62
Total health and sanitation	799,737	815,014	735,916
Public assistance:			
Health and human services agency - other assistance	377,720	367,283	338,336
Health and human services agency - social administration	732,476	732,477	666,204
Health and human services agency - veterans' services	919	919	920
Housing authority	35,289	36,836	19,185
Probation - care of court wards	10,159	10,159	10,316
Total public assistance	1,156,563	1,147,674	1,034,961
Education:			
Agriculture weights and measures	844	844	844
Total education	844	844	844
Recreation and cultural:			
Parks and recreation	34,319	35,497	31,175
Total recreation and cultural	\$ 34,319	35,497	31,175

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

For the Year Ended June 30, 2012 (In Thousands)

(Continued)

	Original Budget	Final Budget	Actual
Contingency reserve	\$ 20,000	20,000	
Capital outlay	36,169	40,996	33,249
Debt service:			
Principal	23,230	23,230	23,200
Interest	23,393	24,153	17,308
Total expenditures	3,643,794	3,687,637	3,221,850
Excess (deficiency) of revenues over (under) expenditures	(330,029)	(317,009)	60,355
Other financing sources (uses):			
Sale of capital assets			360
Transfers in	241,458	246,059	244,148
Transfers out	(521,128)	(536,206)	(212,578)
Total other financing sources (uses)	(279,670)	(290,147)	31,930
Net change in fund balances	(609,699)	(607,156)	92,285
Fund balances at beginning of year	1,394,380	1,394,380	1,394,380
Increase (decrease) in nonspendable inventories		1,182	1,182
Fund balances at end of year	\$ 784,681	788,406	1,487,847

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

Public Safety Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		46
Aid from other governmental agencies:			
State	196,496	196,496	223,682
Total revenues	196,496	196,496	223,728
Excess (deficiency) of revenues over (under) expenditures	196,496	196,496	223,728
Other financing sources (uses):			
Transfers out	(206,712)	(206,711)	(203,106)
Total other financing sources (uses)	(206,712)	(206,711)	(203,106)
Net change in fund balances	(10,216)	(10,215)	20,622
Fund balances at beginning of year	21,689	21,689	21,689
Fund balances at end of year	\$ 11,473	11,474	42,311

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

Tobacco Endowment Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 10,500	10,500	2,594
Total revenues	10,500	10,500	2,594
Expenditures:			
Current:			
General government:			
Tobacco settlement	3,300	3,300	129
Total general government	3,300	3,300	129
Total expenditures	3,300	3,300	129
Excess (deficiency) of revenues over (under) expenditures	7,200	7,200	2,465
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 balances	(17,000)	(17,000)	(21,735)
Fund balances at beginning of year	392,613	392,613	392,613
Fund balances at end of year	\$ 375,613	375,613	370,878

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; 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 schedule of revenues, expenditures, and changes in fund balance - budget and actual for the General Fund, Public Safety Fund and the Tobacco Endowment Fund that is presented as Required Supplementary Information was prepared in accordance with generally accepted accounting principles (GAAP).

The Original Budget consists of the adopted budget plus the budget carried forward from the prior fiscal year. Accordingly, encumbrances that are subject to automatic re-appropriation are included as part of the original budget. The County adopts its budget subsequent to the start of the each new fiscal year by mid-August. The final budget includes the original budget plus amended budget changes occurring during the fiscal year.

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.





**Combining & Individual Fund
Information and Other
Supplementary Information**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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. This fund is restricted for air pollution activities.

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 investment income derived therefrom are used for the prevention, investigation, apprehension and prosecution of drug and other criminal law violators. This fund is restricted for law enforcement activities.

County Housing Fund

Pursuant to the provisions of California Assembly Bill ABx1 26, the County elected to assume the housing functions and take over the housing assets of the former San Diego County Redevelopment Agency, along with the related rights, powers, liabilities, duties and obligations. As a result, this fund was created on February 1, 2012.

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. Property taxes provide most of the fund's revenues; aid from other governmental agencies, grants and revenues from library services provide the remaining principal revenues. This fund is restricted for library services.

County Service District 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. They also derive revenue from cities and from services provided to property owners. This fund is restricted for road, park lighting maintenance, fire protection and ambulance services.

Edgemoor Development Fund

This fund was established pursuant to Board Policy F-38, which provides guidelines for the use, development and disposition of the County's 326 acres of property located in the City of Santee, known as the Edgemoor Property. Future development plans of the Edgemoor Property 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, and these revenues are to be used for the reconstruction of the Edgemoor Skilled Nursing Facility. A portion of these reconstruction costs include an annual transfer to reimburse the General Fund for annual lease payments associated with two series of certificates of participation, one sold in 2005 and the other in 2006, to fund the redevelopment of the Edgemoor Skilled Nursing Facility, which was completed in 2009. The federal reimbursements with the SB 1128 program are also deposited into this fund. This fund is restricted for Edgemoor development.

Flood Control District Fund

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

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. This fund is restricted for Housing Authority activities.

In Home Supportive Services Public Authority Fund (IHSSPA)

This authority was established for the administration of the IHSSPA registry, investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSSPA recipients and the provision for training of providers and recipients.

The authority is funded by the State's social services realignment fund, federal and state programs. The monies are initially deposited into the County's General Fund, and transferred to the IHSSPA fund. This fund is restricted for in home supportive services.

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. This fund is committed to landfill closure, postclosure and inactive landfill maintenance.

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. This fund is restricted for the benefit, education, and welfare of jail inmates.

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. This fund is restricted for street and road lighting maintenance.

Other Special Districts Funds

These funds were established to receive user fees, land lease revenues and fines. The activities (expenditures) of this fund are restricted for retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purpose capital improvements and repairs.

Park Land 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. This fund is restricted for

developing new or rehabilitating existing neighborhood or community park or recreational facilities.

Redevelopment Agency Fund

This fund was established to account for the financial resources obtained and used for pass-through payments to taxing entities located in the Gillespie Field and Upper San Diego River project areas. Mandatory payments of the twenty percent set-aside to the Gillespie Field and Upper San Diego River Housing funds are made through interfund operating transfers. The interfund activity is eliminated to minimize the doubling effect between the funds. Revenues primarily consist of incremental property taxes collected within the project areas. Financial resources received are also used to make operating transfers to the Redevelopment Agency - Debt Service Fund for payment of principal and interest on revenue bonds. This fund is restricted for redevelopment activities. Pursuant to California Assembly Bill ABx1 26, the San Diego County Redevelopment Agency was dissolved on February 1, 2012.

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. This fund is restricted for future road improvements.

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 Authority of Southern California, two component units, that are blended into the County's financial statements. This fund is funded by restricted tobacco settlement revenues.

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated.

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 San Diego County Employees Retirement Association. This fund is restricted for debt service.

Redevelopment Agency Fund

This fund's primary source of income are operating transfers from the Redevelopment Agency - Special Revenue Fund and investment income 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 investment income are insufficient to pay debt service payments. In addition to the pledged amounts, a bond reserve was funded with bond proceeds. This fund is restricted for debt service. Pursuant to California Assembly Bill ABx1 26, the San Diego County Redevelopment Agency was dissolved on February 1, 2012.

San Diego Regional Building Authority Fund

This fund receives rental payments based on the lease purchase agreement from the San Miguel Consolidated Fire Protection District (SMCFPD) for payment of principal and interest due on lease revenue bonds issued for the SMCFPD; secured by the lease purchase payments. This fund also receives interest on monies invested in permissible investments as directed by each San Diego Regional Building Authority (SDRBA) financing's Trust indenture. Debt service payments made in this fund also include payments not accounted for in the County's General Fund related to SDRBA debt issuances; and are secured by interest earnings on the aforementioned permissible investments. This fund is restricted for debt service.

SANCAL Fund

This fund receives interest on monies invested in permissible investments as directed by each San Diego County Capital Asset Leasing Corporation (SANCAL) financing's Trust indenture. Debt service payments made in this fund are secured by the aforementioned interest earnings and represent payments not accounted for in the County's General Fund related to SANCAL debt issuances. This fund is restricted for debt service.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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. 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. This fund is committed to capital projects.

San Diego Regional Building Authority Fund

This fund is used to account for the expenditures of the proceeds from the sale of certificates of participation and lease revenue bonds of the San Diego Regional Building Authority used for the acquisition and construction of permanent buildings by the County. This fund is restricted for capital projects per various debt covenants.

SANCAL Fund

This fund is used to account for the expenditures of the proceeds from the sale of certificates of participation of the San Diego Capital Asset Leasing Corporation used to pay construction costs for the County Administration Center Waterfront Park. This fund is restricted for capital projects per various debt covenants.

**COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2012 (In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Pooled cash and investments	\$ 355,116	11,404	50,951	417,471
Receivables, net	58,247	189	229	58,665
Property taxes receivables, net	429			429
Due from other funds	4,811	36	19,359	24,206
Inventories	1,458			1,458
Deposits with others	16			16
Prepaid items	390			390
Restricted assets:				
Cash with fiscal agents	85			85
Investments with fiscal agents	47,454	15,898		63,352
Lease receivable		7,117		7,117
Total assets	468,006	34,644	70,539	573,189
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	9,872	9	26,919	36,800
Accrued payroll	2,583			2,583
Due to other funds	19,742	29	3,507	23,278
Deferred revenues	28,314	7,117		35,431
Unearned revenue	17,726			17,726
Total liabilities	78,237	7,155	30,426	115,818
Fund Balances				
Nonspendable:				
Not in spendable form:				
Loans, due from other funds and prepaids	3,807			3,807
Inventories and deposits with others	1,474			1,474
Restricted for:				
Creditors - Debt service	47,249	27,489		74,738
Creditors - Capital projects			34,593	34,593
Grantors - Housing assistance	31,347			31,347
Laws or regulations of other governments:				
Future road improvements	125,904			125,904
Fund purpose	89,319			89,319
Other purposes	26,300			26,300
Committed to:				
Capital projects' funding			5,520	5,520
Other purposes	64,369			64,369
Total fund balances	389,769	27,489	40,113	457,371
Total liabilities and fund balances	\$ 468,006	34,644	70,539	573,189

**COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 Special Revenue Funds**

June 30, 2012 (In Thousands)

	Air Pollution Fund	Asset Forfeiture Program Fund	County Housing Fund	County Library Fund	County Service District Funds	Edgemoor Development Fund
ASSETS						
Pooled cash and investments	\$ 30,526	9,735		8,148	21,086	22,605
Receivables, net	3,948	9	3,829	1,554	608	16
Property taxes receivables, net				329	42	
Due from other funds					643	
Inventories	177	119		61	29	
Deposits with others						
Prepaid items			275			
Restricted assets:						
Cash with fiscal agents						
Investments with fiscal agents						
Total assets	34,651	9,863	4,104	10,092	22,408	22,621
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	2,208	37		418	2,310	
Accrued payroll	517			650		
Due to other funds	343	243		662	1,349	9,307
Deferred revenues			412	324	38	
Unearned revenue	13,878			457	57	
Total liabilities	16,946	280	412	2,511	3,754	9,307
Fund Balances						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids						
Inventories and deposits with others						
	177	119	3,692	61	29	
Restricted for:						
Creditors - Debt service						
Grantors - Housing assistance						
Laws or regulations of other governments:						
Future road improvements						
	17,528	9,464		7,520	18,625	13,314
Fund purpose						
Other purposes						
Committed to:						
Other purposes						
Total fund balances	17,705	9,583	3,692	7,581	18,654	13,314
Total liabilities and fund balances	\$ 34,651	9,863	4,104	10,092	22,408	22,621

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**COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 Special Revenue Funds**

June 30, 2012 (In Thousands)

(Continued)	Flood Control District Fund	Housing Authority Fund	In Home Supportive Services Public Authority Fund	Inactive Wastesites Fund	Inmate Welfare Program Fund	Lighting Maintenance District Fund
ASSETS						
Pooled cash and investments	\$ 26,531	26,549	713	65,717	9,849	1,410
Receivables, net	39	8,499	1	687	275	2
Property taxes receivables, net	43					15
Due from other funds	369	12	147	15	7	
Inventories					20	10
Deposits with others		16				
Prepaid items		1				
Restricted assets:						
Cash with fiscal agents		85				
Investments with fiscal agents		385				
Total assets	26,982	35,547	861	66,419	10,151	1,437
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	83	438	91	216	345	113
Accrued payroll				56		
Due to other funds	628	1,789	685	71	282	19
Deferred revenues	41			486		14
Unearned revenue	64	1,572		1,221		14
Total liabilities	816	3,799	776	2,050	627	160
Fund Balances						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids		1				
Inventories and deposits with others		16			20	10
Restricted for:						
Creditors - Debt service		250				
Grantors - Housing assistance		31,347				
Laws or regulations of other governments:						
Future road improvements						
Fund purpose			85		9,504	1,267
Other purposes	26,166	134				
Committed to:						
Other purposes				64,369		
Total fund balances	26,166	31,748	85	64,369	9,524	1,277
Total liabilities and fund balances	\$ 26,982	35,547	861	66,419	10,151	1,437

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**COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 Special Revenue Funds**

June 30, 2012 (In Thousands)

(Continued)	Other Special Districts Funds	Park Land Dedication Fund	Road Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
ASSETS					
Pooled cash and investments	\$ 577	11,520	120,150		355,116
Receivables, net	1	10	22,455	16,314	58,247
Property taxes receivables, net					429
Due from other funds			3,618		4,811
Inventories			1,042		1,458
Deposits with others					16
Prepaid items			114		390
Restricted assets:					
Cash with fiscal agents					85
Investments with fiscal agents				47,069	47,454
Total assets	578	11,530	147,379	63,383	468,006
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable		1	3,542	70	9,872
Accrued payroll			1,360		2,583
Due to other funds		95	4,269		19,742
Deferred revenues			10,685	16,314	28,314
Unearned revenue			463		17,726
Total liabilities		96	20,319	16,384	78,237
Fund Balances					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids			114		3,807
Inventories and deposits with others			1,042		1,474
Restricted for:					
Creditors - Debt service				46,999	47,249
Grantors - Housing assistance					31,347
Laws or regulations of other governments:					
Future road improvements			125,904		125,904
Fund purpose	578	11,434			89,319
Other purposes					26,300
Committed to:					
Other purposes					64,369
Total fund balances	578	11,434	127,060	46,999	389,769
Total liabilities and fund balances	\$ 578	11,530	147,379	63,383	468,006

**COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 Debt Service Funds**

June 30, 2012 (In Thousands)

	Pension Obligation Bonds Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds
ASSETS				
Pooled cash and investments	\$ 613	1,796	8,995	11,404
Receivables, net	1	111	77	189
Due from other funds	36			36
Restricted assets:				
Investments with fiscal agents	8	11,179	4,711	15,898
Lease receivable		7,117		7,117
Total assets	658	20,203	13,783	34,644
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable		2	7	9
Due to other funds	29			29
Deferred revenues		7,117		7,117
Total liabilities	29	7,119	7	7,155
Fund Balances				
Restricted for:				
Creditors - Debt service	629	13,084	13,776	27,489
Total fund balances	629	13,084	13,776	27,489
Total liabilities and fund balances	\$ 658	20,203	13,783	34,644

**COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 Capital Projects Funds**

June 30, 2012 (In Thousands)

	Capital Outlay Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Capital Projects Funds
ASSETS				
Pooled cash and investments	\$ 5,488	16,211	29,252	50,951
Receivables, net	214	15		229
Due from other funds	19,359			19,359
Total assets	25,061	16,226	29,252	70,539
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	18,832	8,060	27	26,919
Due to other funds	709	1,571	1,227	3,507
Total liabilities	19,541	9,631	1,254	30,426
Fund Balances				
Restricted for:				
Creditors - Capital projects		6,595	27,998	34,593
Committed to:				
Capital projects' funding	5,520			5,520
Total fund balances	5,520	6,595	27,998	40,113
Total liabilities and fund balances	\$ 25,061	16,226	29,252	70,539

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 40,651			40,651
Licenses, permits and franchise fees	9,271			9,271
Fines, forfeitures and penalties	2,913			2,913
Revenue from use of money and property	8,189	1,728	109	10,026
Aid from other governmental agencies:				
State	94,136		302	94,438
Federal	137,101		858	137,959
Other	16,210		540	16,750
Charges for current services	33,529			33,529
Other	41,860	7,130	1,496	50,486
Total revenues	383,860	8,858	3,305	396,023
Expenditures:				
Current:				
General government	1,657	290	5,120	7,067
Public protection	8,857			8,857
Public ways and facilities	63,622			63,622
Health and sanitation	46,588			46,588
Public assistance	136,701			136,701
Education	31,366			31,366
Recreation and cultural	2,127			2,127
Capital outlay	40,087		138,968	179,055
Debt service:				
Principal	3,895	34,146		38,041
Interest	25,472	51,540		77,012
Bond issuance costs		374		374
Total expenditures	360,372	86,350	144,088	590,810
Excess (deficiency) of revenues over (under) expenditures	23,488	(77,492)	(140,783)	(194,787)
Other financing sources (uses):				
Sale of capital assets	380			380
Issuance of bonds and loans:				
Face value of bonds issued		2,479	30,186	32,665
Discount on issuance of bonds			(182)	(182)
Transfers in	23,155	73,518	119,371	216,044
Transfers out	(25,222)			(25,222)
Total other financing sources (uses)	(1,687)	75,997	149,375	223,685
Extraordinary loss	(1,971)	(1,155)		(3,126)
Net change in fund balances	19,830	(2,650)	8,592	25,772
Fund balances at beginning of year	369,866	30,139	31,521	431,526
Increase (decrease) in nonspendable inventories	73			73
Fund balances at end of year	\$ 389,769	27,489	40,113	457,371

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Air Pollution Fund	Asset Forfeiture Program Fund	County Housing Fund	County Library Fund	County Service District Funds	Edgemoor Development Fund
Revenues:						
Taxes	\$			29,207	4,267	
Licenses, permits and franchise fees	7,669					
Fines, forfeitures and penalties	1,792	1,004				
Revenue from use of money and property	143	42		38	191	317
Aid from other governmental agencies:						
State	12,530			421	40	
Federal	2,639			1	32	15,239
Other	11,332			1,471	3,307	
Charges for current services	864			886	7,468	
Other	180	10		689	41	5,300
Total revenues	37,149	1,056		32,713	15,346	20,856
Expenditures:						
Current:						
General government					183	287
Public protection		719			1,020	
Public ways and facilities					685	
Health and sanitation	31,842				8,810	
Public assistance			20			
Education				31,366		
Recreation and cultural					1,729	
Capital outlay	338	99		521	92	
Debt service:						
Principal						
Interest					5	
Total expenditures	32,180	818	20	31,887	12,524	287
Excess (deficiency) of revenues over (under) expenditures	4,969	238	(20)	826	2,822	20,569
Other financing sources (uses):						
Sale of capital assets	7					
Transfers in			3,712	5	151	
Transfers out	(671)	(190)		(895)	(2,501)	(9,270)
Total other financing sources (uses)	(664)	(190)	3,712	(890)	(2,350)	(9,270)
Extraordinary loss						
Net change in fund balances	4,305	48	3,692	(64)	472	11,299
Fund balances at beginning of year	13,474	9,493		7,634	18,182	2,015
Increase (decrease) in nonspendable inventories	(74)	42		11		
Fund balances at end of year	\$ 17,705	9,583	3,692	7,581	18,654	13,314

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

(Continued)	Flood Control District Fund	Housing Authority Fund	In Home Supportive Services Public Authority Fund	Inactive Wastesites Fund	Inmate Welfare Program Fund	Lighting Maintenance District Fund
Revenues:						
Taxes	\$ 3,887					929
Licenses, permits and franchise fees						
Fines, forfeitures and penalties	1			104		
Revenue from use of money and property	60	1,062	8	612	3,321	6
Aid from other governmental agencies:						
State	38			272	6	9
Federal	330	114,514				
Other		100				
Charges for current services	799	2,741	649	1,027		715
Other		1,709			981	
Total revenues	5,115	120,126	657	2,015	4,308	1,659
Expenditures:						
Current:						
General government						
Public protection	4,670				2,215	
Public ways and facilities						1,602
Health and sanitation				5,936		
Public assistance		123,601	13,080			
Education						
Recreation and cultural						
Capital outlay	1,478					
Debt service:						
Principal		140				
Interest		25				
Total expenditures	6,148	123,766	13,080	5,936	2,215	1,602
Excess (deficiency) of revenues over (under) expenditures	(1,033)	(3,640)	(12,423)	(3,921)	2,093	57
Other financing sources (uses):						
Sale of capital assets					23	
Transfers in	5,400		12,422		1,419	
Transfers out				(76)	(3,291)	
Total other financing sources (uses)	5,400		12,422	(76)	(1,849)	
Extraordinary loss						
Net change in fund balances	4,367	(3,640)	(1)	(3,997)	244	57
Fund balances at beginning of year	21,799	35,388	86	68,366	9,392	1,216
Increase (decrease) in nonspendable inventories					(112)	4
Fund balances at end of year	\$ 26,166	31,748	85	64,369	9,524	1,277

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

(Continued)	Other Special Districts Funds	Park Land Dedication Fund	Redevelopment Agency Fund	Road Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
Revenues:						
Taxes	\$		2,361			40,651
Licenses, permits and franchise fees		1,481		121		9,271
Fines, forfeitures and penalties	12					2,913
Revenue from use of money and property		53		549	1,787	8,189
Aid from other governmental agencies:						
State	50			80,770		94,136
Federal				4,346		137,101
Other						16,210
Charges for current services	123			18,257		33,529
Other			118	5,323	27,509	41,860
Total revenues	185	1,534	2,479	109,366	29,296	383,860
Expenditures:						
Current:						
General government			1,022		165	1,657
Public protection	233					8,857
Public ways and facilities				61,335		63,622
Health and sanitation						46,588
Public assistance						136,701
Education						31,366
Recreation and cultural		398				2,127
Capital outlay				37,559		40,087
Debt service:						
Principal					3,755	3,895
Interest					25,442	25,472
Total expenditures	233	398	1,022	98,894	29,362	360,372
Excess (deficiency) of revenues over (under) expenditures	(48)	1,136	1,457	10,472	(66)	23,488
Other financing sources (uses):						
Sale of capital assets				350		380
Transfers in		25		21		23,155
Transfers out	(50)	(197)	(4,475)	(3,606)		(25,222)
Total other financing sources (uses)	(50)	(172)	(4,475)	(3,235)		(1,687)
Extraordinary loss			(1,971)			(1,971)
Net change in fund balances	(98)	964	(4,989)	7,237	(66)	19,830
Fund balances at beginning of year	676	10,470	4,989	119,621	47,065	369,866
Increase (decrease) in nonspendable inventories				202		73
Fund balances at end of year	\$ 578	11,434		127,060	46,999	389,769

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Pension Obligation Bonds Fund	Redevelopment Agency Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds
Revenues:					
Revenue from use of money and property	\$ 3		1,378	347	1,728
Other	7,130				7,130
Total revenues	7,133		1,378	347	8,858
Expenditures:					
Current:					
General government			290		290
Debt service:					
Principal	33,176	375	595		34,146
Interest	48,200	388	2,564	388	51,540
Bond issuance costs				374	374
Total expenditures	81,376	763	3,449	762	86,350
Excess (deficiency) of revenues over (under) expenditures	(74,243)	(763)	(2,071)	(415)	(77,492)
Other financing sources (uses):					
Issuance of bonds and loans:					
Face value of bonds issued				2,479	2,479
Transfers in	72,755	763			73,518
Total other financing sources (uses)	72,755	763		2,479	75,997
Extraordinary loss		(1,155)			(1,155)
Net change in fund balances	(1,488)	(1,155)	(2,071)	2,064	(2,650)
Fund balances at beginning of year	2,117	1,155	15,155	11,712	30,139
Fund balances at end of year	\$ 629		13,084	13,776	27,489

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Capital Outlay Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Capital Projects Funds
Revenues:				
Revenue from use of money and property	\$	28	81	109
Aid from other governmental agencies:				
State	302			302
Federal	858			858
Other	540			540
Other	1,496			1,496
Total revenues	3,196	28	81	3,305
Expenditures:				
Current:				
General government		5,120		5,120
Capital outlay	124,018	12,863	2,087	138,968
Total expenditures	124,018	17,983	2,087	144,088
Excess (deficiency) of revenues over (under) expenditures	(120,822)	(17,955)	(2,006)	(140,783)
Other financing sources (uses):				
Issuance of bonds and loans:				
Face value of bonds issued			30,186	30,186
Discount on issuance of bonds			(182)	(182)
Transfers in	119,371			119,371
Total other financing sources (uses)	119,371		30,004	149,375
Net change in fund balances	(1,451)	(17,955)	27,998	8,592
Fund balances at beginning of year	6,971	24,550		31,521
Fund balances at end of year	\$ 5,520	6,595	27,998	40,113

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

Air Pollution Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 7,548	7,548	7,669
Fines, forfeitures and penalties	900	900	1,792
Revenue from use of money and property	30	30	143
Aid from other governmental agencies:			
State	22,060	29,412	12,530
Federal	3,014	3,014	2,639
Other	10,000	10,000	11,332
Charges for current services	331	331	864
Other	167	167	180
Total revenues	44,050	51,402	37,149
Expenditures:			
Current:			
Health and sanitation:			
Air pollution control	19,906	19,783	18,429
Air pollution control, air quality Proposition 1B GMER program	7,775	13,775	1,344
Air pollution control, air quality State AQIP program		472	
Air pollution control, air quality State LESB program	5,158	5,158	5,149
Air pollution control, GMERP match fund	467	467	
Air pollution control, improvement trust	3,302	3,302	663
Air pollution control, moyer program	7,279	8,085	6,257
Air pollution control, power general mitigation	500	500	
Total health and sanitation	44,387	51,542	31,842
Capital outlay	347	544	338
Total expenditures	44,734	52,086	32,180
Excess (deficiency) of revenues over (under) expenditures	(684)	(684)	4,969
Other financing sources (uses):			
Sale of capital assets			7
Transfers in	7,921	858	
Transfers out	(8,594)	(1,532)	(671)
Total other financing sources (uses)	(673)	(674)	(664)
Net change in fund balances	(1,357)	(1,358)	4,305
Fund balances at beginning of year	13,474	13,474	13,474
Increase (decrease) in nonspendable inventories		(74)	(74)
Fund balances at end of year	\$ 12,117	12,042	17,705

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

Asset Forfeiture Program Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$ 1,000	1,000	1,004
Revenue from use of money and property	100	100	42
Other			10
Total revenues	1,100	1,100	1,056
Expenditures:			
Current:			
Public protection:			
District attorney asset forfeiture program - federal	500	500	301
District attorney asset forfeiture program - state	17	17	12
Probation asset forfeiture program	51	51	19
Sheriff's asset forfeiture program	1,065	722	387
Total public protection	1,633	1,290	719
Capital outlay	14	192	99
Total expenditures	1,647	1,482	818
Excess (deficiency) of revenues over (under) expenditures	(547)	(382)	238
Other financing sources (uses):			
Transfers out	(3,360)	(3,525)	(190)
Total other financing sources (uses)	(3,360)	(3,525)	(190)
Net change in fund balances	(3,907)	(3,907)	48
Fund balances at beginning of year	9,493	9,493	9,493
Increase (decrease) in nonspendable inventories		42	42
Fund balances at end of year	\$ 5,586	5,628	9,583

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

County Housing Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Expenditures:			
Current:			
Public assistance:			
CSHAF Gillespie housing	\$	8	8
CSHAF USDRIP housing		12	12
Total public assistance		20	20
Total expenditures		20	20
Excess (deficiency) of revenues over (under) expenditures		(20)	(20)
Other financing sources (uses):			
Transfers in			3,712
Total other financing sources (uses)			3,712
Net change in fund balances		(20)	3,692
Fund balances at beginning of year			
Fund balances at end of year	\$	(20)	3,692

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

County Library Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 28,348	28,348	29,207
Revenue from use of money and property	105	105	38
Aid from other governmental agencies:			
State	150	225	421
Federal			1
Other	1,000	1,000	1,471
Charges for current services	1,288	1,288	886
Other	973	973	689
Total revenues	31,864	31,939	32,713
Expenditures:			
Current:			
Education:			
County library	34,916	35,001	31,366
Total education	34,916	35,001	31,366
Capital outlay	600	600	521
Total expenditures	35,516	35,601	31,887
Excess (deficiency) of revenues over (under) expenditures	(3,652)	(3,662)	826
Other financing sources (uses):			
Transfers in		10	5
Transfers out	(977)	(977)	(895)
Total other financing sources (uses)	(977)	(967)	(890)
Net change in fund balances	(4,629)	(4,629)	(64)
Fund balances at beginning of year	7,634	7,634	7,634
Increase (decrease) in nonspendable inventories		11	11
Fund balances at end of year	\$ 3,005	3,016	7,581

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

County Service District Funds

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 4,573	4,573	4,267
Revenue from use of money and property	207	207	191
Aid from other governmental agencies:			
State	25	25	40
Federal			32
Other	2,829	2,812	3,307
Charges for current services	7,945	8,855	7,468
Other			41
Total revenues	15,579	16,472	15,346
Expenditures:			
Current:			
General government:			
Regional Communication System CSA 135	623	53	
Regional Communication System CSA 135 Zone B Del Mar	50	50	35
Regional Communication System CSA 135 Zone F Poway	156	135	120
Regional Communication System CSA 135 Zone H Solana Beach	45	45	28
Total general government	874	283	183
Public protection:			
Fire protection, PRD 107 Elfin Forest	426	426	364
Fire protection, PRD 109 MT Laguna	73	73	70
Fire protection, PRD 110 MT Palomar	134	134	128
Fire protection, PRD 111 Boulevard	92	92	27
Fire protection, PRD 112 Campo Fire	76	76	57
Fire protection, PRD 113 San Pasqual	108	108	91
Fire protection, PRD 115 Pepper Drive	364	364	283
Total public protection	1,273	1,273	1,020
Public ways and facilities:			
PRD 10 Davis Dr	31	31	3
PRD 100 Viejas View	29	29	3
PRD 1001 Capra Way		2	2
PRD 1002 Sunny Acres	19	19	3
PRD 1003 Alamo Way	14	14	3
PRD 1005 Eden Valley	60	60	3
PRD 1007 Tumbler Creek		6	3
PRD 1008 Canter	25	25	3
PRD 1009 Golf Drive	2	2	
PRD 101 A Hi-Ridge R	15	15	3
PRD 101 Johnson LK	32	32	4
PRD 1010 Alpine Highlands ZN	264	264	18
PRD 1011 La Cuesta ZN	43	43	3
PRD 1012 8112 Millar	36	36	3
PRD 1013 Singing Trails	78	78	3
PRD 1014 Lavender PT Lane	87	87	3
PRD 1015 Landavo Drive ET AL	64	64	6
PRD 1016 El Sereno Way	45	45	4
PRD 102 MTN Meadow	256	256	27
PRD 103 Alto Drive	265	265	31
PRD 104 Artesian RO	74	74	4
PRD 105 A Alta Loma D	17	17	4
PRD 105 Alta Loma D	16	16	4
PRD 106 Garrison Ay	\$ 27	27	15

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

County Service District Funds

For the Year Ended June 30, 2012 (In Thousands)

(Continued)	Original Budget	Final Budget	Actual
PRD 11 A Bernardo RD	\$ 32	32	3
PRD 11 C Bernardo RD	27	27	3
PRD 11 D Bernardo RD	31	31	3
PRD 117 Legend Rock	15	15	4
PRD 12 Lomair	240	240	23
PRD 123 Mizpah Lane	60	60	3
PRD 125 Wrightwood	73	73	4
PRD 126 Sandhurst W	35	35	4
PRD 127 Singing Trails	50	50	3
PRD 13 A Pala Mesa	350	351	62
PRD 13 B Stewart Canyon	55	55	5
PRD 130 Wilkes Road	156	156	9
PRD 133 Rnch Creek Rd	8	71	64
PRD 134 Kenora Lane	60	60	3
PRD 14 Rancho Diego	1		
PRD 16 Wynola	114	114	7
PRD 18 Harrison Park	192	192	22
PRD 20 Daily Road	411	411	35
PRD 21 Pauma Heights	145	145	35
PRD 22 W Dougherty St	17	17	3
PRD 23 Rock Terrce RD	19	19	3
PRD 24 MT Whitney RD	59	59	5
PRD 30 Royal Oaks-CAR	41	41	4
PRD 38 Gay Rio Terrace	70	70	3
PRD 39 Sunbeam Lane	13	13	4
PRD 45 Rincon Springs	28	28	3
PRD 46 Rocosco Road	41	41	3
PRD 49 Sunset Knls RD	47	47	24
PRD 50 Knoll Park LN	126	126	3
PRD 53 Knoll Park LN EX	248	248	4
PRD 54 MT Helix	122	122	4
PRD 55 Rainbow Crest	235	235	6
PRD 6 Pauma Valley	313	313	7
PRD 60 River Drive	121	121	3
PRD 61 GRN Meadow Way	192	192	3
PRD 63 Hillview Road	340	340	4
PRD 64 Lila Lane	3		
PRD 70 El Camino Cort	55	55	3
PRD 75 A Gay Rio Drive	194	194	3
PRD 75 B Gay Rio Drive	375	375	3
PRD 76 Kingford CT	29	29	3
PRD 77 Montiel TRK TR	236	236	6
PRD 78 Gardena Ay	43	43	3
PRD 8 Magee RD-PAL	147	147	5
PRD 80 Harris TRK TRL	272	272	93
PRD 86 Watson Place		8	8
PRD 88 East Fifth St	67	67	3
PRD 9 B Santa Fe	80	80	5
PRD 90 South Cordov	49	49	4
PRD 94 Roble Grnde	481	481	6
PRD 95 Valle Del Sol	\$ 263	263	5

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

County Service District Funds

For the Year Ended June 30, 2012 (In Thousands)

(Continued)	Original Budget	Final Budget	Actual
PRD 99 Via Allndra	46	46	2
Total public ways and facilities	7,926	8,002	685
Health and sanitation:			
CSA 17 San Dieguito Ambulance	\$ 2,766	3,575	3,264
CSA 69 Heartland Paramedics	6,055	6,175	5,522
PRD 122 Otay Mesa East	38	38	4
PRD 136 Sundance Detention Basin	46	46	20
Total health and sanitation	8,905	9,834	8,810
Recreation and cultural:			
CSA 128 San Miguel Park	443	520	431
CSA 26 LMD Zone 2 Julian	34	34	23
CSA 26 Rancho San Diego	72	101	83
CSA 26 San Diego landscape maintenance	115	122	122
CSA 81 Fallbrook Park	231	231	183
CSA 83 San Dieguito	468	468	381
CSA 83A 4S Ranch Park	307	307	292
PRD 26 A Cottonwood Village	141	140	100
PRD 26 B Monte Vista	379	379	114
Total recreation and cultural	2,190	2,302	1,729
Capital outlay	76	98	92
Debt service:			
Principal	38	38	
Interest	5	5	5
Total expenditures	21,287	21,835	12,524
Excess (deficiency) of revenues over (under) expenditures	(5,708)	(5,363)	2,822
Other financing sources (uses):			
Transfers in	160	182	151
Transfers out	(2,178)	(4,814)	(2,501)
Total other financing sources (uses)	(2,018)	(4,632)	(2,350)
Net change in fund balances	(7,726)	(9,995)	472
Fund balances at beginning of year	18,182	18,182	18,182
Fund balances at end of year	\$ 10,456	8,187	18,654

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

Edgemoor Development Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 321	321	317
Aid from other governmental agencies:			
Federal	4,264	4,264	15,239
Other			5,300
Total revenues	4,585	4,585	20,856
Expenditures:			
Current:			
General government:			
Edgemoor development fund	881	881	287
Total general government	881	881	287
Total expenditures	881	881	287
Excess (deficiency) of revenues over (under) expenditures	3,704	3,704	20,569
Other financing sources (uses):			
Transfers out	(9,280)	(9,280)	(9,270)
Total other financing sources (uses)	(9,280)	(9,280)	(9,270)
Net change in fund balances	(5,576)	(5,576)	11,299
Fund balances at beginning of year	2,015	2,015	2,015
Fund balances (deficits) at end of year	\$ (3,561)	(3,561)	13,314

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

Flood Control District Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 3,856	3,856	3,887
Fines, forfeitures and penalties			1
Revenue from use of money and property	100	100	60
Aid from other governmental agencies:			
State			38
Federal			330
Charges for current services	3,073	3,073	799
Total revenues	7,029	7,029	5,115
Expenditures:			
Current:			
Public protection:			
Flood control district	11,922	11,985	4,606
Stormwater maintenance, Blackwolf	9	9	1
Stormwater maintenance, Lake Rancho Viejo	197	197	63
Total public protection	12,128	12,191	4,670
Capital outlay	1,478	1,478	1,478
Total expenditures	13,606	13,669	6,148
Excess (deficiency) of revenues over (under) expenditures	(6,577)	(6,640)	(1,033)
Other financing sources (uses):			
Transfers in	5,400	5,400	5,400
Total other financing sources (uses)	5,400	5,400	5,400
Net change in fund balances	(1,177)	(1,240)	4,367
Fund balances at beginning of year	21,799	21,799	21,799
Fund balances at end of year	\$ 20,622	20,559	26,166

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

Housing Authority Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 22	1,278	1,062
Aid from other governmental agencies:			
Federal	79	116,559	114,514
Other	32	18	100
Charges for current services		4,147	2,741
Other	27	476	1,709
Total revenues	160	122,478	120,126
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	160	125,099	123,601
Total public assistance	160	125,099	123,601
Debt service:			
Principal		140	140
Interest		25	25
Total expenditures	160	125,264	123,766
Excess (deficiency) of revenues over (under) expenditures		(2,786)	(3,640)
Net change in fund balances		(2,786)	(3,640)
Fund balances at beginning of year	35,388	35,388	35,388
Fund balances at end of year	\$ 35,388	32,602	31,748

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

In Home Supportive Services Public Authority Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		8
Charges for current services			649
Total revenues			657
Expenditures:			
Current:			
Public assistance:			
IHSS public authority	13,799	13,799	13,080
Total public assistance	13,799	13,799	13,080
Total expenditures	13,799	13,799	13,080
Excess (deficiency) of revenues over (under) expenditures	(13,799)	(13,799)	(12,423)
Other financing sources (uses):			
Transfers in	13,799	13,799	12,422
Total other financing sources (uses)	13,799	13,799	12,422
Net change in fund balances			(1)
Fund balances at beginning of year	86	86	86
Fund balances at end of year	\$ 86	86	85

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

Inactive Wastesites Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$		104
Revenue from use of money and property	436	436	612
Aid from other governmental agencies:			
State	540	540	272
Charges for current services	5,902	5,902	1,027
Total revenues	6,878	6,878	2,015
Expenditures:			
Current:			
Health and sanitation:			
Duck pond landfill cleanup	17	17	3
Hillsborough maintenance	248	248	124
Inactive waste site management	7,596	7,596	5,809
Total health and sanitation	7,861	7,861	5,936
Total expenditures	7,861	7,861	5,936
Excess (deficiency) of revenues over (under) expenditures	(983)	(983)	(3,921)
Other financing sources (uses):			
Transfers out	(81)	(81)	(76)
Total other financing sources (uses)	(81)	(81)	(76)
Net change in fund balances	(1,064)	(1,064)	(3,997)
Fund balances at beginning of year	68,366	68,366	68,366
Fund balances at end of year	\$ 67,302	67,302	64,369

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

Inmate Welfare Program Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 3,195	3,195	3,321
Aid from other governmental agencies:			
State	29	29	6
Other	150	150	981
Total revenues	3,374	3,374	4,308
Expenditures:			
Current:			
Public protection:			
Probation inmate welfare	95	95	55
Sheriff's inmate welfare - adult detention	2,439	2,439	2,160
Sheriff's inmate welfare - police protection	14	14	
Total public protection	2,548	2,548	2,215
Capital outlay	656	656	
Total expenditures	3,204	3,204	2,215
Excess (deficiency) of revenues over (under) expenditures	170	170	2,093
Other financing sources (uses):			
Sale of capital assets			23
Transfers in	1,700	1,700	1,419
Transfers out	(1,881)	(3,316)	(3,291)
Total other financing sources (uses)	(181)	(1,616)	(1,849)
Net change in fund balances	(11)	(1,446)	244
Fund balances at beginning of year	9,392	9,392	9,392
Increase (decrease) in nonspendable inventories		(112)	(112)
Fund balances at end of year	\$ 9,381	7,834	9,524

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

Lighting Maintenance District Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 993	993	929
Revenue from use of money and property	8	8	6
Aid from other governmental agencies:			
State	5	5	9
Charges for current services	722	722	715
Total revenues	1,728	1,728	1,659
Expenditures:			
Current:			
Public ways and facilities:			
San Diego lighting maintenance	1,804	1,804	1,602
Total public ways and facilities	1,804	1,804	1,602
Total expenditures	1,804	1,804	1,602
Excess (deficiency) of revenues over (under) expenditures	(76)	(76)	57
Net change in fund balances	(76)	(76)	57
Fund balances at beginning of year	1,216	1,216	1,216
Increase (decrease) in nonspendable inventories		4	4
Fund balances at end of year	\$ 1,140	1,144	1,277

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

Other Special Districts Funds

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$ 16	16	12
Aid from other governmental agencies:			
State	50	50	50
Charges for current services	400	400	123
Total revenues	466	466	185
Expenditures:			
Current:			
Public protection:			
Agriculture weights and measures - fish and game	37	37	14
Public works, survey	400	400	219
Total public protection	437	437	233
Total expenditures	437	437	233
Excess (deficiency) of revenues over (under) expenditures	29	29	(48)
Other financing sources (uses):			
Transfers out	(50)	(50)	(50)
Total other financing sources (uses)	(50)	(50)	(50)
Net change in fund balances	(21)	(21)	(98)
Fund balances at beginning of year	676	676	676
Fund balances at end of year	\$ 655	655	578

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

Park Land Dedication Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 484	484	1,481
Revenue from use of money and property	85	85	53
Total revenues	569	569	1,534
Expenditures:			
Current:			
Recreation and cultural:			
Local Park Planning Area 15 Sweetwater	10	10	3
Local Park Planning Area 16 Otay	2	2	
Local Park Planning Area 19 Jamul	26	26	2
Local Park Planning Area 20 Spring Valley	5	5	5
Local Park Planning Area 25 Lakeside	25	24	22
Local Park Planning Area 26 Crest	11	11	
Local Park Planning Area 27 Alpine	17	25	24
Local Park Planning Area 28 Ramona	194	291	157
Local Park Planning Area 29 Escondido	33	33	2
Local Park Planning Area 30 San Marcos	8	8	1
Local Park Planning Area 31 San Dieguito	140	140	23
Local Park Planning Area 32 Carlsbad	1	1	
Local Park Planning Area 35 Fallbrook	104	179	80
Local Park Planning Area 36 Bonsall	23	23	
Local Park Planning Area 37 Vista	22	22	1
Local Park Planning Area 38 Valley Center	43	80	44
Local Park Planning Area 39 Pauma	14	14	1
Local Park Planning Area 4 Lincoln Acres	5	5	
Local Park Planning Area 40 Palomar-Julian	29	28	10
Local Park Planning Area 41 Mount Empire	7	7	7
Local Park Planning Area 42 Anza-Borrego	5	5	
Local Park Planning Central Mountain	7	205	4
Local Park Planning Oceanside	1	1	
Local Park Planning Valle de Oro	26	26	12
Total recreation and cultural	758	1,171	398
Total expenditures	758	1,171	398
Excess (deficiency) of revenues over (under) expenditures	(189)	(602)	1,136
Other financing sources (uses):			
Transfers in		25	25
Transfers out	(750)	(750)	(197)
Total other financing sources (uses)	(750)	(725)	(172)
Net change in fund balances	(939)	(1,327)	964
Fund balances at beginning of year	10,470	10,470	10,470
Fund balances at end of year	\$ 9,531	9,143	11,434

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

Redevelopment Agency Fund

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 4,329	2,725	2,361
Revenue from use of money and property	39	16	
Other	688	118	118
Total revenues	5,056	2,859	2,479
Expenditures:			
Current:			
General government:			
Gillespie field	732	60	60
Plant acquisition, CP CO Redevelopment Agy-Gillespie Field	130	36	36
Plant acquisition, CP CO Redevelopment Agy-Upper SD River	1,923	865	865
Plant acquisition, Redevelopment Agy Gillespie Housing	546	22	22
Plant acquisition, Redevelopment Agy USDRVR Housing	333	39	39
Total general government	3,664	1,022	1,022
Debt service:			
Principal	250		
Total expenditures	3,914	1,022	1,022
Excess (deficiency) of revenues over (under) expenditures	1,142	1,837	1,457
Other financing sources (uses):			
Transfers out	(1,142)	(7,119)	(4,475)
Total other financing sources (uses)	(1,142)	(7,119)	(4,475)
Extraordinary loss			(1,971)
Net change in fund balances		(5,282)	(4,989)
Fund balances at beginning of year	4,989	4,989	4,989
Fund balances at end of year	\$ 4,989	(293)	

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

For the Year Ended June 30, 2012 (In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 152	152	121
Revenue from use of money and property	499	499	549
Aid from other governmental agencies:			
State	85,126	85,376	80,770
Federal	10,113	11,087	4,346
Other		454	
Charges for current services	20,229	20,229	18,257
Other	600	600	5,323
Total revenues	116,719	118,397	109,366
Expenditures:			
Current:			
Public ways and facilities:			
Public works, road	109,016	117,133	61,335
Total public ways and facilities	109,016	117,133	61,335
Capital outlay	37,561	37,561	37,559
Total expenditures	146,577	154,694	98,894
Excess (deficiency) of revenues over (under) expenditures	(29,858)	(36,297)	10,472
Other financing sources (uses):			
Sale of capital assets			350
Transfers in		21	21
Transfers out	(4,037)	(3,680)	(3,606)
Total other financing sources (uses)	(4,037)	(3,659)	(3,235)
Net change in fund balances	(33,895)	(39,956)	7,237
Fund balances at beginning of year	119,621	119,621	119,621
Increase (decrease) in nonspendable inventories		202	202
Fund balances at end of year	\$ 85,726	79,867	127,060

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.

Sanitation District Fund

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

Wastewater Management Fund

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

**COMBINING STATEMENT OF NET ASSETS
 ENTERPRISE FUNDS**

June 30, 2012 (In Thousands)

	Airport Fund	Sanitation District Fund	Wastewater Management Fund	Total Enterprise Funds
ASSETS				
Current assets:				
Pooled cash and investments	\$ 10,993	67,693	2,596	81,282
Receivables, net	3,559	547	33	4,139
Due from other funds			295	295
Inventories	1		1	2
Total current assets	14,553	68,240	2,925	85,718
Noncurrent assets:				
Due from other funds	3,838			3,838
Capital assets:				
Land	10,476	1,069	20	11,565
Construction in progress	4,802	6,838		11,640
Buildings and improvements	108,986	4,283	721	113,990
Equipment	496	446	168	1,110
Road infrastructure	6,449			6,449
Sewer infrastructure		91,038		91,038
Accumulated depreciation/amortization	(32,462)	(38,560)	(583)	(71,605)
Total noncurrent assets	102,585	65,114	326	168,025
Total assets	117,138	133,354	3,251	253,743
LIABILITIES				
Current liabilities:				
Accounts payable	525	457	11	993
Accrued payroll	104		129	233
Due to other funds	177	545	115	837
Unearned revenue	75			75
Loans payable	267			267
Compensated absences	77		95	172
Total current liabilities	1,225	1,002	350	2,577
Noncurrent liabilities:				
Loans payable	1,046			1,046
Compensated absences	111		138	249
Total noncurrent liabilities	1,157		138	1,295
Total liabilities	2,382	1,002	488	3,872
NET ASSETS				
Invested in capital assets, net of related debt	97,434	65,114	326	162,874
Unrestricted net assets	17,322	67,238	2,437	86,997
Total net assets	\$ 114,756	132,352	2,763	249,871

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 ENTERPRISE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Airport Fund	Sanitation District Fund	Wastewater Management Fund	Total Enterprise Funds
Operating revenues:				
Charges for current services	\$ 11,568	18,406	6,502	36,476
Other	149	87		236
Total operating revenues	11,717	18,493	6,502	36,712
Operating expenses:				
Salaries and employee benefits	3,224		3,945	7,169
Repairs and maintenance	508	5,398	7	5,913
Equipment rental	466		602	1,068
Sewage processing		14,130		14,130
Contracted services	3,860		1,074	4,934
Depreciation/amortization	3,647	1,765	18	5,430
Utilities	265		26	291
Other	615	1,072	294	1,981
Total operating expenses	12,585	22,365	5,966	40,916
Operating income (loss)	(868)	(3,872)	536	(4,204)
Nonoperating revenues (expenses):				
Grants	539			539
Investment earnings	869	265	17	1,151
Interest expense	(88)			(88)
Gain (loss) on disposal of assets	(28)			(28)
Other nonoperating revenues			1	1
Total nonoperating revenues (expenses)	1,292	265	18	1,575
Income (loss) before capital contributions and transfers	424	(3,607)	554	(2,629)
Transfers in	50	310		360
Transfers out	(153)		(179)	(332)
Change in net assets	321	(3,297)	375	(2,601)
Net assets (deficits) at beginning of year	114,435	135,649	2,388	252,472
Net assets (deficits) at end of year	\$ 114,756	132,352	2,763	249,871

**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Airport Fund	Sanitation District Fund	Wastewater Management Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 12,315	18,769	127	31,211
Cash received from other funds	7		6,336	6,343
Cash payments to suppliers	(4,741)	(20,887)	(1,645)	(27,273)
Cash payments to employees	(3,223)		(3,940)	(7,163)
Cash payments to other funds	(727)	(375)	(383)	(1,485)
Net cash provided (used) by operating activities	3,631	(2,493)	495	1,633
Cash flows from noncapital financing activities:				
Operating grants	1,467			1,467
Transfers from other funds	50	310		360
Transfers to other funds	(153)		(179)	(332)
Other noncapital increases			1	1
Net cash provided (used) by noncapital financing activities	1,364	310	(178)	1,496
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,320)	(3,163)	(8)	(4,491)
Proceeds from sale of assets	1			1
Principal paid on long-term debt	(254)			(254)
Interest paid on long-term debt	(88)			(88)
Net cash provided (used) by capital and related financing activities	(1,661)	(3,163)	(8)	(4,832)
Cash flows from investing activities:				
Investment earnings	245	302	18	565
Net increase (decrease) in cash and cash equivalents	3,579	(5,044)	327	(1,138)
Cash and cash equivalents - beginning of year	7,414	72,737	2,269	82,420
Cash and cash equivalents - end of year	10,993	67,693	2,596	81,282
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(868)	(3,872)	536	(4,204)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Decrease (increase) in accounts receivables	1,050	276	1	1,327
Decrease (increase) in due from other funds	(473)	1	(39)	(511)
Decrease (increase) in inventory			(1)	(1)
Increase (decrease) in accounts payable	265	(488)		(223)
Increase (decrease) in accrued payroll	6		8	14
Increase (decrease) in due to other funds	(18)	(175)	(25)	(218)
Increase (decrease) in unearned revenue	26			26
Increase (decrease) in compensated absences	(4)		(3)	(7)
Depreciation/amortization	3,647	1,765	18	5,430
Total adjustments	4,499	1,379	(41)	5,837
Net cash provided (used) by operating activities	3,631	(2,493)	495	1,633
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable	\$ 90	320		410

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.

Employee Benefits Fund

This fund was established to account for the County's workers' compensation, unemployment insurance and medical insurance activities.

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.

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.

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.

Public Liability Insurance Fund

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

Purchasing Fund

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

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.

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.

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

June 30, 2012 (In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Other Miscellaneous Internal Service Funds
ASSETS					
Current assets:					
Pooled cash and investments	\$ 106,867	7,938	21,591	19,142	5,911
Receivables, net	96	818	274	172	104
Due from other funds	1,921	6,113	2,173	12,679	
Inventories		432	950		175
Total current assets	108,884	15,301	24,988	31,993	6,190
Noncurrent assets:					
Due from other funds					
Capital assets:					
Construction in progress					
Equipment		1,567	96,430		275
Software		440		8,339	
Accumulated depreciation/ amortization		(761)	(62,221)	(7,799)	(272)
Total noncurrent assets		1,246	34,209	540	3
Total assets	108,884	16,547	59,197	32,533	6,193
LIABILITIES					
Current liabilities:					
Accounts payable	2,617	4,984	1,916	24,125	743
Accrued payroll		847	158		
Accrued interest		4			
Due to other funds	2,157	1,379	1,572	375	121
Unearned revenue		582	1		
Loans payable		892			
Capital lease payable		31			
Compensated absences		697	90		
Claims and judgments	25,283				
Total current liabilities	30,057	9,416	3,737	24,500	864
Noncurrent liabilities:					
Loans payable		2,874			
Capital lease payable		154			
Compensated absences		1,008	130		
Claims and judgments	87,677				
Total noncurrent liabilities	87,677	4,036	130		
Total liabilities	117,734	13,452	3,867	24,500	864
NET ASSETS					
Invested in capital assets, net of related debt		1,061	34,209	540	3
Unrestricted net assets (deficits)	(8,850)	2,034	21,121	7,493	5,326
Total net assets (deficits)	\$ (8,850)	3,095	55,330	8,033	5,329

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**COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS**

June 30, 2012 (In Thousands)

(Continued)	Public Liability Insurance Fund	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
ASSETS					
Current assets:					
Pooled cash and investments	\$ 35,651	2,270	10,106	849	210,325
Receivables, net	36	2	9		1,511
Due from other funds		521	15	15	23,437
Inventories		2			1,559
Total current assets	35,687	2,795	10,130	864	236,832
Noncurrent assets:					
Due from other funds				45	45
Capital assets:					
Construction in progress		87			87
Equipment		227	31,156		129,655
Software		2,878			11,657
Accumulated depreciation/ amortization		(2,897)	(17,339)		(91,289)
Total noncurrent assets		295	13,817	45	50,155
Total assets	35,687	3,090	23,947	909	286,987
LIABILITIES					
Current liabilities:					
Accounts payable	9		426		34,820
Accrued payroll		182			1,187
Accrued interest					4
Due to other funds	1,147	145	388		7,284
Unearned revenue					583
Loans payable					892
Capital lease payable					31
Compensated absences		143			930
Claims and judgments	10,559				35,842
Total current liabilities	11,715	470	814		81,573
Noncurrent liabilities:					
Loans payable					2,874
Capital lease payable					154
Compensated absences		207			1,345
Claims and judgments	15,320				102,997
Total noncurrent liabilities	15,320	207			107,370
Total liabilities	27,035	677	814		188,943
NET ASSETS					
Invested in capital assets, net of related debt		295	13,817		49,925
Unrestricted net assets (deficits)	8,652	2,118	9,316	909	48,119
Total net assets (deficits)	\$ 8,652	2,413	23,133	909	98,044

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Other Miscellaneous Internal Service Funds
Operating revenues:					
Charges for current services	\$ 34,890	93,514	36,002	113,828	4,936
Other	60	783	169	198	1,869
Total operating revenues	34,950	94,297	36,171	114,026	6,805
Operating expenses:					
Salaries and employee benefits		25,932	5,149		
Repairs and maintenance		21,280	7,074		37
Equipment rental		53	101		8
Contracted services	9,658	20,854	1,017	120,585	2,124
Depreciation/amortization		194	9,629	2,420	
Utilities		21,411	278		
Cost of material		4,105	126		1,835
Claims and judgments	28,057				
Fuel		336	11,398		5
Other		3,537	904		127
Total operating expenses	37,715	97,702	35,676	123,005	4,136
Operating income (loss)	(2,765)	(3,405)	495	(8,979)	2,669
Nonoperating revenues (expenses):					
Grants		3,977			
Investment earnings	468	3	97		
Interest expense		(198)			
Gain (loss) on disposal of assets			141		
Total nonoperating revenues (expenses)	468	3,782	238		
Income (loss) before capital contributions and transfers	(2,297)	377	733	(8,979)	2,669
Capital contributions		33	567		
Transfers in	268	1,478	882	3,844	
Transfers out		(1,179)	(8,140)		(2,175)
Change in net assets	(2,029)	709	(5,958)	(5,135)	494
Net assets (deficits) at beginning of year	(6,821)	2,386	61,288	13,168	4,835
Net assets (deficits) at end of year	\$ (8,850)	3,095	55,330	8,033	5,329

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**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

(Continued)	Public Liability Insurance Fund	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Operating revenues:					
Charges for current services	\$ 14,835	6,778	7,486		312,269
Other	3,717	925			7,721
Total operating revenues	18,552	7,703	7,486		319,990
Operating expenses:					
Salaries and employee benefits		5,705			36,786
Repairs and maintenance		15	3,370		31,776
Equipment rental		891			1,053
Contracted services	8,307	1,252	472		164,269
Depreciation/amortization		981	2,244		15,468
Utilities		8			21,697
Cost of material		1			6,067
Claims and judgments	4,245				32,302
Fuel			1,533		13,272
Other	5	980			5,553
Total operating expenses	12,557	9,833	7,619		328,243
Operating income (loss)	5,995	(2,130)	(133)		(8,253)
Nonoperating revenues (expenses):					
Grants					3,977
Investment earnings	200	12	48		828
Interest expense					(198)
Gain (loss) on disposal of assets		2	67		210
Total nonoperating revenues (expenses)	200	14	115		4,817
Income (loss) before capital contributions and transfers	6,195	(2,116)	(18)		(3,436)
Capital contributions					600
Transfers in		1,825	1,621		9,918
Transfers out		(271)			(11,765)
Change in net assets	6,195	(562)	1,603		(4,683)
Net assets (deficits) at beginning of year	2,457	2,975	21,530	909	102,727
Net assets (deficits) at end of year	\$ 8,652	2,413	23,133	909	98,044

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Other Miscellaneous Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 61	4,507	1,507	3,124	6,771
Cash received from other funds	34,490	89,623	35,197	113,127	425
Cash payments to suppliers	(10,141)	(67,430)	(19,766)	(115,091)	(3,858)
Cash payments to employees		(25,863)	(5,136)		
Cash payments to other funds	(110)	(2,877)	(559)		(3)
Cash paid for claims and judgments	(21,882)				
Net cash provided (used) by operating activities	2,418	(2,040)	11,243	1,160	3,335
Cash flows from noncapital financing activities:					
Operating grants		3,759			
Transfers from other funds	268	1,478	882	3,844	
Transfers to other funds		(1,179)	(1,407)		(2,175)
Payments received on advances to other funds					
Principal paid on long-term debt		(855)			
Interest paid on long-term debt		(189)			
Net cash provided (used) by noncapital financing activities	268	3,014	(525)	3,844	(2,175)
Cash flows from capital and related financing activities:					
Capital contributions			567		
Acquisition of capital assets		(66)	(7,941)		
Proceeds from sale of assets			429		
Principal paid on capital lease		(27)			
Interest paid on capital lease		(10)			
Net cash provided (used) by capital and related financing activities		(103)	(6,945)		
Cash flows from investing activities:					
Investment earnings	512	2	100	1	
Net increase (decrease) in cash and cash equivalents	3,198	873	3,873	5,005	1,160
Cash and cash equivalents - beginning of year	103,669	7,065	17,718	14,137	4,751
Cash and cash equivalents - end of year	106,867	7,938	21,591	19,142	5,911
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(2,765)	(3,405)	495	(8,979)	2,669
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Decrease (increase) in accounts receivables		457	(49)	2,142	(34)
Decrease (increase) in due from other funds	(400)	(705)	583	(290)	425
Decrease (increase) in inventory		(119)	(80)		(29)
Increase (decrease) in accounts payable	(704)	606	(763)	5,493	263
Increase (decrease) in accrued payroll		81	6		
Increase (decrease) in due to other funds	(110)	754	1,413	374	41
Increase (decrease) in unearned revenue		82			
Increase (decrease) in compensated absences		15	9		
Increase (decrease) in claims and judgments	6,397				
Depreciation/amortization		194	9,629	2,420	
Total adjustments	5,183	1,365	10,748	10,139	666
Net cash provided (used) by operating activities	2,418	(2,040)	11,243	1,160	3,335
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable			831		
Governmental contributions of capital assets		33			
Contribution to governmental capital assets	\$		6,733		

Continued on next page ►►►

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2012 (In Thousands)

(Continued)	Public Liability Insurance Fund	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 3,717	928			20,615
Cash received from other funds	14,835	6,585	7,471	2	301,755
Cash payments to suppliers	(8,354)	(1,620)	(45)		(226,305)
Cash payments to employees		(5,730)			(36,729)
Cash payments to other funds	(70)	(1,547)	(5,374)		(10,540)
Cash paid for claims and judgments	(7,401)				(29,283)
Net cash provided (used) by operating activities	2,727	(1,384)	2,052	2	19,513
Cash flows from noncapital financing activities:					
Operating grants					3,759
Transfers from other funds		1,825	1,621		9,918
Transfers to other funds		(271)			(5,032)
Payments received on advances to other funds				38	38
Principal paid on long-term debt					(855)
Interest paid on long-term debt					(189)
Net cash provided (used) by noncapital financing activities		1,554	1,621	38	7,639
Cash flows from capital and related financing activities:					
Capital contributions					567
Acquisition of capital assets		(87)	(1,688)		(9,782)
Proceeds from sale of assets		2	250		681
Principal paid on capital lease					(27)
Interest paid on capital lease					(10)
Net cash provided (used) by capital and related financing activities		(85)	(1,438)		(8,571)
Cash flows from investing activities:					
Investment earnings	208	12	48		883
Net increase (decrease) in cash and cash equivalents	2,935	97	2,283	40	19,464
Cash and cash equivalents - beginning of year	32,716	2,173	7,823	809	190,861
Cash and cash equivalents - end of year	35,651	2,270	10,106	849	210,325
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	5,995	(2,130)	(133)		(8,253)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Decrease (increase) in accounts receivables					2,516
Decrease (increase) in due from other funds		(189)	(15)	2	(589)
Decrease (increase) in inventory					(228)
Increase (decrease) in accounts payable	(42)	(6)	(15)		4,832
Increase (decrease) in accrued payroll		15			102
Increase (decrease) in due to other funds	(70)	(33)	(29)		2,340
Increase (decrease) in unearned revenue					82
Increase (decrease) in compensated absences		(22)			2
Increase (decrease) in claims and judgments	(3,156)				3,241
Depreciation/amortization		981	2,244		15,468
Total adjustments	(3,268)	746	2,185	2	27,766
Net cash provided (used) by operating activities	2,727	(1,384)	2,052	2	19,513
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable			421		1,252
Governmental contributions of capital assets					33
Contribution to governmental capital assets	\$				6,733



Cuyamaca Rancho State Park

INVESTMENT TRUST FUNDS

Investment trust funds are used to account for investments held on behalf of external entities in either the County pool or specific investments. These assets are held in a fiduciary capacity and accordingly, net assets reported in the Investment Trust funds are held in trust for pool participants and individual investment accounts.

Pooled Investments - Investment Trust Fund

This fund was established to account for the external portion of the County Treasurer's investment pool in which the County, its component units and legally separate governments commingle or pool their resources in an investment pool.

Specific Investments - Investment Trust Fund

This fund was created for the purpose of reporting individual investments which are offered as an alternative to a pooled position. It includes specific investments for external entities.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
Investment Trust Funds

June 30, 2012 (In Thousands)

	Pooled Investments - Investment Trust	Total
ASSETS		
Pooled cash and investments	\$ 3,598,411	3,598,411
Receivables:		
Investment earnings receivable	3,524	3,524
Total assets	3,601,935	3,601,935
NET ASSETS		
Held in trust for pool participants	3,601,935	3,601,935
Total held in trust	\$ 3,601,935	3,601,935

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Investment Trust Funds

For the Year Ended June 30, 2012 (In Thousands)

	Pooled Investments - Investment Trust	Specific Investments - Investment Trust	Total
ADDITIONS			
Contributions:			
Contributions to investments	\$ 5,729,257		5,729,257
Total contributions	5,729,257		5,729,257
Investment earnings:			
Net increase (decrease) in fair value of investments	(908)	(21)	(929)
Investment earnings	18,116	24	18,140
Total investment earnings	17,208	3	17,211
Total additions	5,746,465	3	5,746,468
DEDUCTIONS			
Distributions from investments	5,575,127	357	5,575,484
Total deductions	5,575,127	357	5,575,484
Change in net assets	171,338	(354)	170,984
Net assets at beginning of year	3,430,597	354	3,430,951
Net assets at end of year	\$ 3,601,935		3,601,935



Beach in Oceanside

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 Tax Collection 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 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds**

For the Year Ended June 30, 2012 (In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
PROPERTY TAX COLLECTION FUNDS				
ASSETS				
Pooled cash and investments	\$ 49,092	15,092,861	15,084,169	57,784
Receivables:				
Accounts receivable	2,549	4,594	5,099	2,044
Investment earnings receivable	330	3,948	4,036	242
Taxes receivable		5,400,038	5,400,038	
Total assets	51,971	20,501,441	20,493,342	60,070
LIABILITIES				
Accounts payable	2,103	1,858,713	1,860,814	2
Due to other governments	49,868	19,674,066	19,663,866	60,068
Total liabilities	51,971	21,532,779	21,524,680	60,070
OTHER AGENCY FUNDS				
ASSETS				
Pooled cash and investments	306,423	18,854,808	18,873,608	287,623
Cash with fiscal agents	1,325	10,752	10,575	1,502
Receivables:				
Accounts receivable	595	70	653	12
Investment earnings receivable	7,024	18,724	22,460	3,288
Other receivables		21,829	21,829	
Total assets	315,367	18,906,183	18,929,125	292,425
LIABILITIES				
Accounts payable	19,660	3,594,148	3,594,435	19,373
Warrants outstanding	191,227	9,668,979	9,692,914	167,292
Accrued payroll	33	15,589	15,614	8
Due to other governments	104,447	2,112,194	2,110,889	105,752
Total liabilities	315,367	15,390,910	15,413,852	292,425
TOTAL AGENCY FUNDS				
ASSETS				
Pooled cash and investments	355,515	33,947,669	33,957,777	345,407
Cash with fiscal agents	1,325	10,752	10,575	1,502
Receivables:				
Accounts receivable	3,144	4,664	5,752	2,056
Investment earnings receivable	7,354	22,672	26,496	3,530
Taxes receivable		5,400,038	5,400,038	
Other receivables		21,829	21,829	
Total assets	367,338	39,407,624	39,422,467	352,495
LIABILITIES				
Accounts payable	21,763	5,452,861	5,455,249	19,375
Warrants outstanding	191,227	9,668,979	9,692,914	167,292
Accrued payroll	33	15,589	15,614	8
Due to other governments	154,315	21,786,260	21,774,755	165,820
Total liabilities	\$ 367,338	36,923,689	36,938,532	352,495

INTRODUCTION

Government Accounting Standards Board (GASB) Statement No. 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 No. 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 No. 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..... 158

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

Revenue Capacity..... 166

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

Debt Capacity..... 170

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 174

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..... 176

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 Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Net assets					
Governmental activities					
Invested in capital assets, net of related debt	\$ 2,261,697	2,324,806	2,341,126	2,367,442	2,409,050
Restricted	243,815	169,983	223,565	224,635	162,318
Unrestricted	(317,357)	(668,868)	(541,048)	(197,916)	178,231
Total governmental activities net assets	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	71,293	78,485	84,416	97,212	112,549
Restricted	15				
Unrestricted	80,359	79,358	76,310	81,125	84,779
Total business-type activities net assets	151,667	157,843	160,726	178,337	197,328
Primary government					
Invested in capital assets, net of related debt	2,332,990	2,403,291	2,425,542	2,464,654	2,521,599
Restricted	243,830	169,983	223,565	224,635	162,318
Unrestricted	(236,998)	(589,510)	(464,738)	(116,791)	263,010
Total primary government net assets	\$ 2,339,822	1,983,764	2,184,369	2,572,498	2,946,927
	Fiscal Year				
	2008	2009	2010	2011	2012
Net assets					
Governmental activities					
Invested in capital assets, net of related debt	\$ 2,468,142	2,582,854	2,595,105	2,675,240	2,770,556
Restricted	181,198	314,107	247,585	529,808	553,249
Unrestricted	351,326	319,669	535,103	365,165	454,565
Total governmental activities net assets	3,000,666	3,216,630	3,377,793	3,570,213	3,778,370
Business-type activities					
Invested in capital assets, net of related debt	126,237	148,146	164,845	163,268	162,874
Restricted					
Unrestricted	92,686	88,909	87,254	89,602	87,348
Total business-type activities net assets	218,923	237,055	252,099	252,870	250,222
Primary government					
Invested in capital assets, net of related debt	2,594,379	2,731,000	2,759,950	2,838,508	2,933,430
Restricted	181,198	314,107	247,585	529,808	553,249
Unrestricted	444,012	408,578	622,357	454,767	541,913
Total primary government net assets	\$ 3,219,589	3,453,685	3,629,892	3,823,083	4,028,592

Table 2
County of San Diego
Changes in Net Assets
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities					
General government	\$ 234,062	234,759	232,826	240,158	249,993
Public protection	1,140,484	1,173,532	960,227	1,021,464	1,079,320
Public ways and facilities	142,356	160,344	122,797	128,268	133,148
Health and sanitation	598,189	564,796	545,805	559,709	580,384
Public assistance	1,035,065	1,052,911	972,592	1,015,481	1,043,454
Education	30,850	31,722	27,394	32,488	33,223
Recreation and cultural	23,520	26,493	21,405	23,376	28,469
Interest on long-term debt	87,627	91,897	106,612	116,692	146,997
Total governmental activities expenses	3,292,153	3,336,454	2,989,658	3,137,636	3,294,988
Business-type activities					
Airport	7,125	7,373	8,117	7,699	8,209
Wastewater Management	4,357	4,005	5,076	4,733	4,422
Sanitation Districts	15,216	15,828	20,564	15,133	15,620
Total business-type activities expenses	26,698	27,206	33,757	27,565	28,251
Total primary government expenses	3,318,851	3,363,660	3,023,415	3,165,201	3,323,239
Program revenues					
Governmental activities					
Charges for services:					
General government	121,070	93,143	84,769	99,083	98,365
Public protection	170,221	206,679	229,150	202,941	201,332
Other activities	117,569	122,139	100,465	153,535	153,717
Operating grants and contributions	1,873,493	1,914,614	1,867,829	2,067,803	2,113,585
Capital grants and contributions	40,587	67,357	32,303	5,283	7,559
Total governmental activities program revenues	2,322,940	2,403,932	2,314,516	2,528,645	2,574,558
Business-type activities					
Charges for services:					
Airport	7,396	6,734	8,345	7,433	9,367
Wastewater management	4,496	5,447	5,357	4,322	4,662
Sanitation districts	15,444	15,765	16,949	17,251	17,995
Operating grants and contributions	3,769	4,153	3,700	9,994	8,257
Capital grants and contributions	839	1,539	1,036	58	464
Total business-type program revenues	31,944	33,638	35,387	39,058	40,745
Total primary government program revenues	2,354,884	2,437,570	2,349,903	2,567,703	2,615,303
Net (Expense) Revenue					
Governmental activities	(969,213)	(932,522)	(675,142)	(608,991)	(720,430)
Business-type activities	5,246	6,432	1,630	11,493	12,494
Total primary government net (expense) revenue	\$ (963,967)	(926,090)	(673,512)	(597,498)	(707,936)

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Table 2
County of San Diego
Changes in Net Assets
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses					
Governmental activities					
General government	\$ 298,607	275,508	304,305	229,767	271,485
Public protection	1,180,114	1,158,162	1,091,910	1,128,967	1,179,815
Public ways and facilities	144,452	151,125	131,982	130,239	132,166
Health and sanitation	638,869	678,217	681,448	721,939	790,907
Public assistance	1,114,453	1,177,320	1,171,603	1,191,559	1,175,678
Education	36,355	42,424	39,165	35,734	34,669
Recreation and cultural	33,941	34,542	33,629	36,699	36,128
Interest on long-term debt	119,138	118,927	111,942	106,381	102,338
Total governmental activities expenses	3,565,929	3,636,225	3,565,984	3,581,285	3,723,186
Business-type activities					
Airport	8,848	10,614	12,389	12,876	12,736
Wastewater Management	5,320	16,666	5,523	5,806	5,980
Sanitation Districts	17,574	5,794	18,831	21,699	22,335
Total business-type activities expenses	31,742	33,074	36,743	40,381	41,051
Total primary government expenses	3,597,671	3,669,299	3,602,727	3,621,666	3,764,237
Program revenues					
Governmental activities					
Charges for services:					
General government	130,645	93,939	90,503	92,085	99,872
Public protection	217,953	215,343	204,405	235,913	237,632
Other activities	137,020	133,834	150,461	160,067	168,851
Operating grants and contributions	2,152,380	2,181,366	2,192,591	2,211,946	2,317,522
Capital grants and contributions	24,474	60,703	33,246	25,329	11,005
Total governmental activities program revenues	2,662,472	2,685,185	2,671,206	2,725,340	2,834,882
Business-type activities					
Charges for services:					
Airport	16,097	9,397	9,299	11,301	11,568
Wastewater management	5,318	6,567	6,616	6,509	6,502
Sanitation districts	20,060	20,114	19,823	20,431	18,406
Operating grants and contributions	7,725	12,974	15,330	1,544	539
Capital grants and contributions					
Total business-type program revenues	49,200	49,052	51,068	39,785	37,015
Total primary government program revenues	2,711,672	2,734,237	2,722,274	2,765,125	2,871,897
Net (Expense) Revenue					
Governmental activities	(903,457)	(951,040)	(894,778)	(855,945)	(888,304)
Business-type activities	17,458	15,978	14,325	(596)	(4,036)
Total primary government net (expense) revenue	\$ (885,999)	(935,062)	(880,453)	(856,541)	(892,340)

Continued on next page ►►►

Table 2

**County of San Diego
 Changes in Net Assets
 For the Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (In Thousands)**

(Continued)

	Fiscal Year				
	2003	2004	2005	2006	2007
General revenues and other changes in net assets					
Governmental activities					
Taxes:					
Property taxes	\$ 459,340	496,917	441,716	516,569	559,726
Other taxes	3,964	4,200	96,927	34,219	26,760
Intergovernmental unrestricted:					
Property taxes in lieu of VLF (1)			203,788	261,695	277,930
Sales and use taxes	50,898	50,046	8,524	23,475	26,534
Investment earnings	30,213	18,452	38,066	63,810	88,974
Other general revenues			83,079	78,651	95,343
Total governmental general revenues	544,415	569,615	872,100	978,419	1,075,267
Special Item: gain or loss on sale of properties	474				
Transfers	(160)	673	764	1,090	601
Total governmental activities	544,729	570,288	872,864	979,509	1,075,868
Business-type activities					
Investment earnings	1,437	417	1,730	7,048	4,189
Other general revenues	27		287	160	2,909
Total business-type general revenues	1,464	417	2,017	7,208	7,098
Transfers	160	(673)	(764)	(1,090)	(601)
Total business-type activities	1,624	(256)	1,253	6,118	6,497
Total primary government	546,353	570,032	874,117	985,627	1,082,365
Change in net assets					
Governmental activities	(424,484)	(362,234)	197,722	370,518	355,438
Business-type activities	6,870	6,176	2,883	17,611	18,991
Total change in net assets	\$ (417,614)	(356,058)	200,605	388,129	374,429

(1) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue

Continued on next page ►►►

Table 2
County of San Diego
Changes in Net Assets
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2008	2009	2010	2011	2012
General revenues and other changes in net assets					
Governmental activities					
Taxes:					
Property taxes	\$ 637,491	618,048	593,553	580,570	616,183
Other taxes	20,374	15,167	15,991	16,207	17,200
Intergovernmental unrestricted:					
Property taxes in lieu of VLF (1)	303,348	316,925	308,842	303,625	304,614
Sales and use taxes	24,872	22,435	20,576	22,457	25,055
Investment earnings	87,554	57,859	30,941	22,024	12,338
Other general revenues	80,804	118,929	85,693	104,260	110,676
Total governmental general revenues	1,154,443	1,149,363	1,055,596	1,049,143	1,086,066
Transfers	81	151	345	(778)	(28)
Extraordinary gain					10,423
Total governmental activities	1,154,524	1,149,514	1,055,941	1,048,365	1,096,461
Business-type activities					
Investment earnings	4,113	2,237	1,046	582	1,151
Other general revenues	105	68	18	7	209
Total business-type general revenues	4,218	2,305	1,064	589	1,360
Transfers	(81)	(151)	(345)	778	28
Total business-type activities	4,137	2,154	719	1,367	1,388
Total primary government	1,158,661	1,151,668	1,056,660	1,049,732	1,097,849
Change in net assets					
Governmental activities	251,067	198,474	161,163	192,420	208,157
Business-type activities	21,595	18,132	15,044	771	(2,648)
Total change in net assets	\$ 272,662	216,606	176,207	193,191	205,509

(1) 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				
	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 (1)	447,612	523,399	481,792	633,430	624,996
Capital Projects Funds	9,771	10,864	84,389	65,452	73,923
Total other governmental funds	\$ 752,176	743,163	850,497	977,760	972,943
	Fiscal Year				
	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 273,231	266,434	162,257		
Unreserved	947,235	923,604	1,057,851		
Nonspendable(2)				11,257	12,443
Restricted (2)				214,956	245,713
Committed (2)				514,739	515,234
Assigned (2)				40,614	51,325
Unassigned (2)				612,814	663,132
Total general fund	1,220,466	1,190,038	1,220,108	1,394,380	1,487,847
All Other Governmental Funds					
Reserved	199,472	213,984	175,900		
Unreserved, reported in:					
Special Revenue Funds (1)	672,652	668,626	705,469		
Capital Projects Funds	30,210	157,221	89,926		
Nonspendable (2)				5,148	5,281
Restricted (2)				372,730	424,512
Committed (2)				467,950	440,767
Total other governmental funds	\$ 902,334	1,039,831	971,295	845,828	870,560

(1) 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 in 2006.

(2) Beginning in fiscal year 2011, governmental fund balances are required to be reported as nonspendable, restricted, committed, assigned, and unassigned.

Table 4
County of San Diego
Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues:					
Taxes	\$ 446,835	497,178	717,174	1,102,032	1,146,937
Licenses, permits and franchise fees	39,335	42,252	42,954	41,824	43,807
Fines, forfeitures and penalties	41,236	46,495	55,538	60,071	58,355
Revenue from use of money and property	40,733	25,867	50,811	76,608	93,246
Aid from other governmental agencies:					
State	1,231,904	1,201,278	1,080,663	867,063	927,850
Federal	632,241	701,057	729,725	793,039	820,851
Other	66,116	69,860	74,272	94,866	100,323
Charges for current services	266,574	277,637	286,631	314,021	325,049
Other	70,065	65,913	84,410	67,419	76,680
Total revenues	2,835,039	2,927,537	3,122,178	3,416,943	3,593,098
Expenditures:					
General government	209,874	216,183	211,521	199,349	233,471
Public protection	1,145,171	1,216,276	939,070	1,014,653	1,065,984
Public ways and facilities	123,202	115,426	84,560	67,145	74,319
Health and sanitation	600,525	562,657	541,921	556,165	577,389
Public assistance	1,037,467	1,053,545	970,208	1,011,315	1,043,293
Education	31,013	31,308	27,119	32,043	32,961
Recreation and cultural	20,805	24,702	19,614	22,964	26,774
Total CAFR Governmental functions	3,168,057	3,220,097	2,794,013	2,903,634	3,054,191
Capital outlay	83,748	54,958	54,157	109,897	138,017
Debt service:					
Principal	88,846	69,839	60,849	57,245	73,816
Interest	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	3,414,398	3,441,492	3,005,490	3,210,695	3,383,004
Excess (deficiency) of revenues over (under) expenditures	(579,359)	(513,955)	116,688	206,248	210,094
Other financing sources (uses)					
Sale of capital assets	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	560,886	454,179			
Refunding bonds issued	176,890		28,885	461,230	
Payment to refunded bond escrow agent	(176,890)		(31,633)	(467,458)	
Transfers in	768,997	776,167	819,490	867,973	512,386
Transfers (out)	(773,145)	(777,180)	(819,627)	(868,908)	(514,680)
Total other financing sources (uses)	557,212	457,210	105,145	152,610	42,765
Net change in fund balances	\$ (22,147)	(56,745)	221,833	358,858	252,859
Debt service as a percentage of noncapital expenditures	4.88%	4.79%	5.27%	5.38%	5.85%

Continued on next page ►►►

Table 4
County of San Diego
Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues:					
Taxes	\$ 971,616	973,899	946,324	934,737	966,512
Licenses, permits and franchise fees	45,257	49,990	47,578	51,144	51,823
Fines, forfeitures and penalties	63,014	59,348	57,869	54,267	53,818
Revenue from use of money and property	137,963	70,911	46,100	39,545	29,765
Aid from other governmental agencies:					
State	1,169,642	1,161,312	1,136,756	1,192,401	1,276,289
Federal	908,582	858,066	963,285	945,168	969,818
Other	79,066	144,205	102,708	72,071	82,292
Charges for current services	312,018	316,214	318,283	359,239	369,586
Other	73,745	111,431	81,219	90,486	104,647
Total revenues	3,760,903	3,745,376	3,700,122	3,739,058	3,904,550
Expenditures:					
General government	277,286	249,324	205,456	223,290	210,375
Public protection	1,145,807	1,133,843	1,063,890	1,088,377	1,149,575
Public ways and facilities	80,051	85,802	66,393	61,967	64,922
Health and sanitation	633,382	669,725	675,256	714,022	782,504
Public assistance	1,111,701	1,172,400	1,169,287	1,184,632	1,171,662
Education	35,569	41,461	37,422	34,599	32,210
Recreation and cultural	32,042	32,561	29,982	33,054	33,302
Total CAFR Governmental functions	3,315,838	3,385,116	3,247,686	3,339,941	3,444,550
Capital outlay	157,818	179,662	205,512	186,342	212,304
Debt service:					
Principal	184,614	112,275	169,059	64,016	61,241
Interest	107,631	103,831	101,036	97,290	94,320
Bond issuance costs		3,959	739	349	374
Payment to refunded bond escrow agent			15,377	3,437	
Total expenditures	3,765,901	3,784,843	3,739,409	3,691,375	3,812,789
Excess (deficiency) of revenues over (under) expenditures	(4,998)	(39,467)	(39,287)	47,683	91,761
Other financing sources (uses)					
Sale of capital assets	68	31	365	2,673	740
Issuance of bonds and loans:					
Face value of bonds issued		136,885			32,665
Face value of loans issued					(182)
Discount on issuance of bonds					
Premium on issuance of bonds		1,175	7,803	1,237	
Long-term debt proceeds					
Refunding bonds issued		443,515	80,940	19,260	
Payment to refunded bond escrow agent		(441,038)	(83,173)	(18,774)	
Transfers in	594,512	525,424	452,018	426,611	460,192
Transfers (out)	(594,882)	(525,689)	(457,683)	(430,527)	(465,106)
Total other financing sources (uses)	(302)	140,303	270	480	28,309
Extraordinary loss					(3,126)
Net change in fund balances	\$ (5,300)	100,836	(39,017)	48,163	116,944
Debt service as a percentage of noncapital expenditures	8.10%	5.99%	7.64%	4.60%	4.32%

Table 5
County of San Diego
Assessed Value of Taxable Property
Last Ten Fiscal Years (1)
(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		
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
2008	381,485,632	3,321,363	3,528,453	10,387,757	8,219,783	1,207,922	389,295,500	1.00000
2009	398,804,220	3,411,110	3,604,712	10,891,875	9,043,072	1,293,899	406,374,946	1.00000
2010	389,083,154	3,261,524	3,597,697	11,596,968	9,779,505	1,465,316	396,294,522	1.00000
2011	384,566,788	3,361,476	3,642,380	10,997,174	10,332,112	1,458,658	390,777,048	1.00000
2012	387,715,176	3,326,188	3,604,459	10,878,963	10,959,285	1,578,206	392,987,295	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	Overlapping Rates (2)				Total Direct & Overlapping Rates
	County of San Diego (1)	Cities	Schools	Special Districts	
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
2008	1.000	0.005	0.058	0.009	1.072
2009	1.000	0.004	0.050	0.007	1.061
2010	1.000	0.004	0.063	0.008	1.075
2011	1.000	0.004	0.066	0.008	1.078
2012	1.000	0.004	0.073	0.009	1.086

(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 for cities, schools and special districts are chargeable to property owners within their respective tax rate areas (TRA). Overlapping rates do not apply to all property owners (e.g., the rates for special districts apply only to property owners whose property is located within the geographic boundary (TRA) 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, 2012
(In Thousands)**

Taxpayer	2012			2003		
	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value
San Diego Gas & Electric Company	\$ 5,607,607	1	1.47%	\$ 2,546,874	1	1.15%
Southern California Edison Co.	2,248,422	2	0.59%	1,244,408	3	0.56%
Kilroy Realty LLP	1,378,981	3	0.36%	539,637	4	0.24%
San Diego Family Housing LLC	1,355,792	4	0.36%	319,510	7	0.14%
Qualcomm Inc	1,283,394	5	0.34%	465,566	6	0.21%
Irvine Co.	1,212,309	6	0.32%			
Pacific Bell Telephone Company	882,849	7	0.23%	1,290,726	2	0.58%
Arden Realty LLP	570,105	8	0.15%			
O C/S D Holdings LLC	567,520	9	0.15%			
Genentech Inc	507,005	10	0.13%			
Fashion Valley Mall LLC				530,665	5	0.24%
L-O Coronado Holding II Inc				308,912	8	0.14%
Cabrillo Power I LLC				305,158	9	0.14%
Sea World Inc				280,063	10	0.13%
Totals	\$ 15,613,984		4.10%	\$ 7,831,519		3.53%

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	Collections within the Fiscal Year of the Levy			Total Collections to Date		
	Total Tax Levy for Fiscal Year (1)	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2003	\$ 2,328,624	\$ 2,291,331	98.40%	\$ 28,733	\$ 2,320,064	99.63%
2004	2,549,997	2,512,209	98.52%	28,094	2,540,303	99.62%
2005	2,808,178	2,759,201	98.26%	41,397	2,800,598	99.73%
2006	3,179,585	3,110,799	97.84%	61,803	3,172,602	99.78%
2007	3,559,982	3,454,709	97.04%	94,424	3,549,133	99.70%
2008	3,892,955	3,739,090	96.05%	133,325	3,872,415	99.47%
2009	4,063,749	3,903,633	96.06%	122,397	4,026,030	99.07%
2010	3,962,945	3,821,278	96.43%	80,150	3,901,428	98.45%
2011	3,907,770	3,795,900	97.14%	39,157	3,835,057	98.14%
2012	3,929,873	3,819,892	97.20%	N/A	3,819,892	97.20%

(1) Includes 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				
	2003	2004	2005	2006	2007
Governmental Activities:					
Certificates of Participation & Lease Revenue Bonds	\$ 395,285	344,365	393,395	356,690	364,355
San Diego County Redevelopment Agency Revenue Refunding Bonds	4,530	4,400	4,260	16,000	15,640
Tobacco Settlement Asset-Backed Bonds	449,235	440,305	430,350	583,904	584,137
Pension Obligation Bonds	824,395	1,268,878	1,252,243	1,238,405	1,206,887
Capital and retrofit loans	7,088	5,750	7,316	8,098	7,920
Capitalized Leases	40,860	37,346	34,625	31,894	29,623
Business-type Activities:					
Capital Loans		2,998	2,926	2,745	2,551
Sanitation Loans	195	195			
Total Primary Government	\$ 1,721,588	2,104,237	2,125,115	2,237,736	2,211,113
Percentage of Personal Income (1)	1.65%	1.86%	1.79%	1.77%	1.66%
Per Capita (1)	\$ 589	717	722	759	743
Fiscal Year					
	2008	2009	2010	2011	2012
Governmental Activities:					
Certificates of Participation & Lease Revenue Bonds	\$ 330,055	469,970	422,260	392,100	400,970
San Diego County Redevelopment Agency Revenue Refunding Bonds (2)	15,320	14,985	14,640	14,280	
Tobacco Settlement Asset-Backed Bonds	580,820	574,610	574,157	575,482	576,340
Pension Obligation Bonds	1,068,200	1,005,955	874,336	841,337	806,845
Capital and retrofit loans	7,043	7,043	7,404	7,162	6,167
Capitalized Leases	27,590		242	212	185
Business-type Activities:					
Capital Loans	2,255	2,038	1,809	1,566	1,313
Total Primary Government	\$ 2,031,283	2,074,601	1,894,848	1,832,139	1,791,820
Percentage of Personal Income (1)	1.41%	1.54%	1.38%	1.21%	1.15%
Per Capita (1)	\$ 646	651	588	588	570

(1) See table 13 Demographic and Economic Statistics

(2) Pursuant to California Assembly Bill ABx1 26, the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund.

Table 10
County of San Diego
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

	Fiscal Year				
	2003	2004	2005	2006	2007
Certificates of Participation & Lease Revenue Bonds	\$ 395,285	344,365	393,395	356,690	364,355
Less: Amounts Available in Debt Service Fund	25,957	21,798	29,085	29,380	35,238
Net Certificates of Participation & Lease Revenue Bonds	369,328	322,567	364,310	327,310	329,117
Pension Obligation Bonds	824,395	1,268,878	1,252,243	1,238,405	1,206,887
Less: Amounts Available in Debt Service Fund	2,369	14,966	66,550	50,822	27,328
Net Pension Obligation Bonds	822,026	1,253,912	1,185,693	1,187,583	1,179,559
Total Net Bonded Debt	\$ 1,191,354	1,576,479	1,550,003	1,514,893	1,508,676
Percentage of Actual Taxable Value of Property (1)	0.51%	0.62%	0.55%	0.48%	0.42%
Per Capita (2)	408	537	527	514	507
	Fiscal Year				
	2008	2009	2010	2011	2012
Certificates of Participation & Lease Revenue Bonds	\$ 330,055	469,970	422,260	392,100	400,970
Less: Amounts Available in Debt Service Fund	26,474	50,513	35,547	26,867	26,860
Net Certificates of Participation & Lease Revenue Bonds	303,581	419,457	386,713	365,233	374,110
Pension Obligation Bonds	1,068,200	1,005,955	874,336	841,337	806,845
Less: Amounts Available in Debt Service Fund	15,248	15,741	3,364	2,117	629
Net Pension Obligation Bonds	1,052,952	990,214	870,972	839,220	806,216
Total Net Bonded Debt	\$ 1,356,533	1,409,671	1,257,685	1,204,453	1,180,326
Percentage of Actual Taxable Value of Property (1)	0.35%	0.35%	0.32%	0.31%	0.30%
Per Capita (2)	431	443	390	386	375
(1) See Total Assessed Value on Statistical Table 5.					
(2) See population data on Statistical Table 13.					

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
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		4,449,977	100%
2008	4,866,194		4,866,194	100%
2009	5,079,687		5,079,687	100%
2010	4,953,682		4,953,682	100%
2011	4,884,713		4,884,713	100%
2012	4,912,341		4,912,341	100%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 392,987,295
Debt limit (1.25% of total assessed value) (2)	4,912,341
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	
Legal debt margin	\$ 4,912,341

(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 (3)	Interest	Coverage	
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	
2008	31,106	146	30,960	6,865	26,599	0.93	
2009	34,181	156	34,025	10,000	26,273	0.94	
2010	28,503	151	28,352	4,500	25,798	0.94	
2011	26,976	158	26,818	2,995	25,584	0.94	
2012	27,509	165	27,344	3,755	25,442	0.94	

(1) Data for fiscal years 2003-2006 applies to the Series 2001 Tobacco Settlement Asset-Backed (Tobacco) bonds that were issued in 2002. In May 2006, the Series 2001 Tobacco bonds were refunded and the Series 2006 Tobacco Settlement Asset-Backed bonds were issued.

(2) Operating expenses do not include interest.

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

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) (2)	School Enrollment (3)	Unemployment Rate (4)
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	2,941,658	118,793,000	40,383	498,186	4.5
2006	2,948,362	126,194,000	42,801	495,228	4.2
2007	2,974,861	133,369,000	44,832	496,699	4.6
2008	3,146,274	143,873,000	45,728	494,016	6
2009	3,185,462	134,696,000	42,285	496,702	10.2
2010	3,224,432	137,525,000	42,651	496,995	11.0
2011	3,115,810	151,539,000	48,635	498,243	10.4
2012	3,143,429	155,500,000	49,468	498,263	9.2

Sources:

Primary

(1) DOF - The California Department of Finance

(2) LAEDC- Los Angeles County Economic Development Corporation, the Kyser Center for Economic Research

(3) California Department of Education & Education Data Partnership

(4) U.S. Department of Labor, Bureau of Labor Statistics

Secondary

(1) BEA - Bureau of Economic Analysis, U.S. Department of Commerce

Table 14
County of San Diego
Principal Employers
Current Year and Nine Years Ago

Employer	2012			2003		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (3)
Federal Government	45,500	1	3.14%	40,700	1	2.95%
State of California	42,900	2	2.96%	38,800	2	2.81%
University of California, San Diego	27,391	3	1.89%	23,225	4	1.68%
County of San Diego (4)	15,687	4	1.08%	18,181	5	1.32%
Sharp HealthCare	15,231	5	1.05%	12,945	6	0.94%
San Diego Unified School District	14,603	6	1.01%	26,701	3	1.93%
Scripps Health	14,097	7	0.97%	10,517	9	0.76%
Qualcomm Inc.	11,400	8	0.79%			
City of San Diego	10,057	9	0.69%	12,398	7	0.90%
Kaiser Permanente	7,731	10	0.53%			
U.S. Postal Service, San Diego District				11,611	8	0.84%
San Diego State University				6,512	10	0.47%
Total	204,597		14.11%	201,590		14.60%

Sources:

(1) San Diego Business Journal

(2) California Labor MarketInfo
 Percentage is calculated by dividing employees by total employment of 1,450,600 as of June 2012

(3) California Labor MarketInfo
 Percentage is calculated by dividing employees by total employment of 1,381,200 as of June 2003

(4) County of San Diego 2012 and 2003 Adopted Operational Plans

Table 15
County of San Diego
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2003	2004	2005	2006	2007
General	1,605	1,578	1,495	1,486	1,505
Public protection	8,006	7,667	7,506	7,673	7,804
Public ways and facilities	380	351	350	366	373
Health and sanitation	2,315	2,250	2,130	2,127	2,188
Public assistance	4,027	3,737	3,567	3,761	3,659
Education	281	265	265	275	295
Recreation and cultural	145	154	154	158	168
Total	16,759	16,002	15,467	15,846	15,992
Function	Fiscal Year				
	2008	2009	2010	2011	2012
General	1,538	1,515	1,487	1,477	1,451
Public protection	8,027	7,879	7,575	7,362	7,430
Public ways and facilities	393	405	390	374	367
Health and sanitation	2,242	2,222	2,136	2,088	2,045
Public assistance	3,781	3,659	3,497	3,321	3,440
Education	297	312	293	277	256
Recreation and cultural	180	176	173	169	171
Total	16,458	16,168	15,551	15,068	15,160

Source: County of San Diego Auditor and Controller, Central Payroll Division

Table 16
County of San Diego
Operating Indicators by Function
Last Nine Fiscal Years (1)

Function	Fiscal Year				
	2004	2005	2006	2007	2008
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	(2)	74.00%	96.10%	94.50%	99.80%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	(2)	(2)	100.00%	100.00%	100.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	(2)	99.00%	98.00%	97.20%	96.00%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	41.00%	42.10%	49.00%	50.00%	51.00%
Sheriff: Deputy Initiated Actions (DIA)	(2)	221,732	215,346	243,118	263,626
Sheriff: Number of jail bookings	139,019	145,180	144,727	146,566	142,357
Sheriff: Daily average – number of inmates	5,009	5,102	5,184	5,118	5,209
District Attorney: Felony defendants received	30,108	31,150	31,182	30,357	27,849
District Attorney: Misdemeanor defendants received	27,575	25,443	28,068	28,081	28,458
Planning and Land Use: Percent of building inspections completed next day	100.00%	100.00%	100.00%	100.00%	100.00%
Animal Services: Percentage euthanized animals that were treatable	(2)	12.90%	12.90%	13.80%	15.80%
Public ways and facilities					
Public Works: Protect water quality through Department of Public Works roads/ drainage waste debris removal (cubic yards removed)	(2)	42,000	51,287	28,700	29,580
Health and sanitation					
Regional Operations: Children age 0-4 years receive age-appropriate vaccines	(2)	(2)	(2)	(2)	(2)
Regional Operations: Children age 11-18 years receive age-appropriate vaccines	(2)	(2)	(2)	(2)	(2)
Behavioral Health Services: Wait time for children's mental health outpatient treatment	9 days	5 days	4 days	4 days	4 days
Public assistance					
Strategic Planning and Operational Support: Welfare to work participants have paid employment	(2)	(2)	(2)	(2)	(2)
Strategic Planning and Operational Support: Welfare to work participants participating in work activities	(2)	(2)	(2)	(2)	(2)
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	93.00%	94.00%	96.00%	96.00%	95.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent)	74.00%	76.00%	79.00%	83.00%	86.00%
Education					
County Library: Annual average circulation per item	(2)	2.51	2.57	3.08	3.10
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and managed	37,326	40,000	40,600	41,100	41,500
Parks and Recreation: Number of miles of trails managed in the County trails program	(2)	(2)	275	305	315

(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

Continued on next page ►►►

Table 16

**County of San Diego
Operating Indicators by Function
Last Nine Fiscal Years (1)**

(Continued)

Function	Fiscal Year			
	2009	2010	2011	2012
General				
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	94.00%	93.00%	94.00%	98.00%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	100.00%	100.00%	100.00%	99.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	96.30%	97.00%	98.00%	97.00%
Public protection				
Child Support Services: Percent of current support collected (federal performance measure #3)	50.00%	53.00%	59.00%	64.00%
Sheriff: Deputy Initiated Actions (DIA)	270,666	333,924	322,753	300,774
Sheriff: Number of jail bookings	144,756	139,314	136,451	130,044
Sheriff: Daily average – number of inmates	5,141	4,751	4,622	4,846
District Attorney: Felony defendants received	28,150	27,744	26,619	25,983
District Attorney: Misdemeanor defendants received	29,512	28,896	28,926	26,800
Planning and Land Use: Percent of building inspections completed next day	100.00%	100.00%	100.00%	100.00%
Animal Services: Percentage euthanized animals that were treatable	15.90%	24.00%	26.40%	25.30%
Public ways and facilities				
Public Works: Protect water quality through Department of Public Works roads/ drainage waste debris removal (cubic yards removed)	29,180	28,802	27,680	25,404
Health and sanitation				
Regional Operations: Children age 0-4 years receive age-appropriate vaccines	(2)	99.00%	99.00%	99.00%
Regional Operations: Children age 11-18 years receive age-appropriate vaccines	(2)	97.00%	97.00%	99.00%
Behavioral Health Services: Wait time for children's mental health outpatient treatment	7 days	5 days	5 days	5 days
Public assistance				
Strategic Planning and Operational Support: Welfare to work participants have paid employment	(2)	26.45%	16.00%	20.00%
Strategic Planning and Operational Support: Welfare to work participants participating in work activities	(2)	42.00%	24.00%	41.00%
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	96.00%	95.00%	96.00%	96.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent)	87.00%	85.20%	82.00%	79.00%
Education				
County Library: Annual average circulation per Item	5.44	6.46	9.95	7.98
Recreation and cultural				
Parks and Recreation: Number of parkland acres owned and managed	45,043	44,616	45,187	45,661
Parks and Recreation: Number of miles of trails managed in the County trails program	320	325	326	329

(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 Eight Fiscal Years (1)

Function	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
General government								
Fleet vehicles	1,608	1,797	1,492	2,186	1,841	1,608	1,664	1,872
Buildings	1,038	1,029	1,108	1,131	1,135	1,092	1,096	1,085
Land	884	896	917	940	989	1,015	1,042	1,073
Public protection								
Building - sub stations	5	5	9	12	12	11	12	12
Patrol units	922	920	1,415	1,491	1,519	1,806	1,404	1,310
Detention facilities	9	9	10	10	10	10	10	10
Public ways and facilities								
Road miles	1,905.79	1,911.18	1,921.25	1,927.99	1,929.40	1,930.70	1,932.05	1,932.83
Bridges	174	174	174	178	178	178	178	196
Airports	8	8	8	7	7	7	7	7
Road stations	32	32	15	15	15	15	14	14
Health and sanitation								
Inactive landfills	11	11	18	17	17	23	23	23
Sewer lines miles	376.32	379.31	379.83	406.00	425.10	427.00	432.00	432.00
Water pollution control facilities	2	2	3	3	3	4	5	5
Wastewater Treatment Plants								3
Wastewater Pump Stations								8
Public assistance								
Administration building	1	1	1	1	1	1	1	0
Housing facilities	6	6	6	6	6	6	6	6
Education								
Libraries	27	27	20	20	20	20	20	20
Recreation and cultural								
Parks/Open space area	90	90	92	95	92	92	91	91
Camp grounds	9	9	9	9	8	8	8	8

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

Source: Various County departments



Botanical Building, Balboa Park

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County of San Diego, California
County Administration Center
1600 Pacific Highway
San Diego, CA 92101
www.sdcountry.ca.gov

