



County of San Diego, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2006

Board of Supervisors

Greg Cox, District One
Dianne Jacob, District Two
Pam Slater-Price, District Three
Ron Roberts, District Four
Bill Horn, District Five

Walter F. Ekard
Chief Administrative Officer

Donald F. Steuer
Chief Financial Officer

Tracy M. Sandoval
Auditor and Controller

*Performance with
Distinction*

Cover Photo:

Cabrillo National Monument
San Diego, California

Eddie Head, Photographer



*County of San Diego
California*

**Comprehensive
Annual Financial
Report**

For the Fiscal Year Ended June 30, 2006

Chief Administrative Officer
Walter F. Ekard

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

Auditor and Controller
Tracy M. Sandoval

BOARD OF SUPERVISORS

First District
Second District
Third District
Fourth District
Fifth District

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



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December 8, 2006

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

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of San Diego, California (the County) for the fiscal year ended June 30, 2006 with the Independent Auditor's Report, submitted in compliance with California Government Code Section 25253. The Auditor and Controller's department has prepared the CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the changes in financial position as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the County's financial affairs.

The CAFR was prepared to satisfy the financial reporting requirements for State and local governments issued by the GASB, which require that management provide a narrative

introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements.

The CAFR has been audited by the Independent certified public accounting firm of Macias Gini & O'Connell LLP which has issued an unqualified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2006. The Independent Auditor's Report is located at the front of the financial section of this report.

COUNTY PROFILE

San Diego County is the southernmost major metropolitan area in the State of California and covers 4,255 square miles, extending 70 miles along the Pacific Coast from Mexico to Orange County, and inland 75 miles to Imperial County



along the international border shared with Mexico. Riverside and Orange counties form the northern boundary. The County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most resources and population are located. The average annual rainfall in the coastal areas is 10 inches, so that the County is highly dependent on imported water.

The County population in January 2006 was estimated to be 3,066,820, an increase of 0.9% over the adjusted January 2005 figure of 3,039,277, and it is the third largest county by population in California behind Los Angeles and Orange counties. There are 18 incorporated cities in the County; of them, the City of San Diego is the largest, with population of approximately 1.311 million, and Del Mar is the smallest, with a population of approximately 4.5 thousand. In addition, Tijuana, Mexico, with an estimated population of 1.2 million, is a substantial urban neighbor with a shared border, workforce, and economy.

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

COUNTY GOVERNMENT, ECONOMY AND OUTLOOK

County Government

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to

time. A five-member Board of Supervisors elected to four-year terms in district nonpartisan elections governs the County. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. The Chief Administrative Officer appoints the Chief Financial Officer and the Auditor and Controller. Elected officials include the Assessor/Recorder/ County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

Many of the County's functions are required under County ordinances or by state or federal mandate, as County government is the delivery system for federal and state as well as local programs. The County supports a wide range of services to its residents including regional services such as elections, public health and welfare, and environmental services. The County also provides to the unincorporated areas public safety, basic community services such as planning and parks, and infrastructure such as roads and waste disposal. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, with eligible costs subject to reimbursement according to specific guidelines; however, not all mandated costs are reimbursed.

Economy and Outlook

In recent years, the County has enjoyed economic stability. For example, the unemployment rate for the County has been lower than that of the State for the last 6 years, and at July 2006 was 4.3% as compared to 5.1% for the State. Since the early 1990's San Diego County has seen an increasing diversification of economic activity and has evolved as a hub for research and development (R&D) and product manufacturing in telecommunications, biotechnology, military products, electronics and information technology.

Much of San Diego's economic strength has been derived from employment gains, commercial and industrial development and steady population growth. Looking forward, the state and federal economies are expected to grow moderately, with increases in business investment and slower growth in consumer spending. The San Diego economy is expected to grow moderately, in line with the expansion of the state and federal economies. San Diego



also is expected to maintain its favorable unemployment position relative to the state and nationally. Also the County is expected to regain its favorable position in relation its gross regional product versus the state and national gross domestic product.

The County's economic base consists of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence. Highlights of County employment as of July 2006 are listed below.

- Non-agricultural employment totaled 1,296,300 jobs.
- The services industry constitutes the largest employment sector and accounted for approximately 45% of nonagricultural employment, with a total of 583,100 employed.
- The wholesale and retail trade industries were the second largest, non-government sector, comprising approximately 14.8% of non-agricultural employment with a total of 191,900 jobs.
- Government accounted for approximately 16.1% of total employment and manufacturing accounted for an additional 8.0%. San Diego's military presence is anticipated to remain relatively stable. Figures for 2005 are not available. Military payrolls in San Diego have increased 9.6% annually over the prior three years (from 2001 to 2004) and procurement contracts have increased over 20% annually. This level of growth is not expected to continue; however, military payrolls and base expenditures are expected to remain stable with some growth anticipated in defense contracts. Agriculture accounted for approximately 0.83% of total employment.
- The construction and transportation sectors of employment are greatly influenced by the general health of the economy due to the fact that they serve the local market exclusively. The construction industry in particular has a significant multiplier effect on the economy as a whole. These two sectors are therefore directly influenced by the growth of population and housing. Although construction continued to benefit

in 2005 from relatively low interest rates, rising interest rates in 2006 threaten to dampen future growth. The San Diego Regional Chamber of Commerce predicts a slowdown in residential building permits, with a decrease in construction jobs, flattening housing prices, and increases in foreclosures and defaults.

- Employment growth over the next year will be led by increases in service and trade industries (i.e., biotech, telecommunications, tourism, and trade). Overall, the San Diego economy in 2006 is expected to add approximately 21,000 jobs, down slightly from 22,000 in 2005. However, as of August 2006, San Diego added only 6,000 jobs.

County revenues based on the local economy such as property taxes, sales taxes, and charges for services have benefited from the region's strength. For example, new real estate construction plus active resale markets over the last 6 years have resulted in an increase of 87% in the assessed value of property subject to property taxes (net of exemptions). Going forward, real estate markets are expected to remain stable and growth will moderate. In addition to conditions of demand and supply, real estate market activity is also affected by interest rates. Although Mortgage rates increased in 2005 and 2006, they are still low by historical standards. There is, however, uncertainty about the direction of key interest rates for the second half of 2006 and for 2007.

Based on the California Association of Realtors' Housing Affordability Index, San Diego's housing affordability, a measure indicating the average household's ability to afford a median-price home, stood at 9% for December 2005. This figure compares to 14% for California and 49% for the nation. Transportation demands and traffic congestion will affect the current and future quality of life, given suburban residential growth and business expansion, such as the gaming industry, outside city centers on formerly rural and agricultural land.

GENERAL MANAGEMENT SYSTEM

The General Management System (GMS) is the formal comprehensive guide for planning, implementing, monitoring and rewarding all functions and processes of County



Government. The GMS establishes good business practices and fiscal discipline, both of which are essential to achieve the County of San Diego's vision, "A County Government that has earned the respect and support of its residents." The purpose of the GMS is to optimize the efficient application of resources in the delivery of services to our residents. These resources include not just taxpayer dollars, but all San Diego County assets, including our unique natural and cultural resources, the expertise and creativity of County employees, and the informed interest of County residents. The idea behind the GMS is straightforward: County government will be able to provide superior services if it sets sound goals and applies strong management principles to achieve those goals.

The County has an annual budget of more than \$4.3 billion and almost seventeen thousand employees who serve about three million residents spread over more than 4,000 square miles. Coordination, fiscal and operational discipline, and shared commitment are vital. The GMS facilitates and organizes the goal setting process. The GMS then links goal setting and long-range planning and resource allocation to goal attainment, which includes monitoring, evaluation, cooperation, motivation, and recognition. The GMS helps ensure that County employees adhere to core principles, promoting a culture that values our employees, partners, and customers and institutionalizes continuous improvement and innovation.

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

completes a full circle in a fiscal year and begins again with a review of the Strategic Plan and development of a new Operational Plan.

County management defines and communicates GMS objectives. Lines of authority flow from the Board of Supervisors to the Chief Administrative Officer (CAO), Assistant CAO (ACAO), and the five Group General Managers/Deputy CAOs. These senior managers supervise appointed department heads, from whom authority flows down to line staff. Despite the crucial role of management, the success of the GMS depends on strong and effective leadership at all levels of County service. Every County employee is expected to help set goals, strive to achieve them, and be rewarded for achievement.

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

STRATEGIC AND OPERATIONAL PLANNING (BUDGETARY) PROCESS

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



FINANCIAL (BUDGETARY) POLICIES

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

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

Administrative Code

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

Board of Supervisors Policies

A-91 Mid-Year Budget Changes: All mid-year General Fund savings and over realized revenue identified by County departments will be used to offset net County costs of the appropriate program. In addition, all letters to the Board of Supervisors will include a standardized statement of costs necessary to implement the recommendations submitted for actions, and a justification of the need for the proposal to be addressed outside the annual process, where competing needs could be evaluated.

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

B-51 Grants, Awards & Revenue Contracts: Requires County departments to certify in writing that a proposed activity or project funded primarily by the State or federal government would be worthy of expending County funds if that outside funding were not available.

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

Administrative Manual

0030-13 Budget Program/Project Follow-Up: Sunset dates will be placed on programs intended to have limited duration, and related staff and other resources will not be shifted to other activities without the Board of Supervisors' approval.

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

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

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

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

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

STRATEGIC INITIATIVES AND ACHIEVEMENTS

San Diego continues to adjust to the following significant external events of the last few years:

- The failure of State government to develop a viable long-term solution to its budget imbalance remains a risk to funding and stability of County programs, since State aid is the primary source of County revenues. Although, according to the California Legislative Analyst's Office ("LAO") the



California economy has improved, the budget still relies on one-time spending such as debt issuance and has a structural operating shortfall. Risk and uncertainty surrounding State support to local governments for mandated as well as discretionary programs persisted throughout Fiscal Year 2005-2006 and is expected to remain.

- The September 11, 2001, terrorist attacks and ensuing domestic and international Wars on Terrorism continue to color all public safety and emergency preparedness efforts of local government. During the fiscal year, San Diego County coordinated the Countywide Homeland Security Exercise and Evaluation Program through the Office of Emergency Services. The Office of Emergency Services also administered \$9.2 million in State Homeland Security grant funds provided to County departments, fire protection districts and the incorporated cities for protective equipment, training and exercises to respond to terrorist incidents.

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

KIDS

Improve opportunities for children.

THE ENVIRONMENT

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

SAFE AND LIVEABLE COMMUNITIES

Promote safe and livable communities.

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

- Fiscal Stability
- Customer Satisfaction

- Regional Leadership
- Skilled, Competent Workforce
- Essential Infrastructure
- Information Technology
- Accountability/Transparency
- Continuous Improvement

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

KIDS

- Promoted the well-being and the self-sufficiency of families through success in the child support program. Over a five-year period, the amount of undistributed child support collections was reduced from \$7.0 million to less than \$1.0 million, a significant accomplishment resulting in more timely financial support to families.
- Provided alcohol and drug treatment with the result that 251 (75%) adolescents successfully discharged from care, completed high school or the equivalent or were enrolled in an educational setting.
- Through rehabilitation and education the Probation Department ensured that 97% of juvenile offenders placed on informal supervision did not re-offend.
- The County Library opened two new libraries in Bonita-Sunnyside and Campo-Morena and expanded programs in its diverse communities. Some examples are Teen Councils, library cards for foster children, and Noche de la Familia.
- Developed a new program to hire at-risk youth to provide them with job skills and training, and potentially a career path at the County.
- Introduced a youthful offender intensive supervision pilot program to reduce substance abuse and increase employment; preliminary results show a 50% increase in employment rates.
- Immunized 2,200 (89%) children to prevent the spread of childhood communicable diseases.



- Assured that kids have access to health care by enrolling 1,000 eligible children in publicly funded healthcare programs.
- Increased the self-sufficiency of 4,320 parents (90% per month) who got jobs, exited cash assistance, and stayed off for at least six months.

THE ENVIRONMENT

- Preserved 344 acres of Multiple Species Conservation Program (MSCP) land and open space for the enjoyment of our current residents and future generation.
- Created spaces that allow for increased distribution and habitat conservation for our biologically significant and diverse species, and managed 275 miles of trails over 40,000 acres of park land open space, and over 60 facilities.
- Developed intergovernmental agreements with the Viejas Band of Kumeyaay Indians, San Pasqual Band of Mission Indians, Santa Ysabel Band of Diegueno Mission Indians, La Posta Band Band of Mission Indians, and Barona Band of Indians to mitigate the environmental and infrastructure impacts of new casinos or casino expansion on the surrounding communities.
- Managed the Indian Gaming Special Distribution Fund Grant Program, which resulted in over \$8.3 million for public safety and road improvement projects.
- Completed a stormwater Report of Waste Discharge and Long-term Effectiveness Assessment which provided extensive review and analysis of existing water protection programs.
- The federal Environmental Protection Agency (EPA) confirmed the San Diego County Air Pollution Control District has the most improved ozone air quality of any other area in the country.
- Examined the Land Development Permit Process and reduced the amount of time by 35-50% for the environmental review process associated with discretionary permitting.

SAFE AND LIVEABLE COMMUNITIES

- The Sheriff led the Deoxyribonucleic Acid (DNA) Steering Committee established to implement Proposition 69, the DNA Fingerprint, Unsolved Crime, and Innocence Protection Act. Over 17,000 DNA samples were collected from convicted offenders and juvenile probationers.
- The District Attorney secured convictions in 94% of felony cases. PSG departments partnered with local and federal law enforcement agencies on anti-gang operations. These operations used proactive narcotics and gang investigations to remove dangerous gang members from the community, for drug offenses, before they could commit more violent crimes.
- In efforts to monitor sex offenders, the Sheriff ensured that 97% of sex offenders were in compliance with registration and reporting requirements. Through the Probation Department, sex offenders participated in a pilot Global Positioning System (GPS) monitoring program which tracks them seven days a week, 24 hours a day.
- A pilot Multiple Conflicts Office was created to represent indigent persons in a cost-effective manner.
- The Office of Emergency Services (OES) successfully coordinated the largest full scale terrorism exercise ever conducted in San Diego County. The exercise tested the communication and coordinated response ability of emergency personnel from all 18 cities in the County and State and federal agencies.
- OES completed a Recovery Plan for San Diego County to ensure the County is sufficiently prepared to help citizens recover from a disaster.
- An innovative program was implemented in which Girl Scouts distributed Family Disaster Plans to earn merit badges. Plans were distributed to over 15,000 households.
- The passage of the Vector Benefit Assessment Fee further protected our residents from West Nile virus, Hanta Virus and



Dengue Fever and allowed us to expand our current rat control program and on-line reporting services.

- The Land Use and Environment Group implemented a new Fire Services Program that has provided much-needed funding to 16 fire agencies covering 39 fire stations, which will protect open space, our neighborhoods and homes. Besides directly helping to reduce loss from fire, this funding should also help to increase Insurance Services Office (ISO) ratings, eventually reducing residents' cost of fire insurance.
- Used 100% of a \$7.8 million grant to remove 273,000 dead, dying, and diseased trees, which further protected our residents and improved evacuation corridors for residents in the backcountry.
- Enrolled and trained 50 community healthcare providers on the County's new web-based disease reporting system to enhance the County's public health surveillance, investigation, and response capacity.
- Provided SanGIS Information at no cost to the public to ensure geographical information is available to the wildest audience possible.
- Responding to public demand for fair and transparent elections, the Registrar of Voters successfully conducted five elections providing access to polls for all voters and provided voting information in four languages.
- Provided housing assistance to 10,800 families and conducted inspections for federal quality standards and fraud reviews. Federal community development programs supplied funding for improvements in parks, senior centers, and affordable housing projects.
- The Department of Animal Services participated in two major animal rescue efforts, Hurricane Katrina dog rescue and reunification with owners and the Border Puppy Task Force, a multi-agency effort that rescued unhealthy and under-aged puppies being smuggled into the County.

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, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

OTHER AWARDS AND RECOGNITIONS

Even with the financial and environmental challenges of Fiscal Year 2006, the County was recognized for many activities that highlight progress in the Strategic Plan Initiatives. County programs received awards for operational and service delivery achievements, technological innovations, and prudent fiscal management.

- For the second year in a row, the County of San Diego dominated the annual Achievement Awards contest held by the National Association of Counties (NACo) for programs that save taxpayer dollars and provide valuable services to the public. The County won 41 awards in the 2006 Achievement Awards Program held by NACo for such accomplishments as Computers for Self-Sufficiency, Ethical and Legal Standards Program, Fire Safety and Fuels Reduction Program, Community Protection and Evacuation Plan Program, Safety First Program, New Kids-Oriented Web Page, and Manager's Development Institute.
- The Government Finance Officers Association of the United States and Canada (GFOA) recognized the County with the *Distinguished Budget Presentation Award* for the 2005-06 & 2006-07 Operational Plan.



- San Diego County again won a prestigious Challenge Award and several Merit Awards from the California State Association of Counties (CSAC) for 2005. San Diego County's Library system won the Challenge Award - one of only 10 Challenge Awards given statewide (out of 234 entries) - for its Amazon Wish List program, which makes it easier for Library supporters and Friends groups to donate appropriate and needed materials to the County's libraries. The three County programs selected for CSAC Merit Awards include the Animal Euthanasia Reduction Program (Animal Services), the Aging Summit (Health and Human Services Agency), and the District Attorney's CalWorks fraud reduction program known as Project 100%.
- American Farmland Trust, a national program dedicated to protecting the nation's farm and ranchlands, has featured the County's new website dedicated to the San Diego Farming Program. The Trust described the new website as a "comprehensive resource for farmers and as a model for other urban counties." The website is at www.sdfarmingprogram.org.
- The General Services Fleet Management Division received recognition in two nationwide award programs this fiscal year. The County's Fleet Management division placed second in Fleet Equipment Magazine's "100 Best Fleets" recognition program. The list recognizes top performing organizations based on accountability, utilization of technology, staff collaboration and recognition, creativity, vehicle maintenance efficiency, and operational cost. There are 36,000 fleet departments nationwide and 250 were considered for the award. Fleet Management also received two of five Best Practices awards presented at the 8th California Fleet News National Fleet Management Conference. San Diego County was recognized for its Standardized Fleet Vehicle Program and application of the County's General Management System in fleet operations.
- The Hazardous Materials Division (HMD) of the Department of Environmental Health was recognized by the California Certified Unified Program Agency (CUPA) Forum Board as the Outstanding Certified Program Agency for 2005. HMD regulates over 12,000 businesses in San Diego County and performs inspections to verify compliance with laws and regulations related to hazardous materials, hazardous waste, medical waste, and/or underground storage tanks.
- The County's Housing and Community Development Department, operating as the County's Housing Authority, was rated as a "High Performer" by the U.S. Department of Housing & Urban Development (HUD), for the fourth year in a row, based on excellence in its administration and operation of the County's Section 8 Rental Assistance Program which provides Section 8 Assistance to more than 10,400 families in the unincorporated area of the County, as well as 13 incorporated cities.
- The County Television Network (CTN) received a record nine "Emmy" Awards from the National Academy of Television Arts and Sciences (NATAS), Pacific Southwest Chapter, during Fiscal Year 2005-2006, competing against programs produced by commercial television stations, as well as by other government access cable stations. The Department of Media and Public Relations also won 12 awards from the National Association of Telecommunications Officers and Associates (NATOA) for various CTN programs, including second place in the nation for overall excellence in government programming.



ACKNOWLEDGMENTS

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

Respectfully,

Handwritten signature of Donald F. Steuer in black ink.

DONALD F. STEUER
Chief Financial Officer

Handwritten signature of Tracy M. Sandoval in black ink.

TRACY M. SANDOVAL
Auditor and Controller



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Diego
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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President

Executive Director

Board of Supervisors

Bill Horn
District 5
Chair



Ron Roberts
District 4
Vice Chair



Greg Cox District 1



Dianne Jacob District 2

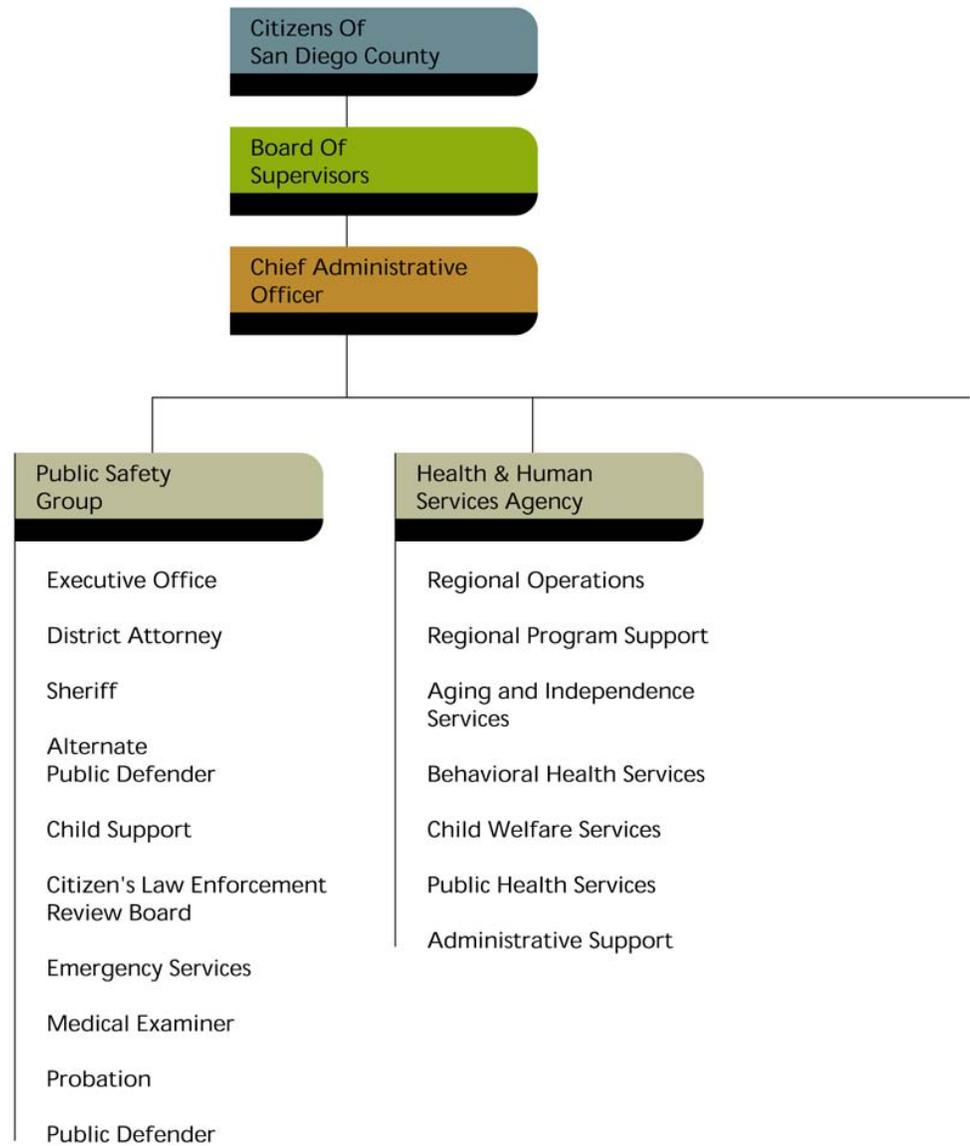


Pam Slater-Price District 3





Organizational Chart



Organizational Chart





OTHER COUNTY OFFICERS

Chief Administrative Office

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

Elected Officials

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

General Managers

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

Department Heads

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

Other Elected and Appointed Officials



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



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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of San Diego, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Diego, California (County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the First 5 Commission of San Diego (Commission), the discretely presented component unit, and the San Diego County Employees Retirement Association (SDCERA), which represents 67%, 69%, and 7% of the assets, net assets/fund balances and revenues, respectively, of the aggregate remaining fund information as of and for the year ended June 30, 2006. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission and SDCERA, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2006, 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 December 8, 2006 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 23 through 39, 112 through 114, and 116, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 8, 2006

Management's Discussion and Analysis



Don Steuer
Chief Financial Officer



Tracy M. Sandoval
Auditor and Controller

This section of the County of San Diego's (County) Comprehensive Annual Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2006.

The intent of the information presented here, in conjunction with the Letter of Transmittal is to provide the reader with a clearer picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

Financial Highlights

- The assets of the County exceeded liabilities at the close of the fiscal year 2006 by \$2.57 billion (net assets). Of this amount, \$2.46 billion is invested in capital assets, net of related debt; \$225 million is restricted for specific purposes (restricted net assets); and the remaining portion represents a deficit balance in unrestricted net assets of (\$117) million.
- Total net assets increased by \$388 million. For governmental activities, revenues exceeded expenses by \$369 million. For business type activities, revenues exceeded expenses by \$18.7 million.
- General revenues for governmental activities were \$1.25 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for \$778 million or 62 percent; other taxes, sales and use taxes for roads, sales and use taxes for public protection, sales and uses taxes, interest and other general revenues accounted for \$475 million or 38 percent.

- Program revenues for governmental activities were \$2.3 billion. Of this amount, \$1.8 billion or 80 percent was attributable to operating grants and contributions while charges for services accounted for \$456 million or 20 percent.
- The total expenses for governmental activities were \$3.14 billion. Public Protection accounted for \$1.02 billion or 32.5 percent of this amount, while Public Assistance accounted for \$1.01 billion or 32.4 percent. Additionally, health and sanitation accounted for \$560 million or 18 percent.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) *Government-wide* financial statements 2) *Fund* financial statements, and 3) *Notes* to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

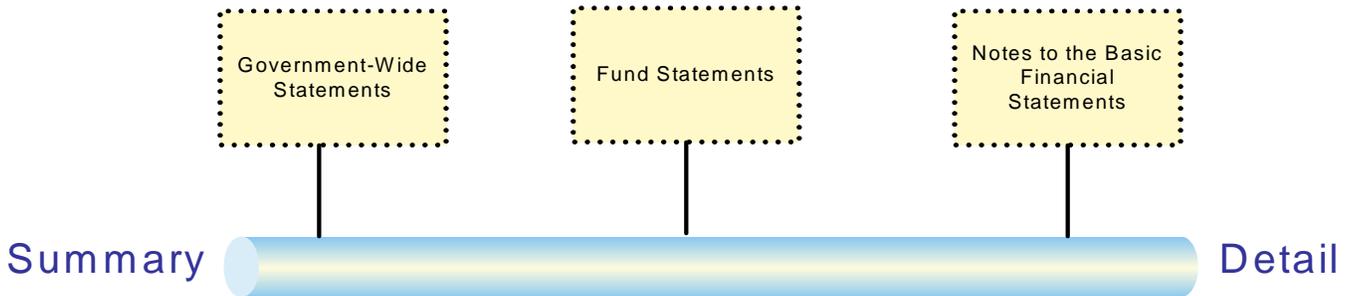
The Government-wide financial statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed



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



during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of

the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains twenty-eight individual governmental funds. Information is presented



separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Tobacco Securitization Special Revenue Fund, both of which are considered to be major funds. Data from the other twenty-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining financial statements and supplemental information section in this report.

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); for start up services for new and existing county service districts; for the County's uninsured risk management activities; the financing of fleet services; for facilities management activities; for the financing of information technology services; and for the financing of clothing and personal sundry items for persons

institutionalized at various County facilities. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The County's *eight internal service funds* are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the combining financial statements/schedules and supplemental information section in this report.

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

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

Required supplementary information is presented concerning the County's General Fund budgetary schedule, and San Diego County Employees Retirement Association (SDCERA) pension schedules. The County adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. In addition, a budgetary comparison schedule has been provided for the Tobacco Securitization Special Revenue Fund for it was determined to be a major governmental fund. The SDCERA pension schedules have been provided to present SDCERA's progress in funding its obligation to provide pension benefits to County employees.



Combining financial statements/schedules and supplemental information section of this report presents combining and individual fund statements and schedules referred to earlier that provide information for nonmajor

governmental funds, enterprise funds, internal service funds and fiduciary funds and are presented immediately following the required supplementary information section of this report.

Government-wide Financial Analysis

Table 1

Net Assets June 30, 2006 (In Thousands)						
	Governmental Activities		Primary Government Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current and other assets	\$ 2,610,156	2,456,419	84,646	79,091	2,694,802	2,535,510
Capital assets	2,710,793	2,674,393	100,174	87,581	2,810,967	2,761,974
Total assets	5,320,949	5,130,812	184,820	166,672	5,505,769	5,297,484
LIABILITIES						
Long-term liabilities	2,396,272	2,335,192	3,134	3,250	2,399,406	2,338,442
Other liabilities	530,516	771,977	3,349	2,696	533,865	774,673
Total liabilities	2,926,788	3,107,169	6,483	5,946	2,933,271	3,113,115
NET ASSETS						
Invested in capital assets, net of related debt	2,367,442	2,341,126	97,212	84,416	2,464,654	2,425,542
Restricted	224,635	223,565			224,635	223,565
Unrestricted	(197,916)	(541,048)	81,125	76,310	(116,791)	(464,738)
Total net assets	\$ 2,394,161	2,023,643	178,337	160,726	2,572,498	2,184,369

Analysis of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$2.57 billion at the close of fiscal year 2006.

The largest portion of the County's net assets (96 percent) reflects its investment of \$2.46 billion in capital assets (e.g. land, infrastructure, buildings, and equipment); less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the

capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net assets, \$225 million, represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments.

The remaining portion of the County's net assets represents a deficit of (\$117 million). This deficit was \$348 million less than the prior year's deficit of (\$465 million) and was due in large part to the overall increase in net assets of \$388 million, principally due to a \$203 million increase in operating grants and contributions; \$73 million in property taxes; and \$58 million in property taxes in lieu of vehicle license fees.



Table 2

**Changes in Net Assets
June 30, 2006 (In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 455,559	414,384	29,006	30,651	484,565	445,035
Operating grants and contributions	1,792,663	1,589,378	9,994	3,700	1,802,657	1,593,078
Capital grants and contributions	5,283	32,303	58	1,036	5,341	33,339
General revenues:						
Property taxes	516,569	443,525			516,569	443,525
Other taxes	34,219	34,812			34,219	34,812
Sales and use taxes for roads	38,702	35,961			38,702	35,961
Sales and use taxes for public protection	236,438	222,218			236,438	222,218
Property taxes in lieu of vehicle license fees	261,695	203,788			261,695	203,788
Sales and use taxes	23,475	89,102			23,475	89,102
Interest	63,810	38,066	7,048	1,730	70,858	39,796
Other	78,651	83,079	160	287	78,811	83,366
Total revenues	3,507,064	3,186,616	46,266	37,404	3,553,330	3,224,020
Expenses:						
Governmental Activities:						
General government	240,158	232,826			240,158	232,826
Public protection	1,021,464	960,227			1,021,464	960,227
Public ways and facilities	128,268	122,797			128,268	122,797
Health and sanitation	559,709	545,805			559,709	545,805
Public assistance	1,015,481	972,592			1,015,481	972,592
Education	32,488	27,394			32,488	27,394
Recreation and cultural	23,376	21,405			23,376	21,405
Interest expense	116,692	106,612			116,692	106,612
Business-type Activities:						
Airport			7,699	8,117	7,699	8,117
Wastewater Management			4,733	5,076	4,733	5,076
Sanitation Districts			15,133	20,564	15,133	20,564
Total expenses	3,137,636	2,989,658	27,565	33,757	3,165,201	3,023,415
Change in net assets before transfers	369,428	196,958	18,701	3,647	388,129	200,605
Transfers	1,090	764	(1,090)	(764)		
Change in net assets	370,518	197,722	17,611	2,883	388,129	200,605
Net assets at beginning of year	2,023,643	1,825,921	160,726	157,843	2,184,369	1,983,764
Net assets at end of year	\$ 2,394,161	2,023,643	178,337	160,726	2,572,498	2,184,369

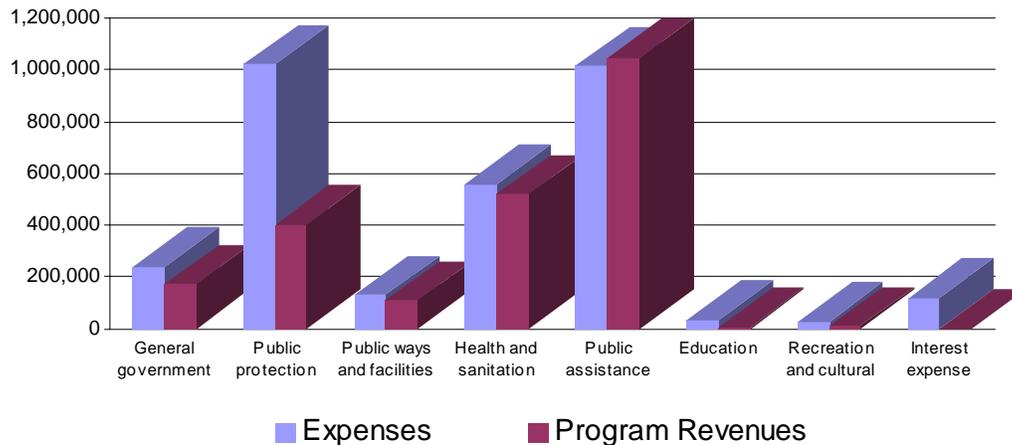
Analysis of Changes in Net Assets

The County's total net assets increased by \$388 million during fiscal year 2006. (Certain fiscal year 2005 balances were reclassified to conform with the current year presentation.) The increase of \$388 million was attributed to: increases of \$208 million in total assets (includes

an increase of \$159 in current and other assets and a \$49 million increase in capital assets); and a decrease in total liabilities of \$180 million (includes a decrease of \$241 million of other liabilities offset by an increase in long-term liabilities of \$61million).



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



Governmental activities:

Governmental activities increased the County's net assets by \$371 million, accounting for 96% of the total increase in net assets (Business-type activities accounted for the remaining 4%, \$17.6 million).

Expenses:

- Total expenses for governmental activities were \$3.14 billion, an increase of \$148 million or 5% (\$138 million in functional expenses and \$10 million in interest expense) over the prior year. Public protection was the largest functional expense (32.5 percent), followed by public assistance (32.4 percent) and health and sanitation (18 percent).

Increases in program expenses were attributed to the following:

- \$77 million was due to an increase in contracted services including: \$22 million in public works roads related projects; \$7 million in other public works projects; an \$18 million increase in public assistance related

contracted services including aid and other public assistance programs; \$13 million in social administration services and programs; \$11 million in mental health related services; and \$6 million in other general contracted services.

- \$44 million was attributable to an increase in salaries and benefit costs of approximately 3% over the previous year. As a service delivery entity, the County's major cost component is salaries and benefits, which accounts for approximately 45% of the total expenses. The County's overall strategy of deleting, freezing and temporarily funding positions has minimized the impact of negotiated salary increases and increased benefit costs.
- \$17 million was due to increases of \$5 million in contributions to other agencies; \$5 million for various sheriff adult detention costs; \$2 million for homeland security grant related expenses; \$2 million for library books/publications; and \$3 million for various sundry



charges.

- A \$10 million increase in interest expenses occurred as a result of higher rates on both existing variable rate debt and new debt issued during the current fiscal year.

Revenues:

Total revenues for governmental activities were \$3.51 billion, an increase of 10 percent or \$320 million from the previous year.

Program revenues increased by \$217 million. This increase was due primarily to a combined net increase of \$176 million in operating grants and contributions and capital grants and contributions coupled with a \$41 million increase in charges for services.

General revenues increased by \$103 million. This increase was primarily due to the following:

- \$73 million of the increase was due to increases in current and delinquent property taxes chiefly because of significant growth in assessed property values.
- \$58 million of the increase was due to property taxes in lieu of vehicle license fees. This revenue source replaced the previous distribution of vehicle license fees to local governments. In fiscal year 2005, the State established initial allocations from the Vehicle License Fee Property Tax Compensation Fund to cities and counties. Allocations of \$244 million for fiscal year 2005-2006 were calculated based on a formula that took into account adjusted actual allocations for fiscal year 2005 and the growth in taxable assessed value. Additionally, the County received a \$17.7 million positive true-up adjustment from the previous fiscal year.
- \$26 million or 67% of the increase was attributable to an increase in interest earnings as the annual pool investment earnings rate increased to 3.47% from the prior year of 2.24%.
- \$14 million of the increase was attributable to an increase in the Proposition 172 one half

cent sales and uses tax which is used exclusively for public protection related activities. This increase occurred as a result of growth in the California economy.

- \$66 million represents a decrease in sales and use taxes principally due to the receipt of \$62 million in fiscal year 2005 one-time monies received for the securitization of swapped Vehicle License Fee (VLF)/Educational Revenue from the State of California.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in **Chart 2** on the following page, operating grants and contributions of \$1.8 billion accounted for 51%, 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 of \$778 million account for 22% of governmental activities. Additionally, \$456 million applicable to charges for services accounted for 13%, while sales and use taxes of \$299 million accounted for 9% of these revenues.

At the end of fiscal year 2006, total revenues for the governmental activities were \$3.51 billion, while total expenses for governmental activities were \$3.14 billion.

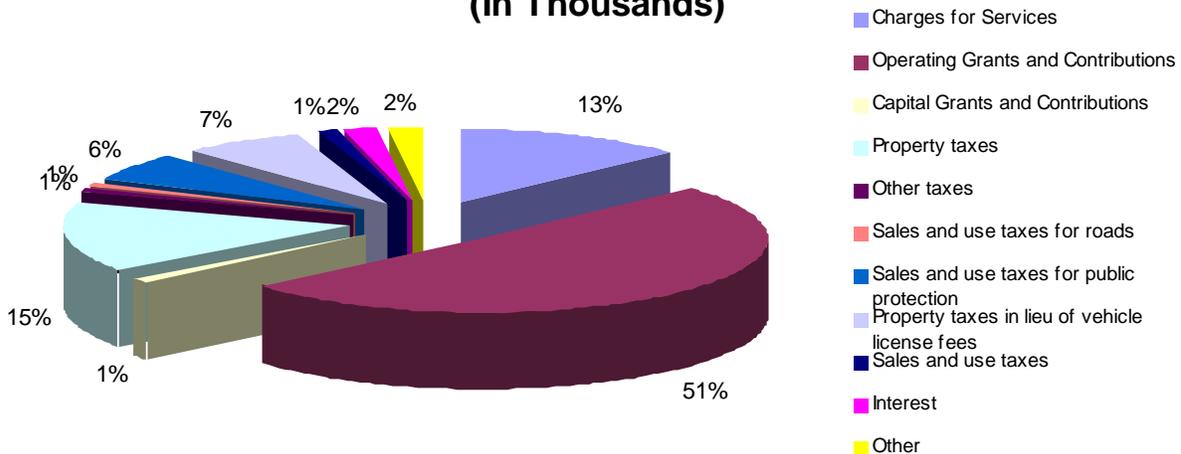
Other factors concerning the finances of the County's major governmental funds are discussed in the governmental funds section of the "Financial Analysis of the County's Funds."

Business-type Activities:

Business-type activities are intended to recover all or a significant portion of their costs through user fees and charges. As shown in **Chart 3**, charges for services represent \$29 million or 62%



Chart 2
Revenues By Source - Governmental Activities
(In Thousands)



while grants (\$10 million) and interest earnings (\$7 million) represent 21% and 15% of total revenues respectively.

Financial Analysis of the County Funds

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

Governmental Funds:

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the County include the General Fund and the Tobacco Securitization Special Revenue Fund. Nonmajor governmental funds include special revenue funds, debt service funds, and capital project funds.

As of the end of fiscal year 2006, the County's governmental funds reported combined

ending fund balances of \$1.88 billion, an increase of \$359 million in comparison with the prior year fund balance. Of the total June 30, 2006 amount, \$1.33 billion constitutes unreserved fund balance, which is available for spending at the County's discretion. The remaining \$552 million of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$177 million), (2) for landfill closure costs (\$2 million), (3) to pay debt service (\$128 million), and (4) for a variety of other purposes (\$245 million).

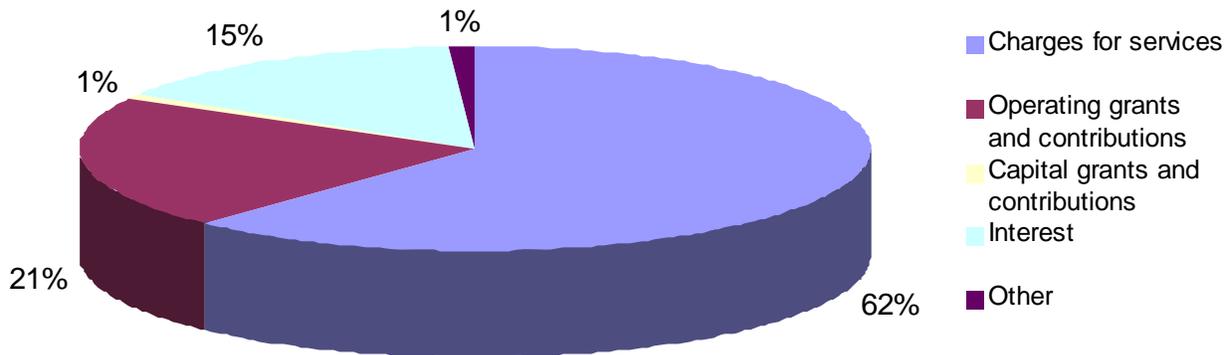
Revenues for governmental functions overall totaled \$3.42 billion representing a 9% increase. Expenditures for governmental functions, totaled \$3.2 billion, a 6% increase from the fiscal year ended June 30, 2005.

• *General Fund:*

The General Fund is the chief operating fund of the County. At the end of fiscal year 2006, the unreserved fund balance of the General Fund was \$626 million, while total fund balance was \$899 million, an increase of \$231 million from fiscal year 2005.



Chart 3
Revenues By Source - Business Type Activities
(In Thousands)



This was primarily attributed to increases in property tax revenues of \$65 million, property tax in lieu of vehicle license fees of \$58 million, state aid of \$67 million and federal aid of \$41 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24 percent of total General Fund expenditures of \$2.66 billion, while total fund balance represents 34 percent of that same amount.

• *Tobacco Securitization Special Revenue Fund:*

This special revenue fund is used to account for the \$411 million (net of closing costs and reserve requirements) the County received from the Tobacco Asset Securitization Corporation related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002. The County will continue to invest these funds in investment products to maximize the sustained long-term use of these dollars. At the end of fiscal year 2006, fund balance was \$440 million, an increase of \$108 million from fiscal year 2005. This increase was attributable to: \$123 million

transfers in of bond proceeds from the Tobacco Securitization Joint Special Revenue Fund resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds; interest earnings of \$9 million; and transfers out of \$25 million to support health related program expenditures.

• *Other Governmental Funds:*

Other governmental funds consist of twenty-six nonmajor funds, which include special revenue funds, debt service funds, and capital project funds. Individual fund data for each of these nonmajor governmental funds is provided in the combining financial statements and supplemental information section of this report. As of the end of fiscal year 2006, the fund balance of the other governmental funds totaled \$538 million, an increase of \$20 million over the prior year. This change was primarily due to the following: a \$41 million increase in the fund balance of the Road Fund, due mostly to a \$25 million increase in sales and use tax revenue; a \$9 million increase in gas tax revenue; an increase of \$9 million in charges for services; and a decrease in the fund balance of



the SANCAL Capital Projects Fund of \$22 million due principally to transfers out of \$19 million to the Capital Outlay Fund to pay for capital related expenditures and \$5 million to the Information Technology Internal Service Fund to fund the payment of information technology software costs, offset by interest earnings of \$2 million.

Proprietary Funds:

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The nonmajor enterprise funds and the internal service funds are combined into single, aggregated presentations in the proprietary fund financial statements. Individual proprietary fund data is presented in the combining financial statements/schedules and supplemental information section of this report.

The net assets of business-type activities Enterprise Funds increased by \$18 million or 11%, indicating that these activities generated revenues sufficient to cover the costs of operations. Although operating revenues decreased by \$2 million, non-operating revenues increased \$11 million. This was primarily due to a \$6 million increase in grant revenues and a \$5 million increase in interest income received by the Airport Enterprise Fund.

In addition to increased revenues, operating expenses decreased by \$6 million. This decrease was mainly due to a reduction in the cost of sewage processing for the Sanitation Districts.

Net Assets of the internal service funds totaled \$83 million, a decrease of \$20 million from the prior year. This net change in the internal service funds was primarily due to a decrease of \$16 million in the Risk Financing Fund resulting from an excess of claims (\$53 million) over revenue (\$37 million); and a decrease in the net assets of the Road and Communication Equipment Fund of approximately \$4 million which was chiefly due to an operating transfer of \$5 million to the Road Special Revenue Fund.

Fiduciary Funds:

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

- *Pension Trust Fund:*

This fund is under the control of the Board of Retirement. The fund accumulates employer and employee contributions and earnings from the fund's investments. Disbursements are made from the fund for retirement, disability and death benefits and refunds. This fund includes all assets of the retirement system. As of the end of fiscal year 2006, the net assets of the Pension Trust Fund totaled \$7.3 billion, an increase of \$972 million over the prior year. This change was primarily due to the following: County and member contributions of \$344 million; an appreciation in the fair value of pension trust investments of \$829 million; net investment earnings of \$133 million; less member benefits paid and pension costs of \$334 million.

- *Investment Trust Fund:*

This fund was established to account for the external portion of the County Treasurer's investment pool. This fund consists of school districts, special districts, and funds held for other governments. The Investment Trust Fund's net assets totaled \$2.4 billion, a decrease in net assets of \$130 million, primarily resulting from a distribution from pooled investments of \$16.62 billion, offset by contributions on pooled investments of \$16.43 billion and investment earnings of \$67 million.

- *Agency Funds:*

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



General Fund Budgetary Highlights

The County's final budget differs from the original budget (see Notes to required supplementary information) in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as transfers of appropriations, budget corrections, re-budgets, and account reclassifications offset by the amount of budget carried forward to the subsequent fiscal year. At June 30, 2006 net expenditure appropriations increased by \$34 million offset by a decrease in appropriations for transfers-out of \$26 million for a net increase of \$8 million. (The net appropriation increase included \$194 million in net budget amendments offset by \$186 million for the amount of budget carried forward to the subsequent fiscal year.)

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

- \$19.1 million for the expansion of mental health services pursuant to the Mental Health Services Act, Proposition 63, that was approved by California voters in November, 2004 and became effective January 1, 2005.
- \$15.0 million in additional funding for the Edgemoor Skilled Nursing Facility construction project based on fund balance. Design issues with steel fireproofing and fabrication and San Diego's heavy rains caused delays resulting in the need for additional funding.
- \$13.9 million for salaries and benefits for a six day catch up in the general ledger for split payroll needs, funded by fund balance.
- \$10.9 million in Proposition 172 funding for various projects within the Public Safety Group. This includes \$4.0 million for maintenance projects within the Sheriff, \$1.0 million in funding for ASTREA, \$0.8 million for Tasers for the Sheriff, \$0.5 million for enhancements to the Automated Field Reporting/Records Management System within the Sheriff, \$0.6 million for improved security at the District Attorneys regional court facilities, \$0.8 million for upgrades and

enhancements for information technology within the District Attorney, \$0.8 million to open a dorm at the Camp Barrett juvenile facility, \$0.5 million for the creation of the East County Gang Task Force and \$1.9 million for various other projects in the Public Safety Group.

- \$10.4 million for the payment of costs related to the transition of information technology from Computer Sciences Corporation to Northrup Grumman Information Technology, Inc., funded by fund balance.
- \$17.0 million for salaries and benefits for incentives earned through the County's Fiscal Year 2005 Quality First program, funded by fund balance.
- \$6.6 million for the Central Ave Flood Control Improvement Project to upgrade drainage facilities to alleviate flooding in the vicinity of Central Ave in Bonita, funded through fund balance. With additional funding from FEMA, the estimated total project cost is \$10.0 million.
- \$5.0 million in the Department of Planning and Land Use for contracts with existing fire service entities in order to establish year - round fire protection and emergency response services in areas where these services are not provided, funded by fund balance.
- \$5.0 million for land acquisition for the San Luis Rey River Park project, funded by fund balance.
- \$4.7 million net change in appropriated management reserves for future one - time projects based on fund balance.

Actual revenues exceeded the final budgeted amounts by \$104.1 million, while expenditures fell short of the budgeted amount by \$328.6 million. The combination of excess revenue and expenditure shortfall resulted in a net favorable operating variance of \$432.7 million. Other financing sources and uses of funds resulted in a unfavorable variance from budget of \$55.5



million and there was no variance in the increase to the reserve for inventories of materials and supplies. These combined amounts resulted in a variance in the net change in fund balance of \$377.2 million.

Highlights of actuals compared to budgeted amounts are discussed below:

- *Property Tax in Lieu of Vehicle License Fee (VLF):*

In fiscal year 2005, the State established initial allocations from the VLF Property Tax Compensation Fund to cities and counties. This replaced the previous distribution of vehicle license fees to local governments. For fiscal year 2006, VLF revenues were budgeted conservatively at \$200.5 million due to lack of information from the State at the time to support a higher estimate. Subsequent to budget adoption, the State calculated allocations for fiscal year 2006 based on a formula that took into account adjusted actual allocations for fiscal year 2005 and growth in the County's gross taxable assessed value. Information on the adjusted actuals was released in October, 2005 and the County received a \$17.7 million positive true-up adjustment for fiscal year 2005. The published assessed value growth factor for 2006 was 13.3%, which established the County's 2006 property tax in lieu of vehicle license fees base at \$247.3 million. The true-up adjustment combined with the increase in the base amount resulted in a positive variance of \$60.2 million for the fiscal year.

- *Supplemental Property Taxes:*

Supplemental property taxes are derived from additions to the tax roll during the year. The actual amount of these revenues in fiscal year 2006 was over twice the amount budgeted, a positive variance of \$26.8 million. This is the result of a change in the distribution formula combined with a sustained strong growth in assessed values from an active real estate market. The change in the distribution formula shifted more supplemental taxes to the County as a result of the recent property tax in lieu of

VLF legislation.

- *Salaries and Benefits:*

In the continuing environment of uncertainty over State and Federal funding, many County functions have deferred hiring staff for ongoing programs in anticipation of future budget constraints. In addition, the Sheriff's department is having recruiting difficulties due to a nationwide shortage of peace officers. The total favorable variance across all functions in this category is \$49.2 million of which \$7.0 million is attributable to the Sheriff's department.

- *Health and Human Services Agency:*

Funded by a combination of state, federal, and County revenues, most agency programs are carried out in the functional areas of health and sanitation and public assistance, with favorable expenditure variances of \$58.1 million and \$59.8 million respectively. The expenditure variances result from demand for services being less than the budgeted level. These lowered expenditures were offset by corresponding reductions in Federal and State revenue.

- *Delayed expenditures:*

Many County projects such as maintenance and information technology take place over more than one fiscal year. However, at inception they are budgeted at full expected cost, resulting in favorable expenditure variances that are re-budgeted in the new fiscal year. For example, in the Department of Planning and Land Use, re-budgets include: \$16.9 million for the removal of dead, dying and diseased trees; \$2.5 million for the Fire Safety and Fuels Reduction Program; and \$0.8 million in funding from the Indian Gaming Local Community Benefit Committee to acquire fire equipment for fire agencies in the unincorporated area. The Department of Parks and Recreation has re-budgeted \$1.5 million for various projects in local parks and community centers. In the Sheriff's Department, re-budgeted amounts included: \$1.5 million for the Cal-ID mugshot replacement system, \$1.0 million for Regional Paging System enhancements and maintenance; \$0.5 million



for enhancements to the Automated Field Reporting/Records Management System; and \$0.5 million for the Jail Information Management System retrofit; and \$1.0 million for equipment and administrative costs related to the Buffer Zone Protection Program grant.

• *Appropriated Management Reserves:*

The County annually appropriates management and contingency reserves based on both ongoing general purpose revenues and prior years' fund balance for a variety of one-time capital and operating expenditures as well as potential emergencies. Unexpended reserves resulted in a positive variance of \$37.6 million. In addition, in fiscal year 2006, the County set aside \$34.8 million for economic uncertainty with the intent that it not be spent unless unusual needs arose; of that amount, \$34.2 million was unexpended at year end.

Capital Assets and Commitments

Capital Assets

At June 30, 2006, the County's capital assets for both governmental and business-type activities was \$2.81 billion net of accumulated depreciation. Investment in capital assets includes land, construction in progress, structures and improvements, equipment, and infrastructure (including roads, bridges, flood channels, and traffic signals). The significant capital asset activity in fiscal year 2006 was as follows:

Governmental Activities:

- \$34.9 million towards the construction and improvement of County maintained roads, bridges, and other road related infrastructure. An additional \$14.2 million in infrastructure was donated by developers.
- \$18.6 million towards the construction of the Edgemoor Skilled Nursing Facility in Santee. Total project costs are estimated at \$98.8 million.
- \$8.5 million towards the construction of the Assessor/Recorder/County Clerk and Land Use and Environment Group building in San

Marcos. Total project costs are estimated at \$9.2 million.

- \$7.3 million towards the acquisition and improvement of an office building in Scripps Ranch for the Air Pollution Control District. Total project costs are estimated at \$7.6 million.
- \$3.5 million for the acquisition of real property located in downtown San Diego for future County space needs.
- \$3.2 million for the acquisition of real property in the San Luis Rey River corridor (Bonsall/Fallbrook) for future development of passive recreation improvements.
- \$2.3 million for acquisition of real property in the Otay River Valley area for open space habitat restoration and passive recreation.
- \$1.6 million towards the construction of the Bonita Library. Total projects costs are estimated at \$4.5 million.
- \$1.1 million towards passive recreation improvements for the Otay Valley Regional Park. Total projects costs are estimated at \$2 million.
- \$9.5 million towards the construction of numerous other capital outlay projects.

Business-Type Activities:

- \$6.8 million towards the construction of the Palomar Airport North Ramp. Total project costs are estimated at \$8.6 million.
- \$2.4 million towards runway rehabilitation at Gillespie Field Airport in El Cajon. Total project costs are estimated at \$5.4 million.
- \$1.3 million towards the Jamacha Boulevard sewer improvements in Spring Valley Sanitation District. Total project costs are estimated at \$2.2 million.

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



More detailed capital assets information, including depreciation as of June 30, 2006, can be found in Note IV-D of the notes to the basic financial statements.

Capital Commitments

As of June 30, 2006, capital commitments included the following:

- \$57 million for the Integrated Voting System, Integrated Property Tax System, RCS Equipment, Medics Health Information System, and the Automated Records Management and Field Reporting Software Installation.
- \$103 million for the construction of the Edgemoor Skilled Nursing Facility, Valley Center Road, Wildcat Canyon Road, Route 54/94, Forester Creek Drainage System, Spring Valley Gymnasium, and the Medical Examiner and Veterinarian Building.
- \$3 million for the Spring Valley Sewer Improvements and the Spring Valley Sewer replacement.

More detailed capital commitments information, including depreciation as of June 30, 2006, can be found in Note IV-D.2 of the notes to the basic financial statements.

Long-Term Obligations

At June 30, 2006, for governmental activities, the County had outstanding long-term obligations of \$2.396 billion. Of this amount, \$357 million pertained to outstanding certificates of participation, and the remaining \$2.039 billion pertained to the following obligations: \$1.238 billion of taxable pension obligation bonds; \$584 million of San Diego County Tobacco Asset Securitization Corporation Bonds; \$16 million of Redevelopment Agency bonds; \$8 million for capital loans; \$7 million of unamortized issuance premiums; \$(22) million of unamortized issuance discounts; \$(48) million of unamortized deferred amounts on refundings; \$32 million for capital leases; \$122 million for claims and judgments; \$78 million for compensated absences; and,

\$24 million for landfill closure and postclosure costs.

Long-term obligations for business-type activities totaled \$3.1 million and consisted of \$2.7 million for capital loans and \$389 thousand for compensated absences.

During fiscal year 2006, the County's total principal amount of bonds and notes payable for governmental activities increased by \$115 million, before giving affect to the unamortized issuance, issuance premiums, unamortized issuance discounts and unamortized deferred amounts on refundings. The \$115 million increase was due to the following debt issuances offset by debt service payments and refundings discussed below:

- Increases - \$636 million

The County's issued \$28 million in certificates of participation for the 2005 North and East County Justice Facilities refunding; \$584 million of San Diego County Tobacco Securitization Corporation refunding (including the \$273 Capital Appreciation Bonds (CABs) recorded at their maturity value); a \$16 million Redevelopment Agency refunding; and a \$1 million Internal Service Fund loan.

Additionally \$7 million of principal was accreted (added) to the outstanding CAB principal balances outstanding. These issuances and the accreted amount totaled \$636 million.

- Decreases - \$521 million

Decreases to debt included: \$57 million in principal debt service payments and a \$464 million reduction of outstanding principal. This reduction included: a \$30 million refunding of the 2005 North and East County Justice Facilities debt; a \$430 million refunding of the San Diego County Tobacco Securitization Corporation debt; and a \$4 million refunding of the Redevelopment Agency debt.

The long-term obligations for business-type activities decreased by \$116 thousand due to \$181 thousand debt service payments on capital loans, offsets by an increase of \$65



thousand in compensated absences.

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

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

Table 3

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

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

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2007 General Fund budget utilized \$105.8 million out of \$435.8 million in unreserved undesignated fund balance and \$2.6 million out of \$190.5 million unreserved designated fund balance. Fund balance was used as a source of funds for one-time expenditures.
- The development of the fiscal year 2007 budget was based on current expectations for demand for services and availability of funding to support those services. The fiscal year 2007 General Fund budget contains total appropriations of \$3.289 billion. This is an increase of \$345.6 million or 11.7% from the fiscal year 2006 General Fund budget. A number of risk factors continue to be tracked: the U.S. economy, the State of California's ongoing budget imbalance for

fiscal year 2007, 2008 and beyond; significant weaknesses in the housing sector; uncertainty in short and long-term interest rates; continued pressure of high energy prices; and the impact of legislation and propositions on the State of California's budget.

- The U.S. economy's Gross Domestic Product (GDP) for 2005 showed an increase of 3.5% versus 4.2% growth in 2004. The projected GDP growth for 2006 is approximately 3.4%.
- The State of California's economy has been doing well for the last two years. Overall, 2005 was a good year for California: payroll jobs experienced healthy growth at 1.8%; the job growth also contributed to a solid personal income growth of 6.0%; and taxable sales grew by and adjusted 7.4%.
- The San Diego economy continues to show positive growth (i.e., gross regional product at 2.1% for 2001, at 4.9% for 2002, 4.5% for 2003, 4.4% for 2004, 4.6% in 2005, and slowing growth is forecasted at 2.7% for 2006 and 2.6% for 2007).
- The State's budget outlook continues to be strained by an ongoing structural imbalance between revenues and expenditures. According to a review of the Governor's budget by the State of California's Legislative Analyst (September 2006), the projected fiscal years 2008 and 2009 imbalances are estimated at \$4.5 billion and \$5.0 billion respectively.
- The 2006-07 Budget Act is consistent with the two-year budget agreement reached between the State and local governments in July 2004 and the passage of Proposition 1A on the November 2004 ballot with respect to general purpose revenues. The two-year shift of \$27.5 million of property taxes to the Educational Revenue Augmentation Fund (ERAF) to assist the State in meeting its funding obligations to schools was completed in fiscal year 2006.
- The 2005-06 Budget Act required counties to



transfer undesignated fees to the local trial court. This transfer was to occur for only 2004 and 2005, but was extended for four more years, albeit at declining amounts. The County's share was \$2.1 million for 2004 and 2005, and \$0.8 million in 2006. For fiscal years 2007 and 2008, the County's share each year is expected to be \$0.6 million and \$0.4 million, respectively. One-time resources will be used to fund this requirement.

- Since fiscal year 1996, the State Property Tax Administration Grant program has assisted counties maintain timely property assessments. The 2006-07 Budget Act continues the suspension for a second year. For the County, the revenue loss of \$5.4 million was not anticipated in the fiscal year 2006 Adopted Operational Plan and was offset mid-year by unanticipated additional general purpose revenues. For fiscal year 2007, general purpose revenues continue to replace the loss of these grant funds.

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

- The largest source of general purpose revenues is property taxes (\$499.3 million), representing 55% of the total. The housing boom that has been driving the California and U.S. economies is softening, and the "housing construction/real estate" slowing will contribute to slowing in the growth of the State economy in 2006 and 2007. For the last six years, local secured growth has been high (8.6% average annual growth excluding the State's 2005 property tax shift to schools) due to the County's strong overall economy and healthy real estate market. As noted above, the two-year ERAF shift was completed and the County is no longer relinquishing \$27.5 million in property tax revenues to ERAF. Current secured property tax revenues budgeted in the fiscal year 2007 Adopted Budget were based on the assumption that the net assessed value growth through June 30, 2006 would be 11%. Actual gross

assessed value growth exceeded 12%. The demand for housing in the County is also slowing, as evidenced by the reduction in residential building permits, flattening housing prices, and length of time of property listings. These factors are offset by relatively low interest rates and the area's population growth. Overall, property tax growth is expected to decelerate and property turnover and new construction are being watched closely.

- Property Taxes in Lieu of Vehicle License Fees (VLF) comprises 30.3% (an estimated \$274.5 million) of general purpose revenues in fiscal year 2007. This revenue source replaced the previous distribution of vehicle license fees to local governments by the state. In fiscal year 2005, the state established initial allocations from the VLF Property Tax Compensation Fund to cities and counties. The state released information on adjusted figures for 2005 and new budget figures for 2006 on October 14, 2005. Starting in 2006, growth on this distribution is based on the growth in gross taxable assessed value in each county. The certified growth rate for 2007 is 12.1554%.
- Real Property Transfer Tax Revenue (RPTT) for fiscal year 2007 was budgeted at \$30.7 million, which is 3.4% of general purpose revenues. RPTT is paid when any lands, tenements, or other realty exceeding \$100 in value are sold and granted, assigned, transferred or conveyed to the purchaser. The tax rate set by the State is \$1.10 per \$1,000 of assessed valuation. The County collects 100% of all transactions in the unincorporated area and 50% of the transactions in the incorporated areas.
- Sales & use tax revenue & in lieu local sales & use tax (\$23.5 million in fiscal year 2007) represents about 2.6% of general revenues and is derived from taxable sales by businesses located in unincorporated County areas. Its growth is generally impacted by population and income, but is primarily due



to economic development and new business formation in the County. These amounts reflect both the Sales Tax revenues and the in lieu local sales & use tax replacement funding that will be transferred from ERAF. Again, effective July 1, 2004, provisions of AB7 X1, one of the 2004 State budget bills referred to as the "triple flip", took effect. It enabled the state to redirect one-quarter cent of the local sales and use tax to the state to repay up to \$15 billion in bonds authorized by Proposition 57 (March 2004) to help the state refinance its past debt. In turn, the lost revenues are replaced on a dollar-for-dollar basis with countywide property tax revenues shifted back from the ERAF. Retail sales remain relatively strong in the unincorporated area with a projected before-triple-flip-adjustment sales tax growth of \$2.3 million (10.7%) over the Fiscal Year 2006 Operational Plan.

- Other revenues budgeted for fiscal year 2007 total \$78.4 million. Various revenue sources make up this category including interest on deposits, fines, fees and forfeitures, redevelopment agency tax increment, prior year adjustments on property taxes, franchise revenue, payment from the City of San Diego in lieu of booking fees, and other miscellaneous revenues.

The County's *Operational Plan* for Fiscal Years 2007 and for Fiscal Year 2008 can be found on the internet at <http://www.sdcounty.ca.gov/auditor>.

Requests for Information

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

Highway, San Diego, California 92101.





Basic Financial Statements



STATEMENT OF NET ASSETS
June 30, 2006
(In Thousands)

	Primary Government		Total	Component Unit First 5 Commission Fund
	Governmental Activities	Business-Type Activities		
ASSETS				
Current assets:				
Pooled cash and investments	\$ 1,087,269	78,286	1,165,555	19,110
Cash with fiscal agents	36,264		36,264	
Investments with fiscal agents	39,674		39,674	165,930
Receivables, net	421,239	2,811	424,050	10,731
Property taxes receivables, net	119,945	2	119,947	
Internal balances	(3,547)	3,547		
Inventory of materials and supplies	11,041		11,041	
Deposits with others	2,885		2,885	
Deferred charges	1,121		1,121	
Prepaid items	1,263		1,263	2
Restricted assets:				
Cash with fiscal agents	37,545		37,545	
Investments with fiscal agents	467,150		467,150	
Total current assets	2,221,849	84,646	2,306,495	195,773
Noncurrent assets:				
Restricted assets:				
Investments with fiscal agents	338,173		338,173	
Investments with fiscal agents	29,346		29,346	
Deferred charges	20,788		20,788	
Capital assets:				
Land and construction in progress	445,022	38,365	483,387	
Other capital assets, net of depreciation	2,265,771	61,809	2,327,580	
Total noncurrent assets	3,099,100	100,174	3,199,274	
Total assets	5,320,949	184,820	5,505,769	195,773
LIABILITIES				
Current liabilities:				
Accounts payable	147,223	3,018	150,241	7,694
Accrued payroll	25,187	118	25,305	
Amount due for tax and revenue anticipation notes	250,000		250,000	
Accrued interest	29,876		29,876	
Unearned revenue	78,230	213	78,443	
Current portion of long-term obligations	107,617	259	107,876	40
Total current liabilities	638,133	3,608	641,741	7,734
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	2,288,655	2,875	2,291,530	20
Total noncurrent liabilities	2,288,655	2,875	2,291,530	20
Total liabilities	2,926,788	6,483	2,933,271	7,754
NET ASSETS				
Invested in capital assets, net of related debt	2,367,442	97,212	2,464,654	
Restricted for:				
Debt service	114,234		114,234	
Inactive landfill maintenance	2,276		2,276	
Other purposes	108,125		108,125	
Unrestricted	(197,916)	81,125	(116,791)	188,019
Total net assets	\$ 2,394,161	178,337	2,572,498	188,019

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



STATEMENT OF ACTIVITIES
For the year ended June 30, 2006
(In Thousands)

Functions/Programs:	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			Component Unit First 5 Commission Fund
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- Type Activities	Total	
Governmental Activities:								
General government	\$ 240,158	99,083	66,416	5,283	(69,376)		(69,376)	
Public protection	1,021,464	202,941	198,153		(620,370)		(620,370)	
Public ways and facilities	128,268	43,757	63,483		(21,028)		(21,028)	
Health and sanitation	559,709	85,958	431,723		(42,028)		(42,028)	
Public assistance	1,015,481	15,037	1,031,668		31,224		31,224	
Education	32,488	1,520	789		(30,179)		(30,179)	
Recreation and cultural	23,376	7,263	431		(15,682)		(15,682)	
Interest expense	116,692				(116,692)		(116,692)	
Total governmental activities	3,137,636	455,559	1,792,663	5,283	(884,131)		(884,131)	
Business-type Activities:								
Airport	7,699	7,433	9,994			9,728	9,728	
Wastewater Management	4,733	4,322				(411)	(411)	
Sanitation Districts	15,133	17,251		58		2,176	2,176	
Total business-type activities	27,565	29,006	9,994	58		11,493	11,493	
Total primary government	3,165,201	484,565	1,802,657	5,341	(884,131)	11,493	(872,638)	
Component Unit:								
First 5 Commission	\$ 38,464		41,143					2,679



STATEMENT OF ACTIVITIES
For the year ended June 30, 2006
(In Thousands)
(Continued)

	Net (Expenses) Revenues and Changes in Net Assets			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	First 5 Commission Fund
Revenues:				
General revenues:				
Taxes:				
Property taxes	\$ 516,569		516,569	
Other taxes	34,219		34,219	
Intergovernmental restricted:				
Sales and use taxes for roads	38,702		38,702	
Sales and use taxes for public protection	236,438		236,438	
Intergovernmental unrestricted:				
Property taxes in lieu of vehicle license fees	261,695		261,695	
Sales and use taxes	23,475		23,475	
Total general tax revenues	1,111,098		1,111,098	
Interest	63,810	7,048	70,858	7,975
Other	78,651	160	78,811	
Total general revenues	1,253,559	7,208	1,260,767	7,975
Transfers	1,090	(1,090)		
Total general revenues and transfers	1,254,649	6,118	1,260,767	7,975
Change in net assets	370,518	17,611	388,129	10,654
Net assets at beginning of year (Component Unit restated)	2,023,643	160,726	2,184,369	177,365
Net assets at end of year	\$ 2,394,161	178,337	2,572,498	188,019

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



**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006
(In Thousands)**

	General Fund	Tobacco Securitization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash and investments	\$ 643,375	26,106	243,395	912,876
Cash with fiscal agents	33,079		3,185	36,264
Investments with fiscal agents	2		69,018	69,020
Receivables, net	296,144	1,898	117,872	415,914
Property taxes receivables, net	119,117		828	119,945
Due from other funds	109,157		16,792	125,949
Advances to other funds	906		83	989
Inventory of materials and supplies	8,636		1,765	10,401
Deposits with others			2,885	2,885
Prepaid items	350		827	1,177
Restricted assets:				
Cash with fiscal agents			37,545	37,545
Investments with fiscal agents	250,000	418,599	136,724	805,323
Total assets	1,460,766	446,603	630,919	2,538,288
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	99,083		20,151	119,234
Accrued payroll	23,345		1,294	24,639
Amount due for tax and revenue anticipation notes	250,000			250,000
Due to other funds	21,739	6,665	57,255	85,659
Advances from other funds			4,583	4,583
Deferred revenues	98,185		1,243	99,428
Unearned revenue	69,529		8,571	78,100
Total liabilities	561,881	6,665	93,097	661,643
Fund balances:				
Reserved:				
Reserved for encumbrances	141,596		35,333	176,929
Reserved for notes receivable and advances	7,161		42,278	49,439
Reserved for inactive landfill maintenance	2,276			2,276
Reserved for inventory of materials and supplies	8,636		1,765	10,401
Reserved for debt service			127,595	127,595
Reserved for other purposes	113,267		71,907	185,174
Unreserved:				
Designated for subsequent years' expenditures	190,490			190,490
Designated for landfill postclosure and inactive landfill maintenance	12			12
Undesignated	435,447	439,938		875,385
Unreserved, reported in nonmajor funds:				
Special Revenue Funds				
Designated for landfill postclosure and inactive landfill maintenance			72,280	72,280
Undesignated			121,212	121,212
Capital Projects Funds				
Undesignated			65,452	65,452
Total fund balances	898,885	439,938	537,822	1,876,645
Total liabilities and fund balances	\$ 1,460,766	446,603	630,919	2,538,288

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



**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE TO THE GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
June 30, 2006
(In Thousands)**

Total fund balances - governmental funds	\$ 1,876,645
Capital assets used in governmental activities (excluding internal service funds) are not current financial resources and, therefore, are not reported in the balance sheet. This amount represents capital assets net of accumulated depreciation.	2,610,496
Accrued interest on long-term debt	(29,876)
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.	99,428
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 funds.	(2,245,044)
Internal service funds are used by management to charge the costs of information technology, vehicle operations and maintenance, risk management and insurance, and communication services funds to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	82,512
Net assets of governmental activities	\$ 2,394,161

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



**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2006
(In Thousands)

	General Fund	Tobacco Securitization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 791,241		310,791	1,102,032
Licenses, permits and franchise fees	31,847		9,977	41,824
Fines, forfeitures and penalties	56,177		3,894	60,071
Revenue from use of money and property	43,757	8,722	24,129	76,608
Aid from other governmental agencies:				
State	578,736		288,327	867,063
Federal	660,976		132,063	793,039
Other	88,210		6,656	94,866
Charges for current services	271,448		42,573	314,021
Other revenue	25,668		41,751	67,419
Total revenues	2,548,060	8,722	860,161	3,416,943
Expenditures:				
Current:				
General government	188,223		11,126	199,349
Public protection	1,001,110		13,543	1,014,653
Public ways and facilities	1,974		65,171	67,145
Health and sanitation	517,837		38,328	556,165
Public assistance	901,122		110,193	1,011,315
Education	820		31,223	32,043
Recreation and cultural	21,375		1,589	22,964
Capital outlay	18,590		91,307	109,897
Debt service:				
Principal			57,245	57,245
Interest and fiscal charges	12,368		97,123	109,491
Bond issuance costs			6,172	6,172
Payment to refunded bond escrow agent			24,256	24,256
Total expenditures	2,663,419		547,276	3,210,695
Excess (deficiency) of revenues over (under) expenditures	(115,359)	8,722	312,885	206,248
Other financing sources (uses):				
Sale of capital assets	12,241		114	12,355
Issuance of bonds and loans:				
Face value of bonds issued			166,611	166,611
Discount on issuance of bonds			(20,501)	(20,501)
Premium on issuance of bonds			1,308	1,308
Refunding bonds issued			461,230	461,230
Payment to escrow agent/refunded bond			(467,458)	(467,458)
Transfers in	486,203	123,515	258,255	867,973
Transfers out	(151,503)	(24,558)	(692,847)	(868,908)
Total other financing sources (uses)	346,941	98,957	(293,288)	152,610
Net change in fund balances	231,582	107,679	19,597	358,858
Fund balances at beginning of year	667,458	332,259	518,238	1,517,955
Increase (decrease) in				
Reserve for inventory of materials and supplies	(155)		(13)	(168)
Fund balances at end of year	\$ 898,885	439,938	537,822	1,876,645

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



RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006
(In Thousands)

Net change in fund balances - total governmental funds	\$ 358,858
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.	9,066
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	40,504
Adjustment to reserve for inventory of services and supplies	(168)
Change in accounting estimate for closure and postclosure costs - public protection function) - San Marcos Landfill	23,443
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	23,714
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	7,989
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.	(50,797)
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.	(21,699)
Internal service funds are used by management to charge the costs of information technology, vehicle operations and maintenance, risk management and insurance, and communication services funds to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(20,392)
Change in net assets - governmental activities	\$ 370,518

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



**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2006
 (In thousands)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Pooled cash and investments	\$ 78,286	174,393
Receivables, net	2,811	5,325
Property taxes receivables, net	2	
Due from other funds	1,000	19,809
Inventory of materials and supplies		640
Prepaid items		86
Total current assets	82,099	200,253
Noncurrent assets:		
Advances to other funds	3,363	448
Capital assets:		
Land	10,709	
Construction and contracts in progress	27,656	
Buildings and improvements	47,128	
Equipment	1,252	109,623
Software		55,480
Road network	139	
Sewer network	64,251	
Accumulated depreciation	(50,961)	(64,806)
Total noncurrent assets	103,537	100,745
Total assets	185,636	300,998
LIABILITIES		
Current liabilities:		
Accounts payable	3,018	27,989
Accrued payroll	118	548
Due to other funds	1,188	59,911
Unearned revenue	213	130
Bonds, loans and notes payable	193	369
Compensated absences	66	47
Claims and judgments		35,180
Total current liabilities	4,796	124,174
Noncurrent liabilities:		
Advances from other funds	217	
Bonds, loans and notes payable	2,552	4,329
Compensated absences	323	2,242
Claims and judgments		87,152
Total noncurrent liabilities	3,092	93,723
Total liabilities	7,888	217,897
NET ASSETS		
Invested in capital assets, net of related debt	97,212	100,297
Unrestricted	80,536	(17,196)
Total net assets	\$ 177,748	83,101

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	\$ 177,748
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	589
Net assets of business-type activities	\$ 178,337

Basic Financial Statements



**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006
(In Thousands)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$ 28,607	258,907
Miscellaneous	161	6,074
Total operating revenues	28,768	264,981
OPERATING EXPENSES		
Salaries	5,975	28,911
Repairs and maintenance	4,133	32,498
Equipment rental	523	1,637
Sewage processing	8,696	
Contracted services	3,314	112,125
Depreciation	2,463	15,818
Utilities	137	16,785
Cost of material	2	1,863
Claims and judgments		52,908
Fuel		9,487
Other operating expenses	1,380	19,040
Total operating expenses	26,623	291,072
Operating income (loss)	2,145	(26,091)
NONOPERATING REVENUES (EXPENSES)		
Grants	9,994	1,517
Interest and dividends	7,401	3,115
Interest expense	(178)	(1,031)
Loss on disposal of assets	(853)	(383)
Other nonoperating revenues	46	424
Total nonoperating revenues (expenses)	16,410	3,642
Income (loss) before contributions and transfers	18,555	(22,449)
Capital contributions	58	120
Transfers in	107	9,406
Transfers out	(1,197)	(7,381)
Change in net assets	17,523	(20,304)
Net assets (deficits) at beginning of year	160,225	103,405
Net assets (deficits) at end of year	\$ 177,748	83,101

**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	\$ 17,523
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	88
Change in net assets of business-type activities	\$ 17,611

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



**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2006
 (In Thousands)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 24,242	23,497
Cash received from other funds	4,970	243,898
Other receipts		1
Cash payments to suppliers	(15,337)	(173,937)
Cash payments to employees	(6,066)	(29,913)
Cash payments to other funds	(4,115)	(4,938)
Cash paid for judgments and claims		(32,655)
Other payments	(665)	(730)
Net cash provided (used) by operating activities	3,029	25,223
Cash flows from noncapital financing activities:		
Operating grants	8,308	945
Transfers from other funds	106	9,369
Transfers to other funds	(1,197)	(7,381)
Collections on advances to other funds	5,949	148
Other noncapital increases	333	2,291
Other noncapital (decreases)		(851)
Net cash provided (used) by non-capital financing activities	13,499	4,521
Cash flows from capital financing activities:		
Capital contributions		
Acquisition of capital assets	(13,612)	(21,376)
Proceeds from sale of assets		602
Retirement of capital leases, bonds and loans	(181)	(174)
Bond sale proceeds and loans received		1,215
Interest paid on long-term debt	(176)	(1,031)
Net cash provided (used) by capital and related financing activities	(13,969)	(20,764)
Cash flows from investing activities:		
Interest	6,779	1,135
Net increase (decrease) in cash and cash equivalents	9,338	10,115
Cash and cash equivalents - beginning of year	68,948	164,278
Cash and cash equivalents - end of year	78,286	174,393
Reconciliation of operating income (loss):		
Operating income (loss)	2,145	(26,091)
Adjustments to reconcile:		
Inc (dec) in compensated absences	65	49
Inc (dec) in accrued payroll	(153)	(1,017)
Inc (dec) in due to other funds	(84)	7,942
Inc (dec) in accounts payable	(1,357)	11,933
Inc (dec) in claims and judgments		18,763
Inc (dec) in deferred credits and other liabilities	(24)	132
Dec (inc) in accounts and notes receivable	73	1,535
Dec (inc) in due from other funds	(99)	(3,713)
Dec (inc) in Inventory of materials and supplies		(42)
Dec (inc) in other current assets		(86)
Depreciation	2,463	15,818
Net cash provided by (used in) operating activities	3,029	25,223
Non-cash investing and capital financing activities:		
Accrued Interest	704	343
Capital acquisitions included in accounts payable	2,192	1,212
Contributions of Capital Assets:		
From Governmental	46	
From Developers	59	
Total non-cash investing and capital financing activities	\$ 3,001	1,555

Basic Financial Statements



STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006
(In Thousands)

	Pension Trust Fund	Investment Trust Fund	Agency Funds
ASSETS			
Pooled cash and investments	\$ 3,023	2,415,542	429,093
Cash with fiscal agents	157,940		9,276
Investments with fiscal agents:			
Domestic equity securities	583,074		
Cash, cash equivalents, and securities for domestic equity swaps and alpha engine	1,478,932		
International equity securities	1,845,546		
Securities lending collateral	603,019		
United States government obligations	471,528		
Domestic corporate bonds	599,390		
International bonds	850,359		
Cash and securities for overlay futures	41,448		
Cash in securities for commodity swaps	382,815		
Balanced fund	330,294		
Alternative equity	240,983		
Real estate	456,542		
Receivables:			
Accounts receivable		30,614	26,786
Trade receivable	64,595		
Interest receivable	25,265		
Due from other governments	8,052		
Capital assets, net	2,837		
Total assets	8,145,642	2,446,156	465,155
LIABILITIES			
Accounts payable	211,674	3,909	25,003
Due to other governments			440,152
Obligations under securities lending	603,019		
Total liabilities	814,693	3,909	465,155
NET ASSETS			
Held in trust for pension benefits and other purposes	\$ 7,330,949	2,442,247	

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



**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2006
(In Thousands)**

	Pension Trust Fund	Investment Trust Fund
ADDITIONS		
Contributions:		
Employer	\$ 302,460	
Plan members	41,911	
Contributions on pooled investments		16,426,856
Total contributions	344,371	16,426,856
Investment earnings:		
Net increase (decrease) in fair value of Investments	828,665	(11,310)
Interest income	140,877	77,860
Securities lending income	19,215	
Other income	76,009	
Total investment earnings	1,064,766	66,550
Expenses deducted from investment earnings:		
Investment expenses	(85,542)	
Securities lending expenses	(17,018)	
Total additions	1,306,577	16,493,406
DEDUCTIONS		
Benefits	323,075	
Refunds of contributions	2,992	
Administrative expenses	8,035	
Distribution from pooled investments		16,622,731
Total deductions	334,102	16,622,731
Change in net assets	972,475	(129,325)
Net assets at beginning of year	6,358,474	2,571,572
Net assets at end of year	\$ 7,330,949	2,442,247





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Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

I. Summary of Significant Accounting Policies

A. The Reporting Entity

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

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

legally separate from the County.

1. Blended Component Units

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

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

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

San Diego County Redevelopment Agency - This agency was established to provide a method of eliminating slums and blighted areas, improving housing, expanding employment opportunities, and providing an environment for the social, economic and



psychological growth, and well-being of all citizens of the County. This agency is included in the *debt service and capital projects funds*.

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

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

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

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

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

Blended component units governed by Boards other than the Board of Supervisors include the San Diego County Capital Asset Leasing Corporation, the San Diego County Tobacco Asset Securitization Corporation, the Tobacco Securitization Joint Powers Authority of Southern California and the San Diego County Employee

Retirement Association (SDCERA). Because of their relationship with the County and the nature of their operations, the first three of these component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined (blended) with the activities of the County for purposes of reporting in the accompanying basic financial statements. The basis for blending these component units is that the governing bodies are substantially the same as the County Board of Supervisors. SDCERA is legally separate from the County, and although it is reported as a Pension Trust Fund, it benefits the County almost exclusively by providing services to the County's employees.

Descriptions of these component units are as follows:

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

The San Diego County Tobacco Asset Securitization Corporation (Corporation) - This is a separate legal nonprofit public benefit corporation created under the California Nonprofit Public Benefit Corporation Law. It was established to purchase tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. The Corporation is governed by the Board of Directors consisting of three members, two of which are employees of the County of San Diego and one independent director who is not an employee of the County. This fund is included as a *special revenue fund*.

The Tobacco Securitization Joint Powers



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

The San Diego County Employees Retirement Association - SDCERA is a multiple-employer public retirement system organized under the County Employees Retirement Act of 1937 and provides retirement, disability and death benefits for plan members and beneficiaries. The County is the major participant and contributes 92.6 percent of total employer contributions. SDCERA is governed by a nine-member board which includes the County Treasurer-Tax Collector, four members appointed by the Board of Supervisors and four members elected by the SDCERA membership. The activity of SDCERA is reported within the *pension trust fund* and included in the *fiduciary funds*.

2. Discretely Presented Component Unit

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

First 5 Commission of San Diego (Commission) - The Commission was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the

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

3. Additional Detailed Financial Information and/or Financial Reports

Additional detailed information and/or separately issued financial reports of the County's component units may be obtained from the County Auditor and Controller's Office located at 1600 Pacific Highway, Room 166, San Diego, California 92101. Also, complete financial statements for SDCERA may be obtained from the San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 200, San Diego, CA 92108-1685.

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type



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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program

revenues are reported instead as general revenues.

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

The *Tobacco Securitization Special Revenue Fund* accounts for tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major



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

tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories.

The County reports the following additional funds and fund types:

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

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

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

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

The *Investment Trust Fund* accounts for the external portion of the County Treasurer's

investment pool. This fund consists of school districts, special districts and funds held for other governments.

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

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

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

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

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, interest, state and federal grants, and charges for services are accrued when their receipt occurs within 180 days following the end of the



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

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

GAAP for governmental users.

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

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

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

1. Deposits and Investments

The County follows the practice of pooling cash and investments of all funds with the County Treasurer-Tax Collector's *Investment Pool (Pool)*, except for certain restricted funds which are generally held by outside custodians and classified as "cash with fiscal agent" or investments on the accompanying financial statements. The individual funds' portions of the Pool's fair value are presented as "equity in pooled cash and investments." For purposes of reporting cash flows, equity in pooled cash and investments, collections in transit and imprest cash are considered cash equivalents. Earnings on investments are distributed to Pool participants and are calculated using the accrual basis of accounting. The net realized earnings on investments are apportioned to the Pool participants quarterly, based on the participant's average daily balances. A separately issued comprehensive annual financial report of the San Diego County Investment Pool can be accessed at http://www.sdtreastax.com/mcf_afreports.html.

The *Pool's* investments are reported at fair value at June 30, 2006 based on market prices. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County Employees Retirement Act of 1937 (Law) grants exclusive control to the Board of Retirement over the investment of SDCERA's



investment portfolio. The Law allows for the Board to invest, or delegate the authority to invest, the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board.

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

Investments are reported at fair value at June 30, 2006 in the Pension Trust Fund based upon closing sale prices reported on recognized securities exchanges on the last business day of the period. For listed securities having no sales reported and for unlisted securities, fair value is based upon last reported bid prices. All purchases and sales of investments are accounted for on a trade-date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized and unrealized gains or losses of securities are determined on the basis of average cost. Real estate investments are reported at estimated fair value, which has been determined by appraisals performed by independent real estate advisors approximately every three years.

2. Receivables and Payables

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other

outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All property taxes and accounts receivable are shown net of an allowance for uncollectibles.

The County collects property taxes on behalf of all property tax receiving agencies in the County. Property tax receiving agencies include the school districts, cities, community redevelopment agencies, independently governed special districts (not governed by the County Board of Supervisors), special districts governed by the County Board of Supervisors, and the other County funds.

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

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



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

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

Property tax collections are apportioned (disbursed) to the tax receiving agencies periodically from the tax unapportioned funds based on various factors including statutory requirements, tax delinquency dates and the type of property tax roll unapportioned fund (secured, unsecured, supplemental, delinquent secured, delinquent unsecured, delinquent supplemental, homeowners' property tax subvention, or public utility).

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. The County's portion of the unapportioned taxes at June 30, 2006 is allocated to and recorded in the corresponding funds for reporting purposes.

The County maintains records of disputed property taxes, such as those properties for which the values have been appealed to the local Assessment Appeals Boards. Upon final disposition of the appeals and disputes, the amounts are either refunded to taxpayers or the

tax bills are corrected. As of June 30, 2006, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.78 percent of the combined beginning secured and unsecured property tax roll charge.

Beginning in fiscal year 2005, a sales tax-property tax swap known as the "triple flip" was instituted. The triple flip local government package was part of Proposition 57, a State ballot measure approved by the voters in March 2004. Proposition 57 suspended the one-quarter cent portion of the sales tax dedicated to local governments and replaced it with property taxes (the "Countywide Adjustment Amount") equal to the lost sales tax revenue.

In addition, legislation adopted as part of the State's fiscal year 2005 budget process and Proposition 1A, approved by voters on November 2, 2004, permanently reduced the vehicle license fees (VLF) from two percent to 0.65 percent, swapped county and city VLF revenues for property taxes, equal to the difference between the VLF rate of two percent and 0.65 percent with a revenue-neutral impact, provided for a two-year shift of property taxes from counties, cities, redevelopment agencies, and special districts to school districts to partially reduce the State's General Fund deficit, in the total Statewide amount of \$1.3 billion for each of fiscal years 2005 and 2006 and established new Constitutional restrictions on the State's ability to impose unfunded mandates and limits the State's ability to reduce County revenues in the future.

As established by the *Teeter Plan*, the Auditor and Controller allocates to the County and other agencies 100% of the secured property taxes billed but not yet collected by the County. In return, as the delinquent property taxes and associated penalties and interest are collected, the County retains such amounts in a separate fund. To the extent that fund's tax loss reserves are higher than required, transfers may be made to benefit the County's General Fund.



The tax loss reserve requirement for fiscal year 2006 was \$10.281 million.

3. County Leased Property

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

4. Inventories and Prepaid Items

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

5. Deferred Charges

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

6. Restricted Cash and Investments

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

fund new and existing programs.

7. Capital Assets

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

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

Table 1

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

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

Table 2

Estimated Useful Lives	
Structures and improvements	50 years
Infrastructure	10-50 years
Equipment	5-20 years

8. Deferred and Unearned Revenue

Under both the accrual and modified accrual



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

9. Lease Obligations

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

10. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond and certificates of participation premiums discounts, deferred amounts on refundings, as well as issuance costs discussed above, are *deferred* and *amortized* over the life of the bonds and certificates of participation using the *straight-*

line method. Bonds and certificates of participation payable are reported net of the applicable premium, discount, or deferred amount on refunding. In the fund financial statements, governmental fund types recognize bond and certificates of participation premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Employee Compensated Absences

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

Amounts recorded as accumulated leave benefits include an amount representing salary-related payments such as the employer's share of Social Security and Medicare taxes associated with payments made for such compensated absences. Accumulated leave benefits including vacation, sick leave, and compensatory time worked in the amount of approximately \$78.4 million for the



governmental activities as of June 30, 2006, is recorded in the statement of net assets. These amounts would not be expected to be liquidated from expendable available financial resources but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

12. Termination Benefits

Effective December 2000, County employees in the unclassified service may receive 50% of the cash value of all or a portion of their sick leave balances upon termination or retirement. The cash value of these benefits was \$6.4 million at June 30, 2006. This liability has been recorded in the current and long-term portion of compensatable absences in the appropriate proprietary funds and the statement of net assets. All County employees who have completed at least five years of continuous service in the County retirement system, and have a sick leave balance of at least one hundred hours, may convert, at retirement, all or a portion of their sick leave balance to retirement service credits on a hour-for-hour basis. The impact of the conversion of sick leave balances to retirement service credits on the County's actuarial accrued liability, as part of its defined benefit pension plan, is not estimatable, however, contribution requirements as determined in the actuarial valuation as of June 30, 2006 include assumptions regarding employee terminations, retirement, death, etc.

13. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

This amount is derived by subtracting the outstanding debts, (adjusted by any unamortized deferred charges (costs of issuances), premiums, discounts, deferred amounts on refunding, and unspent proceeds related to debt), incurred by the County to buy or construct capital assets shown in the statement of net assets. Capital assets cannot readily be sold and converted to cash.

15. Restricted Net Assets

Restricted net assets arise when restrictions on the use of net assets are externally imposed by a creditor, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$277.239 million of restricted net assets, of which \$13.215 million is restricted by enabling legislation.

16. Unrestricted Net Assets

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

17. Indirect Costs

Expenditures and expenses for functional activities include County indirect costs that are allocated to benefiting departments under the County's Fiscal Year 2005-2006 *County-wide Cost Allocation Plan* which was prepared in accordance with the Federal Office of Management and Budget Circular A-87.

18. Use of Estimates

The preparation of the basic financial statements in conformity with generally



accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could

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

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Balance Sheet/Net Assets

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

Table 3

Governmental Fund Balance Sheet/Government-Wide Statement of Net Assets Reconciliation	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$2,245,044 difference are as follows:	
Bonds, notes and loans payable	\$ 2,450,346
Less: Unaccreted appreciation - capital appreciation bonds	(251,947)
Less: Unamortized deferred amounts on refundings (to be amortized as interest expense)	(48,583)
Less: Unamortized issuance discounts (to be amortized as interest expense)	(22,602)
Less: Unamortized issuance costs (to be amortized over the life of the debt)	(21,909)
Unamortized issuance premiums	7,257
Capital lease obligations (excluding Internal Service Funds)	31,894
Compensated absences (excluding Internal Service Funds)	76,141
Landfill closure and - San Marcos landfill	24,447
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 2,245,044
Internal Service Funds are used by management to charge the costs of fleet management and management information systems to individual 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 \$82,512 difference are as follows:	
Net assets of the internal service funds	\$ 83,101
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(501)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(88)
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 82,512

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

Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are detailed in **Table 4** on the following page.



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

Table 4

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities Reconciliation	
Governmental Funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$23,714 difference are as follows:	
Capital outlay	\$ 109,897
Depreciation expense	(86,183)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 23,714
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. The details of this \$7,989 difference are the following:	
The proceeds from the sale of capital assets provide current financial resources but have no effect on net assets	\$ (12,355)
The gain on the disposal of capital assets does not affect current financial but increase net assets	6,142
Donations of assets to the County do not provide current financial resources but resources increase net assets	14,202
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 7,989
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 cost, 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 \$50,797 difference are as follows:	
Debt issued or incurred:	
Face value of bonds issued	\$ 166,611
Refunding certificates of participation issued	28,210
Refunding bonds issued	433,020
Plus: premiums	1,308
Less: costs of issuances	(6,172)
Less: discounts	(20,501)
Principal repayments	(57,245)
Capital lease payments	(2,720)
Debt service payment to refunded bond escrow agent	(24,256)
Payment to refunded bond escrow agent from proceeds	(467,458)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 50,797
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 \$21,699 difference are as follows:	
Compensated absences	\$ 1,712
Accrued interest	481
Accretion of capital appreciation bonds	7,395
Amortization of premium	(82)
Amortization of deferred amounts on refundings	(7,621)
Amortization of issuance costs	12,861
Amortization of discounts	6,953
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 21,699
Internal service funds are used by management to charge the costs of information technology, vehicle operations and maintenance, risk management and insurance, and communication services funds to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. The details of this \$(20,392) difference are as follows:	
Change in net assets of the internal service funds	\$ (20,304)
Less: Loss from charges to business activities	(88)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ (20,392)



III. Stewardship, Compliance and Accountability

A. Fund Deficits

The funds in **Table 5** below had accumulated deficits at June 30, 2006.

The deficit in the Risk Financing Internal Service fund resulted from the accrual of known and projected general claim liabilities based on actuarial studies. The deficit increased \$16 million from the previous fiscal year due to a reestimation of projected case liabilities and increased costs associated with general claim case development. The County intends to reduce the deficits through increased premium rate charges to County departments.

The deficit within the Facilities Management Internal Service fund was due to the use of loan proceeds for expenses incurred for maintenance cost for energy conservation equipment. The \$2.5 million increase in the deficit from the previous year resulted due to the aforementioned loan liability and an operating loss. This deficit will be reduced through increased department fees and/or a capital contribution from the General Fund.

Table 5

Fund Deficits - Various Funds	
Internal Service Funds:	
Risk Financing	\$ 39,040
Facilities Management	7,057

IV. Detailed Notes on all Funds

Note: **Tables 6 through 22** which are referenced in Note IV-A-1 through 12 are located at the end of the note.

A. Deposits and Investments

Please refer to **Table 6** for a reconciliation of deposits and investments as reported in the basic financial statements and the information

discussed in Notes IV-A 1 through 4.

1. San Diego County Investment Pool

The *San Diego County Investment Pool (the Pool)* is a local government Investment Pool with approximately \$4.0 billion in assets as of June 30, 2006. It is headed by the Treasurer-Tax Collector, an elective office that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The San Diego County Investment Pool is managed by the County Treasurer's Office on behalf of the Pool participants, which include the County, local school districts, local community colleges and other districts and agencies. The local school districts are required by State statutes to deposit their funds with the County of San Diego. "Mandatory" participants in the Pool comprise the majority of the Pool's assets, approximately 98%. All participants comply with the same requirements per the Pool Investment Policy.

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

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established the Treasurer's Oversight Committee (TOC) that monitors and reviews the Pool's investment policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five



members of the public, having expertise in, or an academic background in public finance. This Committee requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The San Diego County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

Earnings on investments are distributed to Pool participants and are calculated using the accrual basis of accounting. Section 27013 of the California Government Code authorizes the Treasurer's Office and Auditor and Controller's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Pool participants quarterly, based on the participants average daily balances.

2. Cash and Investments Outside of the Pool

a. Cash and Investments with Fiscal Agents

Cash with Fiscal Agents totaled \$241.0 million on deposit with trustees for the General Fund, Tobacco Securitization Joint Special Revenue Fund, Air Pollution Special Revenue Fund, SANCAL Special Revenue Fund, Housing Authority Special Revenue Fund, Pension Obligation Bond Debt Service Fund, SANCAL Debt Service Fund, Redevelopment Agency Debt Service Fund, SANCAL Capital Projects Fund, and Other Agency Funds.

Investments with Fiscal Agents totaled approximately \$874.3 million with Trustees. These amounts are accounted for in the General Fund, Tobacco Securitization Special Revenue Fund, Inactive Wastesites Fund, Pension Obligation Bonds Debt Service Fund and SANCAL Debt Service Fund.

b. Pension Trust Fund

SDCERA had *investments* of approximately \$7.9 billion as of June 30, 2006. Investments are reported at fair value upon closing sale prices

reported on recognized securities exchanges on the last business day of the period. For listed securities having no sales reported or for unlisted securities, fair value is based upon last reported bid prices. All purchases and sales of investments are accounted for on a trade-date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized and unrealized gains or losses of securities are determined on the basis of average costs. Real estate investments consist of real estate equities primarily in office, industrial, retail and residential properties with 96.5% in the United States and 3.5% International.

SDCERA had *cash and cash equivalents with fiscal agents* totaling \$157.9 million. Cash and short-term investments consist of cash and securities with fiscal agents. Short-term investments consist of cash held in money market accounts and securities readily convertible to cash. Cash equivalents and securities for swaps and futures consist of money market securities and collective short-term investments with original maturities of three months or less.

In addition to the above, SDCERA utilizes a diverse group of derivative instruments across the total fund, including swaps, options, forwards and a variety of futures contracts. Please refer to IV-A-12 (SDCERA Derivative Financial Instruments).

C. First 5 Commission of San Diego

The Commission had *investments* of approximately \$185 million as of June 30, 2006. Of this amount \$19.1 million was invested in the County Pool and \$165.9 million was invested outside the County Pool. The Commissions investments are valued at fair value. Interest earned on pooled funds is allocated and credited to these funds quarterly. Interest on investments that are outside the County pool are recognized when earned (i.e. coupon payments on bonds). The investments of the commission are governed by California Government Code Section 53601.



3. Deposits

County Investment Pool - At year-end the carrying amount of the County's demand deposits was \$19.901 million, while the related bank balance with various financial institutions consisted of \$14.857 million in demand deposits and \$1.691 million in insured time deposits. Of the total bank balance amount, \$1.891 million was covered by federal deposit insurance and \$14.657 million was collateralized with securities held by the pledging financial institution.

Cash and Investments with Fiscal Agents - At year-end the carrying amount of the County's demand deposits was \$83.085 million, while the related bank balance with various financial institutions consisted of \$86.033 million in demand deposits. Of the total bank balance amount, \$.806 million was covered by federal deposit insurance and \$13.212 million was collateralized with securities held by the pledging financial institution and the remaining \$72.015 million was uncollateralized.

SDCERA Investment Portfolio - At year end the carrying amount of SDCERA's money market accounts and securities readily convertible to cash was \$157.940 million.

First 5 Commission of San Diego - At year end the carrying amount of the First 5 Commission's investments with fiscal agent was \$165.930 million.

4. Investments

Please see **Table 6** and refer to the information shown on **Tables 8 through 22** concerning investments in *the County Pool; with Fiscal Agents; the First 5 Commission of San Diego (Commission); and the Pension Trust Fund, (SDCERA)*.

5. Deposit and Investment Risk

Investment risk disclosure is required for interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk) and foreign currency risk.

6. Interest Rate Risk

County's Investment Pool - The Pool does not have a general policy to manage interest rate risk, however it is banned from purchasing Inverse Floaters, Range Notes, Interest only strips derived from a pool of mortgages, and any security that could result in zero interest accrual. It is limited on maturity levels, which in turn, allows the Pool to manage its exposure to fair value losses arising from increased rates (See **Table 7**).

Investments with Fiscal Agents - No general policies have been established to manage interest rate risk, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements. As of June 30, 2006, the following investments and maturities with fiscal agents were as shown on **Tables 8 and 11**.

SDCERA Investment Portfolio - SDCERA does not have a general policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon and geography. As of June 30, 2006, SDCERA had the following investments and maturities as shown on **Table 12**.

The *First 5 Commission of San Diego's* investment policy does not contain policies for exposure to interest rate risk. Information about the sensitivity of the fair values of the Commission's investments to market rate fluctuations is provided in **Table 13** that shows the distribution of the Commission's investments by maturity.

7. Credit Risk

County's Investment Pool - As of June 30, 2006, the Investment Pool's Security Ratings are shown on **Table 7**.

Investments with Fiscal Agents - No general policies have been established for credit risk, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or



indenture agreements. The security ratings for these investments are shown on **Table 14**.

SDCERA Investment Portfolio - SDCERA's Investment guidelines address fixed income quality requirements by investment category. The overall weighted average investment grade held in domestic fixed income portfolios shall be no lower than AA by Standard & Poor's and Fitch's and Aa by Moody's. Domestic high yield fixed income portfolios must have a weighted average quality of B/B+ or higher (Moody or Standard & Poor's equivalent). Not rated issues are limited to 15% of the manager's portfolio. The overall weighted average grading for the Global fixed income portfolio shall be A-/A3 or higher. SDCERA has no policy for Emerging Market Fixed Income grading.

Tables 15 and 16 illustrate SDCERA's Fixed Income securities ratings as of June 30, 2006, shown as a percentage of the total portfolio.

Domestic Core Fixed Income Portfolio

SDCERA's Domestic Core Fixed Income portfolio includes government securities, collateralized mortgage obligations, corporate bonds, private placements, and other bonds. The overall weighted average rating for Domestic Fixed Income was AAA, excluding 5.1% of unrated securities.

Global Fixed Income Portfolio

SDCERA's Global Fixed Income portfolio includes corporate bonds and sovereign debt. The weighted average rating for Global Fixed Income portfolio was A, excluding 17.4% of unrated securities.

High Yield Fixed Income Portfolio

The weighted average quality of the High Yield Fixed Income Portfolio as of June 30, 2006 was B/BB, excluding 34.0% of unrated securities in the portfolio.

Emerging Market Debt

SDCERA's Emerging Market Debt portfolio invests in sovereign debt of emerging countries. As of June 30, 2006, the weighted average

rating for Emerging Market Debt portfolio was rated B excluding 17.7% of unrated securities in the portfolio.

The *First 5 Commission of San Diego* investment policy does not contain policies for exposure to credit risk. **Table 17** presents the minimum rating required by the California Government Code Section 53601 (where applicable) and the actual rating as of year end for each investment type.

8. Concentration of Credit Risk

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

Cash and Investments with Fiscal Agents - No general policies have been established to limit the amount of exposure to any one single issuer, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

SDCERA Investment Portfolio - Fixed income managers are expected to adhere to the following guidelines as a means of limiting credit risk. Domestic Fixed Income managers are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agencies. Global and Tips Fixed Income managers are limited to 10% of a single issuer. High Yield and Convertible Fixed Income Managers limit is 8% exposure in any single security, with the exception of United States Treasury and government agencies. As of June 30, 2006, SDCERA has no single issuer that exceeds 5% of total fixed income investments.



The *First 5 Commission of San Diego* investment policy does not contain policies for exposure to concentration of credit risk. The California Government Code Section 53601 places limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more than total investments are presented in **Table 18**.

9. Custodial Credit Risk

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

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

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

In March 2005 the Board of Retirement completed a comprehensive asset/liability study that resulted in a new asset allocation strategy. This strategy specified an asset

allocation target of 24% Domestic Equity, 25% International Equity, 31% Fixed Income, 10% Real Estate, 5% Commodities and 5% Alternative Equity.

First 5 Commission of San Diego - The California Government Code does not contain legal or policy requirements that would limit the exposure of custodial credit risk for deposits or investments other than the following provision for deposits: The California Government Code Section 53652 requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the secure public deposits.

10. Foreign Currency Risk

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

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

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



currency overlay exposure.

SDCERA's net exposure to foreign currency risk is shown on **Table 19**.

The *First 5 Commission of San Diego* does not have a policy related to foreign currency, however, the Commission does not invest in foreign currency based securities.

11. Securities Lending Transactions

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

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

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

SDCERA's securities lending transactions as of June 30, 2006, are summarized on **Table 20**. The Fund lent \$591.768 million in securities and received collateral of \$45.080 million and \$557.938 million in securities and cash, respectively from borrowers.

SDCERA receives a premium on all securities it holds as collateral. As of June 30, 2006, the cash collateral that was received from the borrowers was then invested in the investment

types as shown on **Table 21**.

Cash collateral is invested in the agent's short-term investment pool, which as of June 30, 2006 had a weighted average maturity of 54 days.

SDCERA does not have the ability to pledge or sell collateral securities without a borrower default. At the end of the fiscal year, SDCERA has no credit risk exposure to borrowers because the amounts the system owes them exceed the amounts they owe the system.

The *First 5 Commission of San Diego's* portfolio is governed by Government Code section 53601. Securities lending is authorized per the code, however, the commission did not have any exposure in Fiscal Year 2006.

12. SDCERA Derivative Financial Instruments

Swaps allow SDCERA to exchange a money market return for the rights to the return of a specific index, such as equity or commodity indices. As of June 30, 2006, SDCERA held S&P 500 swap contracts with a notional value of \$1.4 billion and a fair value of \$5.4 million, and a Goldman Sachs Commodity Index swap with a notional value of \$346.9 million. SDCERA will only execute a swap agreement with a counterparty rated A or higher, as the use of swap agreements exposes the Plan to the risk the counterparty cannot fulfill their obligation. All swaps entered into by SDCERA are fully collateralized by cash at least equal to the notional value of the most recent reset. Allowing insufficient collateral is strictly prohibited by the Investment Policy.

Options and forwards are standard contracts utilized for exposure to the foreign currency markets due to the unlimited variation with respect to the size and term that is required by investors in this area. Options are contracts which give the buyer the right, but not the obligation, to buy or sell a specified quantity of a commodity, i.e. foreign currency, at a specified price within a specified period of time. Forwards are contracts on which a seller agrees to deliver a specified cash commodity to a



buyer sometime in the future. Forward contracts are not traded on federally designated exchanges as the terms of the forward are not standardized, i.e. delivery time and amount are negotiated between the buyer and seller. SDCERA currently has \$1 billion in exposure to foreign currency options and forwards through the Currency Overlay program, which is diversified across three currency overlay managers implementing four different strategies. In addition, SDCERA has \$154.7 million in currency exposure through the policy overlay program.

Futures contracts are standardized according to the quality, quantity and delivery time and location for each commodity or instrument. Futures contracts are also traded on organized exchanges thereby minimizing counterparty risk. Futures contracts have daily cash settlement and the net gains and losses for the daily settlements are included in the Statement of Changes in Plan Net Assets.

As of June 30, 2006, SDCERA had total futures exposures of \$475.35 million (See **Table 22**).

Derivative instruments are designed to provide equivalent exposure to the assets they emulate. SDCERA's use of swaps and futures is structured such that market exposure is fundamentally equivalent to a direct cash investment. SDCERA believes such vehicles offer significant advantages over a direct investment in the asset, including efficient use of capital, and lower transaction and custody costs.



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

Table 6

	Primary Government								Total
	Governmental Activities	Business-Type Activities	Total Primary	First 5 Commission	Pension Trust Fund (SDCERA)	Investment Trust Fund	Agency Funds		
Pooled cash and investments	\$ 1,087,269	78,286	1,165,555	19,110	3,023	2,415,542	429,093	4,032,323	
Cash with fiscal agents	36,264		36,264				9,276	45,540	
Restricted cash with fiscal agents	37,545		37,545					37,545	
Subtotal: Cash with fiscal agent	73,809		73,809				9,276	83,085	
Cash with fiscal agents - SDCERA					157,940			157,940	
Total cash with fiscal agents	73,809		73,809		157,940		9,276	241,025	
Investments with fiscal agents - current	39,674		39,674	165,930					
Restricted investments with fiscal agents - current	467,150		467,150						
Restricted investments with fiscal agents - noncurrent	338,173		338,173						
Investments with fiscal agent - noncurrent	29,346		29,346						
Total investments with fiscal agents	\$ 874,343		874,343	165,930	7,883,930				
Reconciliation of pooled cash and investments:									
Investments in county pool	\$ 3,993,869								
Add: Demand deposits	19,901								
Collections in transit	18,146								
Imprest cash	407								
Total pooled cash and investments	\$ 4,032,323								
Reconciliation of pooled investments to Table 7:									
Investments in county pool	\$ 3,993,869								
Add: Time deposits included in demand deposits above	1,691								
Investments in county pool - Table 7	\$ 3,995,560								

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



Table 7

Investments - County Pool										
Investment Type	MOODY'S Rating	S&P Rating	Rate Range %	Maturity Date Range	Par Value	Amortized Cost	Fair Value	Yield to Maturity	WAM	Percent of Total
U.S. Government Agencies:										
Federal Home Loan Bank Notes	Aaa	AAA	2.10-5.125	07/06-06/08	\$ 564,585	\$ 563,785	\$ 559,438	3.15%	214	14%
Federal Home Loan Mortgage Corp. Notes	Aaa	AAA	2.25-5.50	12/06-12/08	473,075	472,573	468,533	4.59%	555	12%
Federal Nat'l Mortgage Assn. Notes	Aaa	AAA	2.05-5.00	07/06-06/08	326,316	326,316	323,382	3.00%	204	8%
Federal Farm Credit Bank Notes	Aaa	AAA	2.11-3.50	07/06-05/08	299,000	299,000	293,919	2.43%	208	7%
Short Term Notes:										
Commercial Paper	P-1	A-1+/A-1	4.50-5.35	07/06-10/06	1,197,402	1,189,482	1,190,899	4.99%	37	30%
Medium-Term Notes	P-1	A-1+/AAA	2.75-5.09	08/06-12/09	330,000	327,487	324,129	4.42%	246	8%
Asset-Backed Notes	Aaa	AAA	2.55-5.30	01/07-05/09	77,500	76,955	76,307	4.26%	530	2%
Repurchase Agreements	P-1	A-1	3.89-5.38	07/06	218,391	218,391	218,391	5.25%	3	5%
Negotiable Certificates of Deposit	P-2	A-1+/A-1	4.62-5.40	07/06-11/06	485,000	484,970	484,821	5.07%	61	12%
Open-End Inst'l Money Market Funds	Aaa	AAA	4.91-5.34	07/06	54,050	54,050	54,050	5.26%	3	1%
Time Deposits*			3.89-5.08	08/06-05/07	1,691	1,691	1,691	4.54%	180	1%
Total Investments					\$ 4,027,010	\$ 4,014,700	\$ 3,995,560	4.30%	177	100%

* Time deposits are classified as cash on hand and in banks.

Table 8

Investments - With Fiscal Agents									
Investment Type	MOODY'S Rating	S&P Rating	Maturity Under 1 Month	Maturity 1 to 6 months	Maturity 6 to 12 Months	Maturity Greater than 12 Months	Market Value	Coupon Rate	Maturity Date
IXIS Funding Corp. Investment Agreement	Unrated	Unrated	\$ 250,000	\$	\$	\$ 3,180	\$ 253,180	NA	7/12/06 - 9/26/08
Fixed Income Tax Exempt Bonds	Various	Various	93,500	25,029		300,070	418,599	1.79% - 5.625%	7/1/06 - 2/1/42
Commercial Paper	Unrated	Unrated	6,967	13,701			20,668	NA	7/12/06 - 11/10/06
Federal Home Loan Bank	Aaa	AAA				9,816	9,816	5.270%	7/28/08
Federal Home Loan Mortgage Company	Aaa	AAA				9,882	9,882	5.460%	12/28/09
AIG Investment Agreement	Unrated	Unrated				14,155	14,155	NA	7/3/07
Rabobank Investment Agreement	Unrated	Unrated		49,080		5,583	54,663	NA	12/29/06 - 8/27/07
MBIA Inc Investment Agreement	Unrated	Unrated				15,185	15,185	NA	5/15/09 - 9/28/09
Federal National Mortgage Association Discount Notes	NA	A-1+		45,582			45,582	NA	11/10/06 - 12/1/06
Medium Term Notes	Aaa	AAA			2,963	9,648	12,611	5.150%	3/15/07 - 5/1/08
Negotiable CD's	Unrated	Unrated			20,000		20,000	NA	1/5/07
Common Stock	Aa2	AA-				2	2		
Total Investments			\$ 350,467	\$ 133,392	\$ 22,963	\$ 367,521	\$ 874,343		



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

Table 9

Investments - Pension Trust Fund (SDCERA)	Fair Value
Domestic equity securities	\$ 583,074
Cash, cash equivalents, and securities for Domestic equity swaps and alpha engine	1,478,932
International equity securities	1,845,546
Securities lending collateral	603,019
United States government obligations	471,528
Domestic corporate bonds	599,390
International bonds	850,359
Cash and securities for overlay futures	41,448
Cash and Securities for Commodity Swaps	382,815
Balanced fund	330,294
Alternative equity	240,983
Real estate	456,542
Total investments	\$ 7,883,930

Table 10

Investments - First 5 Commission	Fair Value
Federal Agency Securities	\$ 88,967
Medium Term Notes	6,980
Commercial Paper	9,969
Negotiable CD's	49,975
Money Market Fund	10,039
County Pool	19,110
Total investments	\$ 185,040

Note: Amounts invested in County Pool are reflected in the Pooled Cash and Investments for this component unit.

Table 11

Investments and Maturities - With Fiscal Agents					
Investment Type	Market Value	Maturity Under 1 month	Maturity 1 to 6 Months	Maturity 6 to 12 Months	Maturity Greater than 12 Months
IXIS Funding Corp. Investment Agreement	\$ 253,180	250,000			3,180
Fixed Income Tax Exempt Bonds	418,599	93,500	25,029		300,070
Commercial Paper	20,668	6,967	13,701		
Federal Home Loan Bank	9,816				9,816
Federal Home Loan Mortgage Company	9,882				9,882
AIG Investment Agreement	14,155				14,155
Rabobank Investment Agreement	54,663		49,080		5,583
MBIA Inc Investment Agreement	15,185				15,185
Discount Notes	45,582		45,582		
Medium Term Notes	12,611			2,963	9,648
Negotiable CD's	20,000			20,000	
Common Stock	2				2
Total Investments	\$ 874,343	350,467	133,392	22,963	367,521

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



Table 12

Investments and Maturities - SDCERA Investment Portfolio

Investment Type	Fair Value	Maturity Less than 1 year	Maturity 1 to 5 years	Maturity 6 to 10 years	Maturity More than 10 years
Asset and mortgage backed securities	\$ 91,096			424	90,672
Collateralized mortgage obligations	119,714		241	159	119,314
Commercial paper	4,896	4,896			
Convertible Bonds	192,259	68,789	34,952	6,253	82,265
Corporate bonds	344,537	121,431	68,382	131,700	23,024
Emerging market debt securities	356,600	14,870	34,234	80,592	226,905
International bonds	248,291	4,209	83,200	90,848	70,036
International Governments	244,990		152,155	70,352	22,483
Managed Futures *	31,688	NA	NA	NA	NA
Private placements	30,448	902	6,941	15,641	6,964
Treasury inflation protected securities	232,808	384	64,491	97,362	70,570
US Treasuries	23,652	5,113	2,684	7,322	8,532
Total Investments**	\$ 1,920,979	220,594	447,280	500,653	720,765

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

** Excludes excess cash from Standish Mellon and PIMCO cash management

Table 13

Investments and Maturities - First 5 Commission

Investment Type	Amount	12 months or less	13 to 24 months	25 to 60- months
Federal Agency Securities	\$ 88,967	37,570	24,833	26,564
Medium Term Notes	6,980	6,980		
Commercial Paper	9,969	9,969		
Negotiable CD's	49,975	49,975		
Money Market Fund	10,039	10,039		
County Pool	19,110	19,110		
Total	\$ 185,040	133,643	24,833	26,564



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

Table 14

Securities Ratings - Investments With Fiscal Agents				
Fixed Income Tax Exempt Bonds:	S&P Rating	Market Value	Percent of Total	
ALASKA ST HSG FIN CORP	AAA	\$ 18,210	4%	
ATLANTA GA ARPT PASSENGER FAC	AAA	11,025	3%	
BARTOW CNTY GA DEV AUTH POLLU	A	10,000	2%	
BLACKROCK PROVIDENT INSTL FDS MUNI FUND INSTL	A-1	93,500	22%	
CALIFORNIA ST DEPT WTR RES PWR	AAA	5,385	1%	
CALIFORNIA ST DEPT WTR RES PWR	AAA	1,092	0%	
CALIFORNIA STATEWIDE CMNTYS	AAA	25,029	6%	
CALIFORNIA STATEWIDE CMNTYS	A+	6,349	2%	
CALIFORNIA STATEWIDE CMNTYS	A+	4,861	1%	
CHICAGO IL SCH FIN AUTH	NOT RATED	4,694	1%	
DAPHNE AL SPL CARE FACS	AAA	5,752	1%	
DELAWARE VALLEY PA REGL FIN	AAA	10,000	2%	
GRAND TRAVERSE CNTY MI HOSP	NOT RATED	19,400	5%	
HARRIS CNTY TX HLTH FACS HOSP	AAA	5,000	1%	
HOUSTON TX UTIL SYS REV	AAA	5,000	1%	
ILLINOIS ST	AA	3,333	1%	
INDIANA HLTH FAC HOSP REV	AAA	8,325	2%	
JEA FL ELEC SYS REV	AAA	15,000	4%	
JEFFERSON CNTY AL SWR REV	AAA	20,000	5%	
MEDFORD OR HOSP FACS AUTH REV	AAA	20,000	5%	
METROPOLITAN TRANSN AUTH NY	AAA	20,000	5%	
NEW YORK N Y	AAA	10,751	3%	
NORTH CAROLINA CAP FACS FIN	NOT RATED	5,728	1%	
OREGON ST DEPT ADMINISTRATIVE	AAA	6,114	1%	
PUTNAM CNTY GA DEV AUTH POLLUT	A	19,025	5%	
RALEIGH NC CTFS PARTN	AA+	1,019	0%	
SEATTLE WA MUN LT + PWR REV	AAA	15,900	4%	
SOUTH CAROLINA ST	AA+	9,429	2%	
UNIVERSITY AL UNIV REVS	AAA	7,500	2%	
WAKE CNTY NC INDL FACS + PLLTN	AAA	5,000	1%	
WAKE CNTY NC INDL FACS + PLLTN	AAA	10,000	2%	
WAYNE CNTY ARPT AUTH REV	AAA	15,025	4%	
WESTERN MN MUN PWR AGY TRANS	NOT RATED	1,153	0%	
		\$ 418,599	100%	

Table 15

Fixed Income Securities Ratings - SDCERA Investment Portfolio						
Credit Risk	Domestic Core Fixed Income	Global Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income	Total*	
Govt	\$ 330,762	94,592			425,354	
AAA	33,138	331,244			364,382	
AA	6,445	6,489			12,934	
A	20,606	104,854	79	30,061	155,600	
BBB	29,874	83,878	7,426	64,366	185,544	
BB	15,163	3,552	73,230	53,098	145,043	
B	27,802	2,836	124,175	146,135	300,948	
CCC	2,925		26,662		29,587	
CC	846		3,676		4,522	
C			4,952		4,952	
NR	25,176	132,673	123,847	62,940	344,636	
Total	\$ 492,737	760,118	364,047	356,600	1,973,502	

* Includes convertible securities for fixed income portfolio managers.



Table 16

Fixed Income Securities Ratings (Percent of Portfolio) SDCERA Investment Portfolio				
Credit Risk	Domestic Core Fixed Income	Global Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income
Govt	67.1%	12.4%	0.0%	0.0%
AAA	6.7%	43.6%	0.0%	0.0%
AA	1.3%	0.9%	0.0%	0.0%
A	4.2%	13.8%	0.0%	8.4%
BBB	6.1%	11.0%	2.0%	18.1%
BB	3.1%	0.5%	20.1%	14.9%
B	5.6%	0.4%	34.1%	41.0%
CCC	0.6%	0.0%	7.4%	0.0%
CC	0.2%	0.0%	1.0%	0.0%
C	0.0%	0.0%	1.4%	0.0%
NR	5.1%	17.4%	34.0%	17.6%
	100%	100%	100%	100%

Table 17

Securities Ratings - First 5 Commission			
Investment Type	Amount	Minimum Rating Required	Credit Quality Rating
Federal Agency Securities	\$ 88,967	AAA	AAA
Medium Term Notes	6,980	A	A OR BETTER
Commercial Paper	9,969	A1	A1 OR BETTER
Negotiable CD's	49,975	N/A	A1 OR BETTER
Money Market Fund	10,039	AAA	AAA
County Pool	19,110	VARIOUS	AAA
Total	\$ 185,040		

Note: Amounts invested in County Pool are reflected in the Pooled Cash and Investments for this component unit.

Table 18

Concentration of Credit Risk - First 5 Commission		
Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal agency securities	\$ 42,332
Federal Home Loan Mortgage Co.	Federal agency securities	46,635

Table 19

Foreign Currency Exposure - SDCERA Investment Portfolio	
Currency	Fair Value
EURO CURRENCY UNIT	\$ 442,050
JAPANESE YEN	356,221
BRITISH POUND STERLING	264,894
U.S. DOLLAR	208,681
SOUTH KOREAN WON	96,655
HONG KONG DOLLAR	86,202
AUSTRALIAN DOLLAR	77,484
SWISS FRANC	69,730
CANADIAN DOLLAR	69,393
S AFRICAN COMM RAND	55,721
NEW TAIWAN DOLLAR	51,936
SINGAPORE DOLLAR	30,700
INDONESIAN RUPIAN	21,390
MEXICAN NEW PESO	18,312
NORWEGIAN KRONE	16,390
BRAZIL REAL	15,533
MALASIAN RINGGIT	8,099
DANISH KRONE	6,503
FORWARDS/ OTHER	6,290
SWEDISH KRONA	6,111
EGYPTIAN POUND	5,714
THAILAND BAHT	5,442
INDIAN RUPEE	5,083
TURKISH LYRA	5,004
CHILEAN PESO	4,109
HUNGARIAN FORINT	3,850
NEW ZEALAND DOLLAR	3,737
NEW TURKISH LIRA	2,873
Other (less than \$2 million holdings)	2,789
Total	\$ 1,946,896



Table 20

Securities Lent - SDCERA Investment Portfolio			
Investment Type	SDCERA Securities Lent	Securities Received Value	Cash Received Value
Lent for Cash Collateral:			
U.S. Government and Agency securities	\$ 10,000		10,173
International Governments securities	41,532		44,942
Treasury inflation protected securities	181,295		182,916
Domestic Corporate Fixed Income securities	51,827		52,840
Domestic Equities	50,350		51,223
International Equities	211,971		215,844
Lent for Securities Collateral:			
U.S. Government and Agency securities	5,115	5,163	
Treasury inflation protected securities	39,319	39,559	
International Equities	359	358	
Total	\$ 591,768	45,080	557,938

Table 21

Securities Lending Transactions - SDCERA Investment Portfolio	
Investment Type	Fair Value
U.S. Corporate Floating Rate	\$ 285,748
Asset Back Securities	64,674
Commercial Paper	102,169
Certificates of Deposit Floating Rate	49,342
Interest Bearing	2,093
Repurchase Agreements	97,855
Other (cash)	260
Total	\$ 602,141

Table 22

Derivatives, Futures Exposures - SDCERA Investment Portfolio	
	Notional Amount Long/(Short)
Equity	
International Equity	\$ 14,408
US Large & Small Cap	60,027
Total Equity	74,435
Fixed Income	
Global ex US Fixed Income	147,068
US Fixed Income	(21,155)
Total Fixed Income	125,913
Managed Futures Overlay	275,000
Total Futures Exposures	\$ 475,348

B. Receivables

GASB Statement No.38 requires identification of receivable balances not expected to be collected within one year. **Table 23** below presents receivables at June 30, 2006 for the County's individual major funds, nonmajor governmental and enterprise funds, internal service funds and the discrete component unit including the applicable allowances for uncollectible accounts. The details of the receivables reported in the government-wide statement of net assets that are not expected to be collected within the next fiscal year are identified below:

- Due From Other Governmental Agencies

Of the \$352,577 due from other governmental agencies for governmental activities, \$41,121 is not expected to be received within the next fiscal year. This represents the amount the State of California owes to the County for Senate Bill (SB)90 mandated cost reimbursements for programs and services the State requires the County to provide. The State has deferred reimbursement to counties to future fiscal years, however, payment by the State began in Fiscal year 2007; hence this amount is expected to be received in the future.

- Notes Receivable

The \$1,000 note receivable for governmental activities is due from the Metropolitan Area Advisory Committee to the Redevelopment Agency of the County of San Diego. The due date of the note is June 2063.

- Loans Receivable

\$47,450 of loans receivable for governmental activities consist of loans for low-income housing programs such as down payments for closing costs, community development block grant loans, and various housing rehabilitation loan programs for low-income or special need residents. These loans are not expected to be repaid within the next fiscal year.



Table 23

Primary Government and Discretely Presented Component Unit									
Receivables	Accounts	Interest	Due From Other Gov't Agencies	Notes	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:									
General Fund	\$ 3,943	9,357	280,926		6,255		300,481	(4,337)	296,144
Tobacco Securitization Special Revenue Fund		1,898					1,898		1,898
Other governmental funds	4,643	3,853	67,179	1,000	41,195	5	117,875	(3)	117,872
Internal service funds	511	342	4,472				5,325		5,325
Total governmental activities	9,097	15,450	352,577	1,000	47,450	5	425,579	(4,340)	421,239
Business-type activities:									
Enterprise Fund	382	704	1,725				2,811		2,811
Component Unit:									
First 5 Commission		3,257	7,474				10,731		10,731

C. County Property on Lease to Others

The County has *noncancelable* operating leases for certain properties which are not material to the County's governmental operations, except for the aforementioned sublease of a share of the Metropolitan Transit System (MTS) Towers. In this regard, the share of the County's property under this lease is an estimated \$12.74 million in land and structures and improvements with accumulated depreciation of \$4.5 million at June 30, 2006.

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 \$2.6 million in land at June 30, 2006.

Lease revenues for both non-cancelable and cancelable leases for the year ended June 30, 2006 were approximately \$22 million.

Future minimum *revenue* to be received under these noncancelable operating leases as of June 30, 2006 are noted below in **Table 24**. (One lease extends through 2091 for a two acre parcel leased to a non-profit public benefit

corporation.)

Table 24

Lease Revenue County Property Leased To Others		Minimum Lease Revenue
Fiscal Year		
2007	\$	13,130
2008		12,490
2009		12,145
2010		11,400
2011		11,010
2091		167,069
Total	\$	227,244

D. Capital Assets

1. Primary Government

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities:

On **Table 25** below, building and infrastructure projects are recorded as construction in progress until completion. Intangible projects such as software acquisition and implementation are recorded as contracts in progress until implementation is completed.



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

Table 25

Capital Assets - Governmental Activities				
	Beginning Balance at July 1	Increases	Decreases	Ending Balance at June 30
Capital assets, not being depreciated:				
Land	\$ 266,960	9,753	(6,208)	270,505
Construction and contracts in progress	140,621	50,960	(17,064)	174,517
Total capital assets, not being depreciated	407,581	60,713	(23,272)	445,022
Capital assets, being depreciated:				
Buildings and improvements	962,630	17,085	(645)	979,070
Equipment	183,753	28,626	(7,547)	204,832
Software	47,696	7,784		55,480
Road network	2,119,848	47,818		2,167,666
Bridge network	39,953	1,097		41,050
Total capital assets, being depreciated	3,353,880	102,410	(8,192)	3,448,098
Less accumulated depreciation for:				
Buildings and improvements	(292,950)	(18,589)	292	(311,247)
Equipment	(95,387)	(16,996)	6,450	(105,933)
Software	-	(5,548)		(5,548)
Road network	(686,339)	(60,106)		(746,445)
Bridge network	(12,392)	(762)		(13,154)
Total accumulated depreciation	(1,087,068)	(102,001)	6,742	(1,182,327)
Total capital assets, being depreciated, net	2,266,812	409	(1,450)	2,265,771
Governmental activities capital assets, net	\$ 2,674,393	61,122	(24,722)	2,710,793

Depreciation expense was charged to functions of the primary government as shown in Table 26.

Table 26

Depreciation Expense - Governmental Activities	
General government	\$ 7,720
Public protection	16,363
Public ways and facilities	61,119
Health and sanitation	527
Public assistance	345
Education	48
Recreation and cultural	61
Internal Service Funds	15,818
Total Depreciation Expense - Governmental Activities	\$ 102,001

Business Type Activities:

On Table 27 below, building and infrastructure projects are recorded as construction in progress until completion.

Table 27

Capital Assets - Business Type Activities				
	Beginning Balance at July 1	Increases	Decreases	Ending Balance at June 30
Capital assets, not being depreciated:				
Land	\$ 10,677	32		10,709
Construction and contracts in progress	16,812	15,804	(4,960)	27,656
Total capital assets, not being depreciated	27,489	15,836	(4,960)	38,365
Capital assets, being depreciated:				
Buildings and improvements	42,732	4,396		47,128
Equipment	1,206	46		1,252
Road network	139			139
Sewer network	64,782	591	(1,122)	64,251
Total capital assets, being depreciated	108,859	5,033	(1,122)	112,770
Less accumulated depreciation for:				
Buildings and improvements	(20,534)	(1,165)	269	(21,430)
Equipment	(895)	(54)		(949)
Road network		(3)		(3)
Sewer network	(27,338)	(1,241)		(28,579)
Total accumulated depreciation	(48,767)	(2,463)	269	(50,961)
Total capital assets, being depreciated, net	60,092	2,570	(853)	61,809
Enterprise fund capital assets, net	\$ 87,581	18,406	(5,813)	100,174



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

Table 28

Depreciation Expense - Business Type Activities	
Airport Fund	\$ 1,070
Wastewater Management Fund	19
Sanitation Districts Fund	1,374
Total Depreciation expense - Business Type Activities	\$ 2,463

2. Capital Commitments

At June 30, 2006, major contracts entered into for software development, construction in progress, buildings, equipment and infrastructure are listed by fund within *governmental and business-type activities* as shown below:

Table 29

Capital Commitments		
	Project Title	Remaining
Governmental Activities: General Fund	Registrar of Voters-Integrated Voting System and Optional Items	\$ 22,173
	Integrated Property Tax System (PTS)	27,622
	Regional Communications System Motorola Services and Equipment	4,089
	Automated Records MGMT & Field Reporting Cots Software Installation	1,555
	Public Health Information System Acquisition	1,397
	Sub Total	56,836
Other Governmental Funds	Construction of Valley Center Road, Phase II	33,024
	Construction of Wildcat Canyon Road Improvements	9,971
	Construction of Route 54/94 Improvements	9,669
	Construction of Forester Creek Drainage	2,831
	Construction of Edgemoor Skill Nursing Facility	44,350
	Construction of Spring Valley Gymnasium	1,696
	Construction of Medical Examiner and Veterinarian Building	1,074
	Sub Total	102,615
Business-type Activities: Enterprise Funds	Spring Valley Sewer Replacement	1,537
	Spring Valley Sewer Improvements	1,391
	Sub Total	2,928
	Total	\$ 162,379

E. Payables

The County's payables at June 30, 2006 are shown below for the General Fund, other governmental funds, internal service funds, business type activities' funds, and the discrete component unit:

Table 30

Payables	Due to Other Gov't			Total Payables
	Vendors	Agencies	Other	
Governmental Activities:				
General Fund	\$ 79,221	16,932	2,930	99,083
Other governmental funds	15,730	2,481	1,940	20,151
Internal service funds	27,723	110	156	27,989
Total governmental activities	122,674	19,523	5,026	147,223
Business-type activities:				
Enterprise Funds	2,877	52	89	3,018
Component Unit:				
First 5 commission	5,852		1,842	7,694

F. Interfund Transactions

The composition of interfund balances as of June 30, 2006, is as follows:

1. Due To/Due From Other Funds

Due to/due from other funds shown in **Table 31** arise due to the exchange of goods or services between funds that were pending the transfer of cash as of June 30, 2006. These due to/from other funds have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type statements as of June 30, 2006.



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

Table 31

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Tobacco Securitization Special Revenue Fund	\$ 6,665
	Nonmajor Governmental Funds	48,585
	Nonmajor Enterprise Funds	53
	Internal Service Funds	53,854
Total General Fund		109,157
Nonmajor Governmental Funds	General Fund	5,501
	Nonmajor Governmental Funds	5,279
	Nonmajor Enterprise Funds	443
	Internal Service Funds	5,569
Total Nonmajor Governmental Funds		16,792
Nonmajor Enterprise Funds	General Fund	149
	Nonmajor Governmental Funds	357
	Nonmajor Enterprise Funds	493
	Internal Service Funds	1
Total Nonmajor Enterprise Funds		1,000
Internal Service Funds	General Fund	16,089
	Nonmajor Governmental Funds	3,034
	Nonmajor Enterprise Funds	199
	Internal Service Funds	487
Total Internal Service Funds		19,809
Total		\$ 146,758

2. Advances

Advances to/from other funds at June 30, 2006 are noted on **Table 32** below. The purpose of these advances was primarily for the establishment of loans that are not due within one year. These loans are for the planning, undertaking, construction or operation of redevelopment projects within the County. Advances to/from other funds have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type statements as of June 30, 2006.

Table 32

Advances	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 906	
Nonmajor Governmental Funds	83	4,583
Nonmajor Enterprise Funds	3,363	217
Internal Service Funds	448	
Total	\$ 4,800	4,800

3. Prior-Year Advance

The County Airport Enterprise Fund funded the initial expenditures of the San Diego County Redevelopment Agency's (Agency) two airport projects. The Agency is required to reimburse the Airport Enterprise Fund, which spent approximately \$9.6 million on the projects. The Agency pays interest on advances, but is not responsible for payment until funds are available for this purpose. In December 2005, the Agency issued \$16 million Revenue Refunding Bonds Series 2005A. A portion of the proceeds was used to pay \$4.6 million of interest accrued on these advances and \$5.7 million of principal to the County's Airport Enterprise Fund. As of June 30, 2006 all of the interest due on the advances has been paid.

4. Transfers In/Transfers Out

The purposes of these transfers were primarily for reimbursement of project costs, lease payments, initiation fees and replacement costs. Transfers in/transfers out at June 30, 2006 were as follows:

Table 33

Transfers In/Transfers Out		
From	To	Amount
General Fund	Nonmajor Governmental Funds	\$ 147,379
	Internal Service Funds	4,017
	Nonmajor Enterprise Funds	107
Total General Fund		151,503
Tobacco Securitization Special Revenue Fund	General Fund	24,558
Nonmajor Governmental Funds	General Fund	461,072
	Nonmajor Governmental Funds	103,474
	Internal Service Funds	4,786



Transfers In/Transfers Out		
From	To	Amount
(Table 33 Continued)		
	Tobacco Securitization	\$ 123,515
Total Nonmajor Governmental Funds		692,847
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	594
	Internal Service Funds	603
Total Nonmajor Enterprise Funds		1,197
Internal Service Funds	General Fund	573
	Nonmajor Governmental Funds	6,808
Total Internal Service Funds		7,381
Total		\$ 877,486

G. Short-Term Obligations

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

On July 1, 2005, the County of San Diego issued \$250 million of Notes with an interest and principal maturity date of July 14, 2006. The Notes carry an interest rate of 4.00% and a yield of 2.58%. The amount outstanding at June 30, 2006 is \$250 million.

In 1995 the County of San Diego Board of Supervisors approved the Master Teeter Resolution providing the terms and conditions of its Teeter plan obligations. Pursuant to this resolution, the County is able to issue additional Series B Teeter Commercial Paper each fiscal year. In June 2006 the County paid off the remaining Teeter Commercial Paper outstanding and did not issue Teeter Commercial Paper to finance the buyout of the Fiscal Year ended June 30, 2006 delinquent Secured Property Taxes.

Short-term obligation activity for the year ended June 30, 2006 was as follows:

Table 34

Short-Term Obligations				
	Beginning Balance at July 1, 2005	Issued	Redeemed	Ending Balance at June 30, 2006
Tax and Revenue Anticipation Notes	\$ 369,280	250,000	369,280	250,000
Teeter B-1 Tax - Exempt Principal	62,990		62,990	
Teeter B-2 Taxable Principal	12,000		12,000	
Total Teeter	\$ 444,270	250,000	444,270	250,000

H. Lease Obligations

1. Lease Commitments- Real Property

The County has commitments under long-term property operating lease agreements for facilities used for operations through fiscal year 2013 (Table 35 below). These leases do not meet the criteria for capitalization under FASB Statement 13. The County is the lessee under the terms of several non-cancelable operating leases for real property used to house certain County facilities. Total rental expense for all real property operating leases, including short-term cancelable leases for the year ended June 30, 2006, was approximately \$26.5 million.

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

Table 35

Lease Commitments - Real Property	
Fiscal Year	Minimum Lease Payments
2007	\$ 8,642
2008	5,197
2009	4,644
2010	3,627
2011	3,090
2012-2013	1,564
Total	\$ 26,764

2. Lease Commitments- Personal Property

The County has also entered into long-term operating leases for personal property, a large portion of which represents data processing and duplicating equipment. Many of these



leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2006, was \$2.7million.

3. Capital Leases

a. Minimum Lease Payments

Certain buildings and equipment are being leased under capital leases as defined in FASB Statement 13. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is reflected as a liability in that statement. The County assumes responsibility for all maintenance, repair, and structural modifications under the terms of the lease agreements. Future minimum lease payments (**Table 36** below) under capital leases at June 30, 2006 were as follows:

Table 36

Capital Leases - Future Minimum Lease Payments		Amount
2007	\$	3,785
2008		3,454
2009		3,068
2010		3,053
2011		3,130
2012-2016		15,247
2017-2020		12,242
Total minimum lease payments		43,979
Less: amount representing interest		(12,085)
Net lease payments	\$	31,894

b. Book Value

The book value of capital lease property at June 30, 2006 consisted of the following:

Table 37

Capital Lease Property	Original Cost	Accumulated Depreciation	Net Book Value June 30, 2006
Land	\$ 2,221		2,221
Buildings and Improvements	52,314	17,243	35,071
Total	\$ 54,535	17,243	37,292

I. General Long-Term Obligations

Outstanding general long-term obligations at June 30, 2006 consist of certificates of participation, taxable pension obligation bonds, capital appreciation bonds (CABs), current Interest bonds, revenue bonds, capital loans, capital lease obligations, capital financing leases, and other long-term obligations.

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

During prior fiscal years and in the fiscal year ended June 30, 2006, the County refunded some of its existing debt. The difference between the amount borrowed and the amount sent to the paying agent is the unamortized deferred amounts on refundings. The amortized amount is an adjustment to interest expense in the statement of activities over the remaining life of the refunded debt.

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

All obligations listed, carry a fixed interest rate with the exception of \$505.125 million of the 2002 taxable pension obligation bonds series B1 and B2-4 and \$147.825 million of the 2004 taxable pension obligation bonds series B1-2 which are variable rate and are subject to market fluctuations. The interest rate range listed in **Table 38** below displays the range of interest rates on the serial, term bonds or in the case of capital leases, the range of rates for various leases. The variable index used to



calculate the interest due on the 2002 taxable pension obligation bonds Series B1 and for the 2004 taxable pension obligation bonds Series B1-2 is the one-month London Interbank Offered Rate (LIBOR). The June 30, 2006 one-month LIBOR was 5.33%. The variable rate used for the 2002 taxable pension obligation bonds Series B2-4 is 5.23%, which represents the average auction rate bond coupon for June 2006. The maximum interest rate on these bonds shall not exceed 17% per annum.

I. Outstanding long-term obligations

Governmental Activities:

Long-term obligations for *governmental activities* at June 30, 2006 are presented in **Table 38**.

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

The Pension Obligation 2004 Series C Capital Appreciation Bonds (CABs) and the San Diego County Tobacco Asset Securitization Corporation CABs represent bonds that were issued at stated interest rates significantly below their effective interest rates, resulting in a substantial discount. The implicit interest, i.e. discount (unaccreted appreciation), is not paid until the bonds begin to mature. Therefore, the

net value of the bonds "accretes" each year. In **Table 38** below, the CABs are shown at their maturity value (original amount issued plus total amount to be accreted (appreciated) over the life of the debt), less the unaccreted appreciation (total amount to be accreted over the life of the debt, less the amount accreted to date).

At June 30, 2006, the 2004 Taxable Pension Obligation Series C CABs outstanding balance was \$72.05 million which includes accreted interest of \$7.122 million. The San Diego County Tobacco Asset Securitization Corporation (Corporation) Series 2006 B CABs outstanding balance was \$19.874 million which includes accreted interest of \$104 thousand. The Corporation Series 2006 C CABs outstanding balance was \$8.733 million which includes accreted interest of \$47 thousand. The Corporation Series D CABs outstanding balance was \$20.687 million which includes accreted interest of \$122 thousand.

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, 2006, the probable arbitrage rebate was zero.



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

Table 38

Long-Term Obligations - Governmental Activities	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
Certificates of Participation:				
1993 Master Refunding	2.50 - 5.625%	2012	\$ 203,400	\$ 57,600
1997 Central Jail	4.00 - 5.42%	2025	80,675	65,415
1998 Downtown Courthouse	4.00 - 4.94%	2023	73,115	51,905
1999 East Mesa	3.60 - 4.75%	2009	15,010	6,780
2000 ITS	4.50 - 5.125%	2010	51,620	23,715
2002 Motorola	2.00 - 5.00%	2011	26,060	15,320
2005 Edgemoor	3.00 - 5.00%	2030	112,395	107,745
2005 N&E Refunding	3.25 - 5.00%	2020	28,210	28,210
Total Certificates of Participation			590,485	356,690
Taxable Pension Obligation Bonds:				
1994 Series A	4.70 - 6.60%	2007	430,430	39,830
2002 Series A	3.88 - 4.95%	2016	132,215	132,215
2002 Series B1	variable	2033	100,000	100,000
2002 Series B2-4	variable	2031	405,125	405,125
2002 Series C	6.125%	2033	100,000	100,000
2004 Series A	3.28 - 5.86%	2023	241,360	241,360
2004 Series B1-2	variable	2025	147,825	147,825
2004 Series C CABs	4.66 - 5.76%	2016	64,928	100,170
2004 Unaccrued Appreciation CABs				(28,120)
Total Taxable Pension Obligation Bonds			1,621,883	1,238,405
San Diego County Tobacco Securitization Corporation:				
Series 2006 Senior Current Interest Bonds	4.75 - 5.125%	2025 - 2029	534,610	534,610
Series 2006B CABs	6.25%	2031	19,770	88,052
2006B Unaccrued Appreciation CABs				(68,178)
Series 2006C CABs	6.40%	2032	8,686	43,893
2006C Unaccrued Appreciation CABs				(35,160)
Series 2006D CABs	7.10%	2035	20,565	141,176
2006D Unaccrued Appreciation CABs				(120,489)
Total San Diego County Tobacco Asset Securitization Corporation			583,631	583,904
Redevelopment Agency				
Revenue Refunding Bonds Series 2005A	3.65 - 5.75%	2033	16,000	16,000
Capital Loans:				
Alpine Highlands Zone #1010	7.75%	2007	436	58
Singing Trails Zone #1013	8.75%	2008	66	26
Pauma Heights PRD #21	7.75%	2009	160	96
Firebird Manor	1.00%	2028	4,486	3,219
California Energy Comm Loan 1 (Facilities ISF)	4.00%	2014	1,977	1,698
California Energy Comm Loan 2 (Facilities ISF)	3.95%	2015	3,001	3,001
Total Capital Loans			10,126	8,098
Total Bonds and Notes payable, before issuance discounts and premiums and deferred amounts on refundings:			2,822,125	2,203,097
Unamortized Issuance Premiums			8,033	7,257
Unamortized Issuance Discounts			(31,745)	(22,602)
Unamortized Deferred Amounts on Refundings			(68,532)	(48,583)
Total Bonds and Notes Payable, net			2,729,881	2,139,169
Capitalized Leases:				
San Diego Regional Building Authority	3.65 - 5.75%	2019	36,960	30,845
S&L Development	8.00%	2008	\$ 1,056	\$ 283



Table 38

Long-Term Obligations - Governmental Activities	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
(Table 38 Continued)				
Koch Lighting	4.245 - 5.91%	2008	\$ 7,649	\$ 766
Total Capitalized Leases			45,665	31,894
Claims and judgements - ISF				122,332
Non-Internal Service Funds Compensated Absences				76,141
Internal Service Funds Compensated Absences				2,289
Landfill closure and postclosure				24,447
Total Other Liabilities				225,209
Total Governmental Activities			\$ 2,775,546	\$ 2,396,272

Business-Type Activities:

Long-term obligations for business-type activities at June 30, 2006 were as follows:

Table 39

Long-Term Obligations - Business-Type Activities	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
Enterprise funds				
Capital loans:				
Department of Transportation				
Beginning March 2001	5.63%	2019	\$ 3,584	2,652
US Department of Agriculture				
Beginning December 2003	4.63%	2040	100	93
Compensated absences				389
Total business-type activities			\$ 3,684	3,134

2. Debt Service Requirements to Maturity

Governmental Activities:

Debt service requirements to maturity for *governmental activities'* long-term bond and note obligations outstanding at June 30, 2006 are shown below. (Note: **Table 40** does not reflect the County's exposure to the interest rate swap on the 2002 Taxable Pension Obligation Bonds. See Note IV-J Interest Rate Swap for further information.)

Table 40

Debt Service Requirements To Maturity - Governmental Activities				
Fiscal year Ending June 30	Principal	Unaccrued Appreciation	Interest	Total
2007	\$ 77,423	5,416	105,888	188,727
2008	67,326	7,499	102,209	177,034
2009	66,504	7,951	99,149	173,604
2010	67,467	8,157	98,868	174,492
2011	62,372	8,052	97,129	167,553
2012-2016	294,092	35,975	463,340	793,407
2017-2021	445,371	36,471	348,907	830,749
2022-2026	571,334	50,656	210,434	832,424
2027-2031	410,763	66,341	81,808	558,912
2032-2035	133,050	25,429	6,463	164,942
Subtotal	2,195,702	251,947	1,614,195	4,061,844
Add:				
Accrued appreciation through June 30	7,395			7,395
Subtotal	2,203,097	251,947	1,614,195	4,069,239
Add:				
Unamortized issuance Premium	7,257			
Less:				
Unamortized issuance discount	(22,602)			
Unamortized deferred amount on refunding	(48,583)			
Total	\$ 2,139,169			

Business-Type Activities:

Debt service requirements to maturity for *business-type activities'* capital loans obligations outstanding at June 30, 2006 were the following:



Table 41

Debt Service Requirements to Maturity - Business Type Activities			
Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 193	153	346
2008	206	143	349
2009	218	131	349
2010	231	119	350
2011	243	106	349
2012-2016	1,404	310	1,714
2017-2021	182	27	209
2022-2026	13	14	27
2027-2031	17	11	28
2032-2036	21	7	28
2037-2040	17	2	19
Total	\$ 2,745	1,023	3,768

3. Prior Year Defeasance of Long-Term Debt

In prior years, the County defeased certain certificates of participation (COPs) and taxable pension obligation bonds by placing the proceeds of the original issue plus additional County contributions in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the liability for the defeased obligations are not included in the County's financial statements. At June 30, 2006, \$75 million of bonds and COPs were legally defeased and remain outstanding.

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

- *San Diego County Asset Leasing Corporation 2005 North and East Justice Facilities Refunding*

In September 2005, the San Diego County Capital Asset Leasing Corporation (SANCAL) issued \$28.21 million of fixed rate serial certificates of participation titled "2005 North and East County Justice Facilities Refunding" (the "Certificates"). A portion of the Certificates mature every November beginning in November 2006 with a final maturity of November 2019. Each maturity date carries a different fixed interest rate beginning in November 2006 at 3.25% escalating each year to the November 2019 maturity date at 5.00%.

The face value of the new certificates attributed to the refunding was \$28.21 million.

These Certificates were issued with a premium of \$1.308 million. Certificate proceeds of \$29.518 million along with \$5.842 million of funds held by the 1996 North County Regional Center Expansion and East County Courthouse Detention Facility Conversion trustee (trustee) were distributed as follows: 1) \$32.076 million (consisting of \$28.96 million of new certificate proceeds plus \$3.116 million of funds held by the trustee) was transferred to an escrow agent to advance refund the \$30.595 million in outstanding 1996 North County Regional Center Expansion and East County Courthouse Detention Facility Conversion certificates of participation and to pay future interest payments; 2) \$2.726 million of funds held by trustee were used to fund a certificate reserve fund; 3) \$538 thousand was deposited to a cost of issuance account, of which \$508 thousand of costs of issuance expenditures were incurred in fiscal year 2006, the remaining \$30 thousand dollars will be used to pay future debt service principal payments; and 4) \$20 thousand was set aside to be used for various ongoing debt related costs.

The \$32.076 million transfer referred to above was placed in an irrevocable trust with an escrow agent to provide for the payment of the remaining principal and interest due on the outstanding 1996 North County Regional Center Expansion and East County Courthouse Detention Facility Conversion on November 15, 2006 along with a two percent premium. As a result, the 1996 North County Regional Center Expansion and East County Courthouse Detention Facility Conversion are considered legally defeased and the liability for those bonds has been removed from the government-wide statement of net assets governmental activities current and non-current. This advance refunding will result in reducing the County's principal and interest payments by \$1.993 million over the next 14 years to obtain an economic gain of \$1.066



million (i.e. difference between the present values of the debt service payments on the refunded debt and the refunding debt).

- *San Diego County Tobacco Asset Securitization Corporation Series Tobacco Settlement Asset Backed Bonds*

In May 2006, the Tobacco Securitization Joint Powers Authority of Southern California issued \$583.631 million Series 2006 Tobacco Settlement Asset-Backed bonds as follows: 1) \$534.610 million Senior 2006A Current Interest (Turbo Term) Bonds that carry a fixed coupon minimum rate of 4.75% and a maximum coupon rate of 5.125% along with a projected yield rates ranging from 4.85% to 5.40% and final maturity dates ranging from June 2025 through June 2029; 2) Series 2006B First Subordinate Capital Appreciation Bonds (CABs) issued at the initial principal amount of \$19.770 million with a projected yield rate of 6.25% that mature on June 1, 2031 with a maturity value of \$88.052 million due to expected turbo payments to be made beginning June 1, 2029; 3) Series 2006C Second subordinate CABs issued at the initial principal amount of \$8.686 million with a projected yield rate of 6.40% that mature on June 1, 2032 with a maturity value of \$43.893 million due to expected turbo payments to be made beginning June 1, 2031; 4) Series 2006D Third Subordinate CABs issued at the initial principal amount of \$20.565 million with a projected yield rate of 7.10% that mature on June 1, 2035 with a maturity value of \$141.176 million due to expected turbo payments to be made beginning June 1, 2032. The face value of the new certificates attributed to refunding debt was \$428.8 million.

The bonds noted above, were issued with a discount of \$20.455 million and the proceeds of \$563.176 million (\$583.631 million total proceeds less a bond discount of \$20.455 million) along with approximately \$67.084 million from funds held by the 2001 Indenture trustee accounts (trustee) were distributed as follows: 1) \$123.515 million was used to fund a grant to the County's Tobacco Securitization Special Revenue Fund;

2) \$455.391 million (consisting of \$434.251 million of new bond proceeds plus \$21.14 million of funds held by the trustee) was transferred to the escrow agent for the bond refunding to advance refund the outstanding \$428.8 million 2001A and 2001B Tobacco Settlement Asset-Backed Bonds and future interest payments; 3) \$12.261 million to fund the 2006 Capital Interest Sub Account (including \$12.149 of funds held by the trustee); 4) \$33.595 million of funds held by the trustee were used to fund the liquidity reserve and reserve termination payment accounts; 5) \$200 thousand of funds held by the trustee was deposited into the Operations account and 6) \$5.298 million to fund a cost of issuance account to pay cost of issuance incurred in connection with the Series 2006 Tobacco bonds totaling \$5.249 million.

The proceeds of \$455.391 million referred to above were deposited into an irrevocable escrow trust fund established under the Refunding Escrow Agreement dated May 1, 2006 between the Authority and the 2001 Indenture Trustee. The funds deposited in the irrevocable escrow fund are expected to generate sufficient cash flow to pay the principal and interest on the bonds as they become due. As a result, the Series 2001 bonds are considered to be legally defeased and the liability for those bonds has been removed from the statement of net assets governmental activities current and non-current. The advance refunding will result in increasing the County's principal and interest payments by \$53.6 million over the next 22 years for an economic loss (i.e. difference between the present value of the old and new debt service payments) of \$10.9 million.

- *Redevelopment Agency of the County of San Diego Gillespie Field Project Revenue Refunding Bonds*

In December 2005, the Redevelopment Agency of the County of San Diego issued \$16 million of Gillespie Field Project Revenue Refunding Bonds (Gillespie), Series 2005A ("Bonds") consisting of \$9.225 million Series A-1



bonds and \$6.775 million Series 2005 AMT bonds. The \$9.225 million Series 2005 A-1 bonds consist of: 1) \$7.035 million Serial Series 2005 A-1 bonds that carry fixed interest rates ranging from 3.65% to 5.3% along with a projected yield ranging from 3.65% to 5.3%, with a portion of the principal due each fiscal year beginning in fiscal year 2007, with a final maturity date of December 1, 2025; and, 2) \$2.19 million Series 2005 A-1 Term Bonds that carry a fixed interest rate of 5.4% along with a projected yield of 5.45%, with a portion of the principal due each fiscal year beginning in fiscal year 2007, with a final maturity date of December 1, 2025.

The \$6.775 million Series 2005 AMT Term Bonds carry a fixed interest rate of 5.75% along with a projected yield of 5.75%. Interest is paid on the \$6.775 million Series 2005 AMT Term Bonds each fiscal year beginning in Fiscal Year 2007. However, no principal payments are made December 1, 2025. A portion of the principal is due each fiscal year beginning in Fiscal Year 2026, with a final maturity date of December 1, 2032. Payments for the entire \$16 million Gillespie bond issuance are to be paid from tax increment revenues received and loans from the County's Airport Enterprise Fund, as needed. The face value of these new bonds attributed to the refunding was \$4.22 million.

The aforementioned Gillespie bonds were issued at a discount of \$46 thousand. Proceeds of \$15.954 million along with \$468 thousand of funds held by the 1995 Gillespie Project trustee (trustee) were distributed as follows: 1) \$4.247 million was deposited into trust with an escrow agent to advance refund the outstanding \$4.11 million in 1995 Gillespie Project Revenue Bonds and future interest payments; 2) \$1.155 million (including \$468 thousand of funds held by the trustee) was deposited into a reserve fund; 3) \$387 thousand was used to contribute to the payment of certain cost of issuance that subsequently within fiscal year 2006 totaled \$415 thousand in connection with the issuance of the bonds; 4) \$37 thousand of the remaining proceeds was deposited in the Redevelopment

Agency's Capital Project fund; and, 5) \$10.596 million was transferred to the County's Airport Enterprise Fund in repayment of a portion of the outstanding principal and the entire accrued interest on the loan from the County's Airport Enterprise Fund.

With regard to the \$10.596 million transfer, \$5.917 million was deposited in the Alternative Minimum Tax (AMT) project funds and \$4.483 million was deposited in the Non Alternative Minimum Tax project funds. These monies and the remaining \$196 thousand will be used to finance redevelopment activities in the Gillespie Field project area.

The \$4.247 million deposit referred to above was placed in an irrevocable trust with an escrow agent and these monies were used to pay the remaining debt service payments on the 1995 Gillespie Project Revenue Bonds on February 1, 2006. As a result, the 1995 Revenue Bonds are considered to be legally defeased and the liability for those bonds has been removed from the government-wide statement of net assets governmental activities current and non current.

The advance refunding resulted in reducing the debt service payments by \$593 thousand over the next 15 years to obtain an economic gain of \$302 thousand.

5. Changes in Long-Term Obligations

Long-term obligation activity (Governmental Activities) for the year ended June 30, 2006 is presented in **Table 42**.

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



Table 42

Changes in Long Term Obligations- Governmental Activities

	Beginning Balance at July 1	Additions	Reductions	Accreted Interest	Ending Balance at June 30,	Amounts Due Within One Year
Certificates of Participation						
1993 Master Refunding	\$ 72,545		(14,945)		57,600	15,800
1996 N&E Courthouse	30,595		(30,595)			
1997 Central Jail	67,635		(2,220)		65,415	2,320
1998 Downtown Courthouse	54,875		(2,970)		51,905	3,085
1999 East Mesa	8,295		(1,515)		6,780	1,580
2000 ITS	28,970		(5,255)		23,715	5,505
2002 Motorola	18,085		(2,765)		15,320	2,850
2005 Edgemoor	112,395		(4,650)		107,745	2,035
2005 N&E Refunding		28,210			28,210	1,550
Total Certificates of Participation	393,395	28,210	(64,915)		356,690	34,725
Taxable Pension Obligation Bonds						
1994 Series A	60,790		(20,960)		39,830	25,755
2002 Series A	132,215				132,215	
2002 Series B1	100,000				100,000	
2002 Series B2-4	405,125				405,125	
2002 Series C	100,000				100,000	
2004 Series A	241,360				241,360	9,605
2004 Series B1-2	147,825				147,825	
2004 Series C CABs	64,928	35,242			100,170	
2004 Series C Unaccreted Appreciation CABs		(35,242)		7,122	(28,120)	
Total Taxable Pension Obligation Bonds	1,252,243		(20,960)	7,122	1,238,405	35,360
San Diego County Tobacco Asset Securitization Corporation						
Series 2001 Asset Backed Bonds	430,350		(430,350)			
Series 2006A Senior Current Interest Bonds		534,610			534,610	6,375
Series 2006B CABs		88,052			88,052	
Series 2006B Unaccreted Appreciation CABs		(68,282)		104	(68,178)	
Series 2006C CABs		43,893			43,893	
Series 2006C Unaccreted Appreciation CABs		(35,207)		47	(35,160)	
Series 2006D CABs		141,176			141,176	
Series 2006D Unaccreted Appreciation CABs		(120,611)		122	(120,489)	
Total San Diego County Tobacco Securitization Corporation	430,350	583,631	(430,350)	273	583,904	6,375
Redevelopment Agency						
Redevelopment Agency 1995	4,260		(4,260)			
Revenue Refunding Bonds Series 2005A		16,000			16,000	360
Total Redevelopment Agency	4,260	16,000	(4,260)		16,000	360
Capital Loans						
Alpine Highlands Zone #1010	150		(92)		58	58
Singing Trails Zone #1013	39		(13)		26	13
Pauma Heights PRD #21	128		(32)		96	32
Firebird Manor	3,351		(132)		3,219	132
California Energy Comm Loan 1 (Facilities ISF)	1,863		(165)		1,698	171
California Energy Comm Loan 2 (Facilities ISF)	1,785	1,216			3,001	197
Total Capital Loans	7,316	1,216	(434)		8,098	603
Total Bonds and Notes payable, before issuance discount and Premium and deferred amount on refunding						
	2,087,564	629,057	(520,919)	7,395	2,203,097	77,423
Unamortized Issuance Premiums	6,031	1,308	(82)		7,257	408
Unamortized Issuance Discounts	(9,054)	(20,501)	6,953		(22,602)	(635)
Unamortized Deferred Amounts on Refundings	(12,103)	(44,101)	7,621		(48,583)	(11,519)
Total Bonds and Notes Payable, net	2,072,438	565,763	(506,427)	7,395	2,139,169	65,677
Capitalized Leases						
San Diego Regional Building Authority	\$ 32,380		(1,535)		30,845	1,595



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

Table 42

Changes in Long Term Obligations- Governmental Activities

	Beginning Balance at July 1	Additions	Reductions	Accreted Interest	Ending Balance at June 30,	Amounts Due Within One Year
(Table 42 Continued)						
S&L Development	\$ 409		(126)		283	158
Koch Lighting	1,825		(1,059)		766	540
S&L Development ISF	11		(11)			
Total Capitalized Leases	34,625		(2,731)		31,894	2,293
Claims and Judgements - ISFs	103,569	52,908	(34,145)		122,332	35,180
Non Internal Service Funds Compensated Absences	74,429	57,787	(56,075)		76,141	1,793
Internal Service Funds Compensated Absences	2,240	1,428	(1,379)		2,289	47
Landfill closure and postclosure	47,891		(23,444)		24,447	2,627
Total Governmental Activities	\$ 2,335,192	677,886	(624,201)	7,395	2,396,272	107,617

The following funds presented in **Table 43** below have typically been used to liquidate other long-term liabilities in prior years:

Table 43

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

Long-term obligations for Business Activities at June 30, 2006 was as follows:

Table 44

Changes in Long-Term Obligations - Business-Type Activities

	Beginning Balance at July 1, 2005	Additions	Reductions	Ending Balance at June 30, 2006	Amounts Due within One Year
Enterprise Funds					
Capital loans	\$ 2,926		(181)	2,745	193
Compensated absences	324	325	(260)	389	66
Total business-type activities	\$ 3,250	325	(441)	3,134	259

J. Interest Rate Swap

To manage interest rate risk and lower the County's borrowing cost in its 2002 Taxable Pension Obligation Bonds, the County entered into an interest rate swap on September 17, 2002 with two counterparties. The swap converts the variable interest rates on several subseries of the 2002 Taxable Pension Obligation Bonds to a single long-term fixed rate that was lower than the "natural" fixed rate available at the time of the swap. The interest

rate swap with Citibank N.A. (Citibank) and Morgan Stanley Capital Services (Morgan Stanley), (together the "counterparties") is governed by the International Swaps and Derivatives Association, Inc. Master Agreement (the Agreement) and a Confirmation. In fiscal year 2003, the County issued \$737.340 million of Pension Obligation Bonds of which \$505.125 million of the Series B Bonds are Auction Rate Securities. Within the Series B Auction Rate Securities there are the following subseries: \$100



million of Series B-1, \$135.025 million of Series B-2, \$135.05 million Series of B-3 and \$135.05 million of Series B-4 bonds. The County swapped Series B-2, B-3 and B-4 totaling \$405.125 million of the Auction Rate Securities for a contractually agreed fixed interest rate of 5.30%. Of the \$405.125 million our exposure with Citibank is \$263.325 million and our exposure with Morgan Stanley is \$141.8 million notional.

Further details concerning this interest rate swap are discussed below:

1. Terms

County payments are due to bondholders semi-annually on August 15 and February 15, beginning February 15, 2003. The effective date of the swap was September 17, 2002 and the initial six-month calculation period began February 15, 2003. The Agreement and the Confirmation terminate on February 15, 2031 and the series B-2, B-3 and B-4 bonds mature on August 15, 2030. The County did not receive any upfront payments but pursuant to the terms of the Agreement, each August 15 and February 15 the County will receive an amount from each of the counterparties based on the notional amount of principal outstanding for the past six months at an interest rate of one month London Interbank Offered Rate (LIBOR) and each February 15 the County will pay the counterparties the scheduled 5.30% of the notional amount outstanding. The February 15 payment due from the counterparties will be netted against the 5.30% County payment. The notional amount of the swap will begin to decline in fiscal year 2017 in direct proportion to the repayment of the bonds.

The obligations of the County to make payments to the counterparties under this Agreement constitute general obligations of the County, payable from taxes, income, revenue cash receipts and other moneys of the County legally available in the General Fund. The payments due to the counterparties and the obligations of the County under this Agreement do not constitute any kind of

indebtedness of the County as defined under and/or proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment decree, or ruling.

As of June 30, 2006, the swap created a synthetic fixed rate for the bonds as noted below:

Table 45

Interest Rate Swap - Synthetic Fixed Rate		
	Terms	Rates
Fixed Rate to Counterparty	Fixed	5.30%
Variable Rate from Counterparty	1 month LIBOR	(5.33)%
Net Interest Rate Swap Payments		(0.03)%
Average Auction Rate Bond Coupon Payments		5.23%
Synthetic Interest Rate on Bonds		5.20%

2. Fair Value

As of June 30, 2006 the swaps had a mark to market fair value of \$21.9 million. The mid-market or indicative unwind valuation was derived from a proprietary model using the zero coupon method. This model takes into consideration estimates about relevant present and future market consideration as well as the size and liquidity of the position and any related actual or potential hedging transaction.

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

3. Credit Risk

As of June 30, 2006 the County was exposed to credit risk because the swap had a positive mark to market fair value of \$21.9 million. Citibank is rated Aa1/AA/AA+ by Moody's, Standard & Poors and Fitch, respectively and Morgan Stanley is rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch, respectively. Pursuant to the Agreement if the rating issued by Standard & Poors or Moody's of the senior unsecured debt obligations of the counterparties is suspended or withdrawn or falls below "A-" in the case of Standard & Poors or below "A3" in the case of Moody's, collateral



is to be delivered to a third party.

4. Termination Risk

The Agreement includes standard termination events such as failure to pay, bankruptcy and early termination. For this transaction, the swap and bond maturities match and carries an Interest Rate Swap Insurance Policy by MBIA Insurance Corporation (MBIA). If the Agreement is terminated for any of the conditions in the agreement, and at the time of the termination the swap has a negative fair value, the County would be liable to the counterparties for a payment equal to the swap's fair value. The swap can be terminated by the County for market value at any time. As of June 30, 2006 the fair value of the swap is \$21.9 million. Value is predominantly tied to changes in the market for the fixed swap rate for the remaining swap term.

5. Basis Risk

The County's exposure to basis risk arises when the one-month LIBOR rate index received from the counterparties may be less than the applicable auction rate that is being paid to the bondholders, that is the cash flow being received by the counterparty is not equal to the cash flow being paid to the variable rate bondholder. By using one month LIBOR, the County's objective is to mitigate the effect of the differential between the swap index and the bondholder variable rate. For fiscal year 2006, the differential was \$375 thousand.

6. Swap Payments and Associated Debt

As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same*, for their term are presented in **Table 46**. As rates vary, variable rate bond interest payments and net swap payments will vary.

Table 46

Interest Rate Swap - Basis Risk				
Fiscal Year Ending June 30	Principal	Interest 5.23%	Interest Rates Swaps, Net (.03%)	Total
2007	\$	21,188	(122)	\$ 21,066
2008		21,188	(122)	21,066
2009		21,188	(122)	21,066
2010		21,188	(122)	21,066
2011		21,188	(122)	21,066
2012-2016		105,940	(608)	105,332
2017-2021	102,450	93,140	(534)	195,056
2022-2026	135,475	62,227	(357)	197,345
2027-2031	167,200	21,647	(124)	188,723
Total	\$ 405,125	388,894	(2,233)	\$ 791,786

K. Landfill Site Closure and Postclosure Care Costs

State laws and regulations require the placement of final covers on all landfill sites that stopped accepting solid waste after October 9, 1991 and the performance of certain maintenance and monitoring functions at these sites for a minimum of 30 years after closure. Closure and postclosure care costs are paid near or after the date a landfill stops accepting waste. The San Marcos Landfill is the sole waste disposal site owned by the County that is subject to these regulations. It was operational and accepted solid waste from 1979 until March 11, 1997. Formal approval from the regulatory agencies for the closure of this landfill is anticipated to be received by March 2007.

The County is required by GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", to report the projected closure and postclosure care costs as of each balance sheet date. The projected landfill closure and postclosure care liability at June 30, 2006 for the San Marcos Landfill was \$24.447 million. This estimated amount is based on what it would cost to perform all closure and postclosure care in calendar year 2006 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, 2006, \$23.443 million has been spent on closure costs and \$2.276 of the net assets of the government-wide statement of net assets has been restricted for remaining closure costs of the San Marcos Landfill.

Regulations governing solid waste management are promulgated by government agencies on the federal and state levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to

cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Thus, the County has potential liability with respect to every landfill ever owned, operated, contracted to be operated, or into which the County disposed waste. Compliance with these regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs could increase.

L. Fund Balances Reserved For Other Purposes

At June 30, 2006, the fund balances reserved for other purposes are presented in **Table 47** as follows:

Table 47

Fund Balances Reserved For Other Purposes	
General Fund	
Defray administrative costs and other general related reserves	\$ 19,959
Improvement and maintenance of recorded document systems	20,274
Teeter tax losses	9,858
Emergency medical services, and various construction related costs	10,385
Health, mental health	24,303
Social programs	2,534
Vector control	4,638
Real estate fraud prosecution	1,242
Domestic violence and child abuse prevention	5,229
Sheriff vehicle maintenance and replacement	1,542
Purchase and operation of fingerprinting equipment	4,774
Sheriff automated warrant system	3,008
Delinquency and juvenile crime prevention	2,174
Reserve for donations	2,997
Total General Fund	112,917
Special Revenue Funds	
Road-future road improvements	52,426
Lighting Maintenance	16
County Library projects	87
County Service Districts projects	1,366
Flood Control-future drainage improvements	16,626
Housing Authority-deposits with others	79
Tobacco Securitization - debt admin costs	230
Total Special Revenue Funds	70,830
Capital Projects Funds	
Edgemoor capital projects	250
Redevelopment Agency-prepaid items	825
Total Capital Projects	\$ 1,075



V. Other Information

A. Risk Management

The County operates a Risk Management Program, whereby it is self-insured for premises liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, general liability and workers' compensation. The County purchases insurance for property damage, certain casualty claims, public officials bond, employee dishonesty, faithful performance, volunteers, airport comprehensive, and loss of money and securities based upon site locations. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. The County's Internal Service Fund (ISF) is used to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected public liability and workers compensation claim liabilities. At June 30, 2006, the amount of these liabilities, including an estimate for claims incurred but not reported and allocated and unallocated loss adjustment expenses was estimated at \$122.3 million, including \$31 million in public liability and \$91.3 million in workers' compensation. Changes in the balances of claim liabilities for fiscal year 2005 and 2006 are shown below:

Table 48

Risk Management - Changes in Claim Liabilities		
	July 1	June 30
Unpaid Claims, Beginning of Year	\$ 97,789	103,569
Incurred Claims	42,968	52,908
Claim Payments	(37,188)	(34,145)
Unpaid Claims, End of Year	\$ 103,569	122,332

B. Subsequent Events

1. Tax and Revenue Anticipation Notes

In July 2006, the County issued tax and revenue

anticipation notes (TRANS) totaling \$220 million due July 27, 2007 at a coupon rate of 4.50% and net interest cost of 3.70%. Proceeds from the notes will be used to meet fiscal year 2007 cash flow requirements. Fiscal year 2007 unrestricted revenues collateralize the notes.

2. San Diego County Taxable Pension Obligation Bonds

In June of 2004, the County of San Diego issued \$454.113 million of Taxable Pension Obligation Bonds consisting of Series A Current Interest Bonds in the amount of \$241.360 million, Series B Auction Rate Securities in the amount of \$147.825 million and Series C Public Income Notes (PINES) in the amount of \$100.17 million (including \$35.242 of unaccreted appreciation).

On August 15, 2006, the series 2004 B Auction Rate Securities in the amount of \$147.825 million will be converted from auction rate securities to bonds bearing interest at fixed interest rates. Interest on the bonds will accrue at a fixed interest rate 5.911% payable semiannually on February 15 and August 15 of each year, commencing on February 15, 2007. Principal of \$147.825 million will be payable on August 15, 2024.

C. Contingencies

1. Litigation

In addition to the accrued liability for litigation and workers compensation claims described in Note V-A, the County has a potential liability of \$26.6 million that could result if unfavorable final decisions were rendered in numerous lawsuits to which the County is a named defendant. Appropriations are budgeted annually for those portions of obligations coming due that fiscal year. Estimates of potential liabilities described above (in Note V-A) include estimates of claims incurred but not reported at June 30, 2006.

2. Unrecorded Leave Benefits

County employees have unrecorded



accumulated benefits of approximately \$139.3 million in sick leave and compensatory time. These benefits are not payable to employees upon termination and are normally liquidated in future years as employees elect to use their benefits as prescribed by Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation have been recorded as current or long-term liabilities in the appropriate proprietary funds and the statement of net assets.

3. Federal and State Programs

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

D. Jointly Governed Organizations

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

The County Board of Supervisors and the San Diego City Council jointly govern the San Diego Workforce Partnership (Partnership). The Partnership's Board of Directors consists of two

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

The San Diego Geographic Information Source (SanGIS) was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are to create and maintain a geographic information system, marketing and licensing compiled digital geographic data and software, providing technical services and publishing geographic and land-related information. The annual budget of \$1.5 million is funded by 50/50 split between the City and the County.

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

E. Deferred Compensation Plans

- County of San Diego Incentive Retirement Deferred Compensation Plan

The County of San Diego Incentive Retirement Deferred Compensation Plan is a defined contribution plan established and governed under the Internal Revenue Code Section 401(a). All permanent and part-time County employees are eligible to participate in the plan. Participants may elect to contribute between 2.5 and 25% of their federal taxable



gross wages, up to \$44,000 a year, whichever is less. Plan participation is voluntary, however, once enrolled, the election percentage is irrevocable except under certain unforeseeable financial hardship provisions in the plan.

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

The County's actual contributions for the year ended June 30, 2006 were \$24.965 million.

- San Diego County Deferred Compensation Plan

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

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

excluded from the County's financial statements.

F. San Diego County Employees Retirement System

1. Plan Description

The SDCERA administers a cost-sharing, multi-employer defined benefit plan, with County members representing 92.6% of covered employees, which provides retirement, disability, and death benefits for plan members and beneficiaries pursuant to the County Employees Retirement Act of 1937, as enacted and amended by the State legislature. The plan is integrated with the Federal Social Security System. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the SDCERA Board of Retirement. SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. The financial report may be obtained by writing to the San Diego County Employees Retirement Association, 2275 Rio Bonito Way Suite 200, San Diego, California 92108 or by calling (619) 515-0130.

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

a. Measurement Focus and Basis of Accounting

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



increase/(decrease) to investment income based on the valuation of investments.

b. Estimates

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

c. Fair Value of Investments

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

3. Funding Policy

State statutes require member contributions to be actuarially determined to provide a specific statutory level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the County to pay a portion of the employees' contribution. Member contribution rates (weighted average), in effect at June 30, 2006, expressed as a percentage of salary are 9.06%-9.46% for general members and 11.28% for safety members. The County is also required by State statutes to contribute at an actuarially determined rate, expressed as a percentage of annual covered payroll. The fiscal year 2006 rates, expressed as a percentage of covered payroll, are 21.34% for general members and 29.19% for safety members. Additionally, in accordance with various agreements with employee bargaining units, the County has contributed \$41.2 million on behalf of employees.

In March 2002, the County implemented a new enhanced retirement package. In October 2002, the County issued taxable Pension Obligation Bonds to fund a portion of its statutory obligations arising from enhanced

benefits. In June 2004, the County issued Pension Obligation Bonds and transferred \$450 million of the issuance to the retirement fund. The retirement plan's funding status (the ratio of system assets to system liabilities) was 83.6% at June 30, 2006.

4. Annual Pension Cost

For the fiscal year ended June 30, 2006, the County's annual pension cost was \$203.7 million. The County's actual contribution during the fiscal year ended June 30, 2006 totaled \$203.7 million, resulting in a net pension obligation of zero as of June 30, 2006, compared to zero at the end of the prior year. The required contribution rates, as adopted by the SDCERA Board, were determined as part of the June 30, 2003 interim actuarial valuation based on entry-age actuarial cost method. The actuarial assumptions included (a) an 8.25% investment rate-of-return, (b) projected salary increases of 5.0% per year, and (c) cost-of-living increases for retirees of 3%.

5. Three-Year Trend Information

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

Table 49

Three-Year Trend Information			
Fiscal Year Ended June 30	Annual Required Contributions	Percentage of ARC Contributed	Net Pension Obligation
2004	\$ 194,580	100.00%	\$ 0
2005	235,122	100.00%	0
2006	\$ 203,700	100.00%	\$ 0

6. Retiree Health Benefits

Retiree health benefits may be available to eligible retirees to the extent that the Board of Retirement annually approves the payment of such benefits. SDCERA recognizes the cost of providing those benefits by expending annual insurance premiums, which approximated \$32.9 million for fiscal year 2006.



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

The reserve for health benefits, established by the SDCERA Board of Directors, designates funds that may be used for future payments under the retiree health benefits program and related administrative expenses. The reserve for health benefits was approximately \$207.3 million at June 30, 2006, a \$13.5 million increase from the previous fiscal year.

G. Restatement of Beginning Net Assets Balance

I. First 5 Commission

The beginning net asset balance of the First 5 Commission was restated as shown in **Table 50** below in the amount of \$1.419 million resulting from 1) An adjustment of prior year mark to market unrealized loss of \$1.307 million and 2) entries to correct the treatment of vacation accrual of \$112 thousand.

Table 50

Restatement	
Net Asset balance as of June 30, 2005	\$ 175,946
Adjustment for restatement	1,419
Net Asset balance, restated June 30, 2005	\$ 177,365

H. Commitments

I. Third Party Debt

The tax code allows for certain types of nongovernmental borrowers to take advantage of tax-exempt financing through a governmental agency. The County of San Diego as a governmental agency, has issued tax-exempt debt on behalf of qualified borrowers. The County of San Diego is not responsible for the repayment of the debt.

Accordingly, no liability for these bonds has been recorded in the statement of net assets.

a. Mortgage Revenue Bonds

Mortgage Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the County to be partially occupied by persons of low or moderate income. Between 1995 and 2002, the County issued \$14 million of Mortgage Revenue Bonds of which \$11.89 million were still outstanding as of June 30, 2006.

b. Certificates of Participation

The County has implemented a conduit program whereby the County is the issuer of tax-exempt bonds and loans, where the proceeds are provided to a qualifying for profit or nonprofit organization. The County has no obligation to pay for the bonds and loans. The original amounts of Certificates of Participation issued as well as the amounts outstanding per issue at June 30, 2006 are as follows:

Table 51

Certificates of Participation - Conduit Program	Date Issued	Original Amount Issued	Amount Outstanding at June 30
Sharp Hospital	April 1998	\$ 112,020	\$ 98,970
San Diego Natural History Museum	December 1998	15,000	13,500
San Diego Museum of Art (principal due at maturity)	March 2000	6,000	6,000
Salk Institute	April 2000	15,000	14,050
University of San Diego	May 2001	36,870	33,230
San Diego-Imperial Counties Developmental Services	September 2002	10,750	10,000
Chabad Jewish Academy (principal due at maturity)	January 2003	11,700	10,820
San Diego Jewish Academy (principal due at maturity)	December 2003	13,325	12,255
Bishop School	June 2004	25,000	25,000
Museum of Contemporary Art	December 2004	13,000	13,000
Sidney Kimmel Cancer Center (principal due at maturity)	September 2005	24,500	24,500
Burnham Institute for Medical Research	February 2006	59,405	59,405
Total		\$ 342,570	\$ 320,730

c. Reassessment District Improvement Bonds

Reassessment District Improvement Bonds were



issued to provide refunding an earlier issuance of improvement bonds for the 4-S Ranch assessment district. The District originally issued \$28.8 million of Improvement Bonds in July 1991 to finance the acquisition of certain infrastructure improvements specially benefiting properties within an assessment district. In July 1997, the District issued \$21.8 million of Reassessment Bonds to refund the original issuance, of which \$11.87 million were still outstanding as of June 30, 2006.

2. Deposits for Other Agencies

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

I. New Governmental Accounting Standards

I. Implemented

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section-an amendment of NCGA Statement 1*. This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles* that guide the

preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements.

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

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

The County has analyzed its accounting practices to determine the potential impact on the financial statements for the GASB Technical Bulletin No. 2006-1 *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*. This Technical Bulletin clarifies the application of existing standards of



accounting and financial reporting to payments that an employer or a defined benefit other postemployment benefit (OPEB) plan receives from the federal government pursuant to the retiree drug subsidy provisions of Medicare Part D, as established in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. It was determined that this Bulletin has no impact on the financial statements.

In Fiscal Year 2006, the County implemented these new reporting requirements.

2. Under Analysis

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

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is effective for the County's fiscal year ending June 30, 2007.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to

postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the County's fiscal year ending June 30, 2008.

In June 2005, GASB issued Statement 47, *Accounting for Termination Benefits*. This Statement establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45, and are therefore effective for the County's fiscal year ended June 30, 2008.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for

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



immediate cash payments - generally, a single lump sum. The financial reporting question addressed by this Statement is whether that transaction should be regarded as a sale or as a collateralized borrowing resulting in a liability. This statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Therefore, any assets (or future revenues) sold or donated within the same financial reporting entity should continue to be reported at their current carrying value when those assets or future revenues are transferred. Additionally, this statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. This disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. This statement is effective for the County's fiscal year ending June 30, 2008.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. Liabilities and expenses would be estimated using an "expected cash flows" measurement technique, which is used by environmental professionals but will be employed for the first time by governments. Statement 49 also will require governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. This statement is effective for the County's fiscal year ending June 30, 2009.



Required Supplementary Information

Required Supplementary Information



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**
General Fund
For the Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 673,470	677,670	791,241
Licenses, permits and franchise fees	32,081	32,081	31,847
Fines, forfeitures and penalties	55,094	76,038	56,177
Revenue from use of money and property	25,779	26,095	43,757
Aid from other governmental agencies:			
State	647,852	640,855	578,736
Federal	621,271	631,046	660,976
Other	77,865	79,846	88,210
Charges for current services	254,049	257,678	271,448
Other revenue	20,421	22,630	25,668
Total revenues	2,407,882	2,443,939	2,548,060
Expenditures:			
Current:			
General government:			
Assessor/recorder/county clerk - finance	32,515	34,101	29,874
Auditor and controller	28,997	28,548	26,401
Board of supervisors district #1	983	1,214	1,083
Board of supervisors district #2	1,010	1,214	1,034
Board of supervisors district #3	971	1,139	1,056
Board of supervisors district #4	987	1,235	861
Board of supervisors district #5	1,072	1,466	987
Board of supervisors general office	827	828	740
CAC major maintenance	1,053	589	631
Chief Administrative office - legislative and administrative	4,257	4,385	3,551
Civil service commission	545	561	512
Clerk of the board of supervisors - legislative and administrative	2,685	2,833	2,067
Clerk of the board of supervisors - property management	3,730	3,399	2,825
Community enhancement	3,006	2,993	2,991
Community projects	12,982	9,364	9,364
Community services	6,935	9,067	2,324
Contributions to capital outlay	6,680	6,540	2,867
County counsel	18,899	19,509	18,707
County technology office	8,940	7,946	4,319
Countywide general expense	36,528	36,502	295
Financing and general government - legislative and administrative	41,642	24,635	10,378
Financing and general government - other general	1,978	1,950	5,328
Human resources - other general government	3,503	3,518	3,414
Human resources - personnel	17,103	17,244	14,495
Land use and environment - legislative and administrative	6,838	6,396	2,758
Public safety - legislative and administrative	8,475	11,994	7,536
Registrar of voters	14,075	19,112	17,874
Treasurer/tax collector	16,503	16,018	13,951
Total general government	283,719	274,300	188,223
Public protection:			
Agriculture weights and measures	13,469	14,392	12,513
Alternate public defender	13,289	13,660	12,861
Assessor/recorder/county clerk - other protection	12,829	14,575	16,063
Child support	54,162	55,464	50,197
Citizens law enforcement review board	481	504	464
Contributions for trial courts	74,323	76,761	73,000
Defense attorney/contract administration	9,207	11,537	10,755
Department of animal services	11,442	12,180	11,525
District attorney-judicial	104,223	109,743	108,139
Grand jury	568	568	489
Health and human services agency - other protection	3,578	3,359	3,070
Judicial - other budgetary entity		27,158	
LAFCO administration	243	243	243
Land use and environment - other protection	1,104	860	611
Medical examiner	6,808	7,207	6,510
Office of emergency services	24,829	25,207	9,797
Planning and land use	\$ 30,366	34,018	27,137

See notes to required supplementary information



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

General Fund

For the Year Ended June 30, 2006

(In Thousands)

(Continued)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Probation - adult detention	\$ 3,582	3,382	3,946
Probation - detention and correction	96,216	101,053	97,144
Probation - juvenile detention	31,201	30,891	30,993
Probation - police protection	2,315	2,315	2,427
Public defender	44,675	45,426	45,308
Public works, flood control, soil and water, general	1,210	1,197	903
Public works, general - other protection	30,294	30,506	25,063
Sheriff - adult detention	177,209	176,103	172,181
Sheriff - police protection	293,584	297,780	279,771
Total public protection	1,041,207	1,096,089	1,001,110
Public ways and facilities:			
Public Works, Dept of Gen	1,209	1,181	789
Public works, general - public ways	5,247	3,317	1,185
Total public ways and facilities	6,456	4,498	1,974
Health and sanitation:			
Environmental health	32,473	33,087	27,725
Health and human services agency - California children services	16,457	16,449	14,989
Health and human services agency - health	89,767	90,068	84,028
Health and human services agency - health administration	87,544	84,969	71,062
Health and human services agency - medical care	126,924	127,484	125,897
Health and human services agency - mental health	193,676	212,117	176,987
Public works, general - sanitation	15,691	16,803	17,149
Total health and sanitation	562,532	580,977	517,837
Public assistance:			
Health and human services agency - aid programs	44,212	44,212	37,012
Health and human services agency - other assistance	222,555	222,384	219,879
Health and human services agency - social administration	682,731	676,754	626,688
Health and human services agency - veterans' services	691	691	696
Housing Authority	9,728	10,036	8,409
Probation - care of court wards	8,086	8,240	8,438
Total public assistance	968,003	962,317	901,122
Education:			
Farm and home advisor	1,292	1,044	820
Total education	1,292	1,044	820
Recreation and cultural:			
Parks and recreation	26,054	23,735	21,375
Total recreational and cultural	26,054	23,735	21,375
Contingency:			
Contingency reserve	15,600	15,600	
Total contingency	15,600	15,600	
Capital outlay	40,336	20,713	18,590
Debt service:			
Interest and fiscal charges	12,700	12,700	12,368
Total expenditures	2,957,899	2,991,973	2,663,419
Excess (deficiency) of revenues over (under) expenditures	(550,017)	(548,034)	(115,359)
Other financing sources (uses)			
Sale of capital assets		1,180	12,241
Transfers in	538,986	555,977	486,203
Transfers out	(181,031)	(154,714)	(151,503)
Total other financing sources (uses)	357,955	402,443	346,941
Net change in fund balance	(192,062)	(145,591)	231,582
Fund balance at beginning of year	194,520	667,458	667,458
Increase (decrease) in Reserve for inventory of materials and supplies		(155)	(155)
Fund balance at end of year	\$	521,712	898,885

See notes to required supplementary information



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Tobacco Securitization Special Revenue Fund
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Revenue from use of money and property	\$		8,722
Total revenues			8,722
Expenditures:			
Current:			
General government:			
Tobacco Settlement	2,736	2,736	
Total general government	2,736	2,736	
Total expenditures	2,736	2,736	
Excess (deficiency) of revenues over (under) expenditures	(2,736)	(2,736)	8,722
Other financing sources (uses)			
Transfers in			123,515
Transfers (out)	(24,564)	(24,564)	(24,558)
Total other financing sources (uses)	(24,564)	(24,564)	98,957
Net change in fund balance	(27,300)	(27,300)	107,679
Fund balance at beginning of year		332,259	332,259
Fund balance at end of year	\$	304,959	439,938

See notes to required supplementary information



Budgetary Information

General Budget Policies

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

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

The increase in appropriations during the year ended June 30, 2006, amounted to \$7,757 million in the General Fund.

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

The Original Budget column consists of the Fiscal Year 2005-06 adopted budget plus the budget carried forward from Fiscal Year 2004-05. As such, the County has included encumbrances that are subject to automatic re-appropriation as part of the original budget. Also, the original budget is adjusted to reflect reserves, transfers, allocations, and supplemental appropriations that occur prior to the start of the fiscal year. The County adopts its budget subsequent to the start of the each new fiscal year (August 2,

2005). Therefore, under the circumstances, the complete budget that is adopted by the County Board of Supervisors constitutes the adopted budget, plus the approved carry forward for purposes of budgetary comparison presentation.

The Final Budget column consists of the Original Budget column plus amended budget changes occurring during Fiscal Year 2006 plus technical amendments that occur after the close of the fiscal year less the amount of budget carried forward to Fiscal Year 2007.

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



Schedule of Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2004	\$ 5,166.8	\$ 6,369.5	\$ 1,202.7	81.1%	\$ 917.1	131.1%
6/30/2005	\$ 5,612.3	\$ 6,990.7	\$ 1,378.4	80.3%	\$ 921.8	149.5%
6/30/2006	\$ 6,263.0	\$ 7,495.3	\$ 1,232.3	83.6%	\$ 979.4	125.8%



Combining Financial Statements/Schedules and Supplemental Information



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

ROAD FUND

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

HCD FUND

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

AIR POLLUTION FUND

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

LIGHTING MAINTENANCE DISTRICT FUND

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

COUNTY LIBRARY FUND

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

ASSET FORFEITURE PROGRAM FUND

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

INMATE WELFARE PROGRAM FUND

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

INACTIVE WASTESITES FUND

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

CABLE TV FUND

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



PARKLAND DEDICATION FUND

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

SANCAL FUND

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

COUNTY SERVICE 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.

FLOOD CONTROL DISTRICT FUND

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

HOUSING AUTHORITY FUND

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

REALIGNMENT FUND

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

PUBLIC SAFETY FUND

This fund was established to account for revenues and expenditures related to providing public safety services such as sheriffs, fire protection, county district attorneys and county corrections. It does not include courts, but provides for an allocation to cities. It is financed by a one-half sales and use tax passed through a voter approved state proposition.

IN HOME SUPPORT SERVICES (IHSS) PUBLIC AUTHORITY FUND

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

OTHER SPECIAL DISTRICTS FUNDS

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

TOBACCO SECURITIZATION JOINT SPECIAL REVENUE FUNDS

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



DEBT SERVICE FUNDS

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

PENSION OBLIGATION BONDS FUND

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

SANCAL FUND

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

REDEVELOPMENT AGENCY FUND

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

CAPITAL PROJECTS FUNDS

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

CAPITAL OUTLAY FUND

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

EDGEMOOR DEVELOPMENT FUND

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

SANCAL FUND

This fund is used to account for the expenditures of the proceeds from the sale of nonprofit corporation certificates of participation for the purchase of various types of equipment and the acquisition and construction of permanent buildings by the County.

REDEVELOPMENT AGENCY FUND

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



Combining Financials Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Pooled cash and investments	\$ 213,716	3,677	26,002	243,395
Cash with fiscal agents	996		2,189	3,185
Investments with fiscal agents	69,018			69,018
Receivables, net	108,023	323	9,526	117,872
Property taxes receivables, net	710	45	73	828
Due from other funds	10,000	4,272	2,520	16,792
Advances to other funds		83		83
Inventory of materials and supplies	1,765			1,765
Deposits with others	2,885			2,885
Prepaid items	2		825	827
Restricted assets:				
Cash with fiscal agents	3,525	33,793	227	37,545
Investments with fiscal agents	45,582	42,062	49,080	136,724
Total assets	456,222	84,255	90,442	630,919
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	12,834		7,317	20,151
Accrued payroll	1,294			1,294
Due to other funds	50,057	1,328	5,870	57,255
Advances from other funds	294		4,289	4,583
Deferred revenues	1,081	38	124	1,243
Unearned revenue	8,129	22	420	8,571
Total liabilities	73,689	1,388	18,020	93,097
Fund balances:				
Reserved fund balance:				
Reserved for encumbrances	29,448	990	4,895	35,333
Reserved for notes receivable and advances	41,195	83	1,000	42,278
Reserved for inventory of materials and supplies	1,765			1,765
Reserved for debt service	45,801	81,794		127,595
Reserved for other purposes	70,832		1,075	71,907
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance	72,280			72,280
Undesignated	121,212		65,452	186,664
Total fund balances	382,533	82,867	72,422	537,822
Total liabilities and fund balances	\$ 456,222	84,255	90,442	630,919

Combining Financials Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2006
(In Thousands)**

	Road Fund	Housing and Community Development Fund	Air Pollution Fund	Lighting Maintenance District Fund
ASSETS				
Pooled cash and investments	\$ 68,047	3,677	17,825	616
Cash with fiscal agents	248			
Investments with fiscal agents				
Receivables, net	17,746	34,045	2,704	22
Property taxes receivables, net				28
Due from other funds	7,146	208	77	5
Inventory of materials and supplies	1,470		98	
Deposits with others	2,800			
Prepaid items				
Restricted assets:				
Cash with fiscal agents				
Investments with fiscal agents				
Total assets	97,457	37,930	20,704	671
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	3,735	1,302	1,683	121
Accrued payroll	639		236	
Due to other funds	2,955	4,540	238	8
Advances from other funds				
Deferred revenues	470			14
Unearned revenue	1,577	55	824	15
Total liabilities	9,376	5,897	2,981	158
Fund balances:				
Reserved fund balance:				
Reserved for encumbrances	16,011		9,148	7
Reserved for notes receivable and advances		32,052		
Reserved for inventory of materials and supplies	1,470		98	
Reserved for debt service				
Reserved for other purposes	52,426			16
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance				
Undesignated	18,174	(19)	8,477	490
Total fund balances	88,081	32,033	17,723	513
Total liabilities and fund balances	\$ 97,457	37,930	20,704	671



Combining Financials Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2006
(In Thousands)**

(Continued)	County Library Fund	Asset Forfeiture Program Fund	Inmate Welfare Program Fund	Inactive Wastesites Fund
ASSETS				
Pooled cash and investments	\$ 10,726	5,930	5,070	4,989
Cash with fiscal agents				
Investments with fiscal agents				69,018
Receivables, net	137	63	1,096	163
Property taxes receivables, net	564			
Due from other funds			27	1
Inventory of materials and supplies	68	27	101	
Deposits with others				
Prepaid items				
Restricted assets:				
Cash with fiscal agents				
Investments with fiscal agents				
Total assets	11,495	6,020	6,294	74,171
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,136	143	176	621
Accrued payroll	351			29
Due to other funds	375	52	169	224
Advances from other funds				
Deferred revenues	425			
Unearned revenue	399			962
Total liabilities	2,686	195	345	1,836
Fund balances:				
Reserved fund balance:				
Reserved for encumbrances	409	239	308	55
Reserved for notes receivable and advances				
Reserved for inventory of materials and supplies	68	27	101	
Reserved for debt service				
Reserved for other purposes	87			
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance				72,280
Undesignated	8,245	5,559	5,540	
Total fund balances	8,809	5,825	5,949	72,335
Total liabilities and fund balances	\$ 11,495	6,020	6,294	74,171

Combining Financials Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2006
(In Thousands)**

(Continued)	Cable TV Fund	Parkland Dedication Fund	SANCAL Fund	County Service District Funds
ASSETS				
Pooled cash and investments	\$ 2,289	9,425	117	17,083
Cash with fiscal agents				
Investments with fiscal agents				
Receivables, net	24	102		693
Property taxes receivables, net				60
Due from other funds	5	16	191	251
Inventory of materials and supplies	1			
Deposits with others				
Prepaid items				
Restricted assets:				
Cash with fiscal agents			2,292	
Investments with fiscal agents				
Total assets	2,319	9,543	2,600	18,087
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	34		20	1,077
Accrued payroll	35			4
Due to other funds	12	109	13	337
Advances from other funds				294
Deferred revenues				53
Unearned revenue				484
Total liabilities	81	109	33	2,249
Fund balances:				
Reserved fund balance:				
Reserved for encumbrances	68	1,218		
Reserved for notes receivable and advances				
Reserved for inventory of materials and supplies	1			
Reserved for debt service				
Reserved for other purposes				1,366
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance				
Undesignated	2,169	8,216	2,567	14,472
Total fund balances	2,238	9,434	2,567	15,838
Total liabilities and fund balances	\$ 2,319	9,543	2,600	18,087



Combining Financials Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2006
(In Thousands)**

(Continued)	Flood Control District Fund	Housing Authority Fund	Public Safety Fund	In Home Support Services Fund
ASSETS				
Pooled cash and investments	\$ 19,175	26,287	21,413	524
Cash with fiscal agents		748		
Investments with fiscal agents				
Receivables, net	257	9,601	41,094	19
Property taxes receivables, net	58			
Due from other funds	700	40	1,319	
Inventory of materials and supplies				
Deposits with others		85		
Prepaid items		2		
Restricted assets:				
Cash with fiscal agents				
Investments with fiscal agents				
Total assets	20,190	36,763	63,826	543
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	450	1,239		139
Accrued payroll				
Due to other funds	309	958	39,290	374
Advances from other funds				
Deferred revenues	51	68		
Unearned revenue	56	3,757		
Total liabilities	866	6,022	39,290	513
Fund balances:				
Reserved fund balance:				
Reserved for encumbrances			1,957	28
Reserved for notes receivable and advances		9,143		
Reserved for inventory of materials and supplies				
Reserved for debt service				
Reserved for other purposes	16,626	81		
Unreserved:				
Designated for landfill postclosure and inactive landfill maintenance				
Undesignated	2,698	21,517	22,579	2
Total fund balances	19,324	30,741	24,536	30
Total liabilities and fund balances	\$ 20,190	36,763	63,826	543

Combining Financials Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2006
(In Thousands)**

(Continued)	Other Special Districts Funds	Tobacco Securitization Joint Special Revenue Funds	Total Special Revenue Funds
ASSETS			
Pooled cash and investments	\$ 523		213,716
Cash with fiscal agents			996
Investments with fiscal agents			69,018
Receivables, net	83	174	108,023
Property taxes receivables, net			710
Due from other funds	14		10,000
Inventory of materials and supplies			1,765
Deposits with others			2,885
Prepaid items			2
Restricted assets:			
Cash with fiscal agents		1,233	3,525
Investments with fiscal agents		45,582	45,582
Total assets	620	46,989	456,222
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable		958	12,834
Accrued payroll			1,294
Due to other funds	94		50,057
Advances from other funds			294
Deferred revenues			1,081
Unearned revenue			8,129
Total liabilities	94	958	73,689
Fund balances:			
Reserved fund balance:			
Reserved for encumbrances			29,448
Reserved for notes receivable and advances			41,195
Reserved for inventory of materials and supplies			1,765
Reserved for debt service		45,801	45,801
Reserved for other purposes		230	70,832
Unreserved:			
Designated for landfill postclosure and inactive landfill maintenance			72,280
Undesignated	526		121,212
Total fund balances	526	46,031	382,533
Total liabilities and fund balances	\$ 620	46,989	456,222



Combining Financials Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Debt Service Funds
June 30, 2006
(In Thousands)**

	Pension Obligation Bonds Fund	SANCAL Fund	Redevelopment Agency Fund	Total Debt Service Funds
ASSETS				
Pooled cash and investments	\$ 558	1,005	2,114	3,677
Receivables, net	13	290	20	323
Property taxes receivables, net			45	45
Due from other funds	4,255	14	3	4,272
Advances to other funds		83		83
Restricted assets:				
Cash with fiscal agents	27,882	4,729	1,182	33,793
Investments with fiscal agents	18,114	23,948		42,062
Total assets	50,822	30,069	3,364	84,255
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds		689	639	1,328
Deferred revenues			38	38
Unearned revenue			22	22
Total liabilities		689	699	1,388
Fund balances:				
Reserved fund balance:				
Reserved for encumbrances	990			990
Reserved for notes receivable and advances		83		83
Reserved for debt service	49,832	29,297	2,665	81,794
Total fund balances	50,822	29,380	2,665	82,867
Total liabilities and fund balances	\$ 50,822	30,069	3,364	84,255

Combining Financials Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Capital Projects Funds
June 30, 2006
(In Thousands)**

	Capital Outlay Fund	Edgemoor Development Fund	SANCAL Fund	Redevelopment Agency Fund	Total Capital Projects Funds
ASSETS					
Pooled cash and investments	\$ 6,850	14,254		4,898	26,002
Cash with fiscal agents	2,189				2,189
Receivables, net	7,303	204	811	1,208	9,526
Property taxes receivables, net				73	73
Due from other funds	1,364		518	638	2,520
Prepaid items				825	825
Restricted assets:					
Cash with fiscal agents			227		227
Investments with fiscal agents			49,080		49,080
Total assets	17,706	14,458	50,636	7,642	90,442
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	4,012		1,926	1,379	7,317
Due to other funds	5,387	9		474	5,870
Advances from other funds				4,289	4,289
Deferred revenues				124	124
Unearned revenue	396			24	420
Total liabilities	9,795	9	1,926	6,290	18,020
Fund balances:					
Reserved fund balance:					
Reserved for encumbrances		4,894		1	4,895
Reserved for notes receivable and advances				1,000	1,000
Reserved for other purposes		250		825	1,075
Unreserved:					
Undesignated	7,911	9,305	48,710	(474)	65,452
Total fund balances	7,911	14,449	48,710	1,352	72,422
Total liabilities and fund balances	\$ 17,706	14,458	50,636	7,642	90,442



Combining Financials Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 308,363	1,189	1,239	310,791
Licenses, permits and franchise fees	9,977			9,977
Fines, forfeitures and penalties	3,844		50	3,894
Revenue from use of money and property	15,452	4,745	3,932	24,129
Aid from other governmental agencies:				
State	282,509		5,818	288,327
Federal	131,159		904	132,063
Other	6,641		15	6,656
Charges for current services	38,915		3,658	42,573
Other revenue	35,393	5,970	388	41,751
Total revenues	832,253	11,904	16,004	860,161
Expenditures:				
Current:				
General government	3,487	1,799	5,840	11,126
Public protection	13,296		247	13,543
Public ways and facilities	65,171			65,171
Health and sanitation	38,328			38,328
Public assistance	110,193			110,193
Education	31,223			31,223
Recreation and cultural	1,589			1,589
Capital outlay	35,699		55,608	91,307
Debt service:				
Principal	1,815	55,430		57,245
Interest and fiscal charges	12,051	85,072		97,123
Bond issuance costs	5,249	923		6,172
Payment to refunded bond escrow agent	24,040	216		24,256
Total expenditures	342,141	143,440	61,695	547,276
Excess (deficiency) of revenues over (under) expenditures	490,112	(131,536)	(45,691)	312,885
Other financing sources (uses):				
Sale of capital assets	114			114
Issuance of bonds and loans:				
Face value of bonds issued	154,831	11,780		166,611
Discount on issuance of bonds	(20,455)	(46)		(20,501)
Premium on issuance of bonds		1,308		1,308
Refunding bonds issued	428,800	32,430		461,230
Payment to escrow agent/refunded bond	(434,251)	(33,207)		(467,458)
Transfers in	84,585	117,461	56,209	258,255
Transfers out	(650,678)	(12,529)	(29,640)	(692,847)
Total other financing sources (uses)	(437,054)	117,197	26,569	(293,288)
Net change in fund balances	53,058	(14,339)	(19,122)	19,597
Fund balances at beginning of year	329,488	97,206	91,544	518,238
Increase (decrease) in Reserve for inventory of materials and supplies	(13)			(13)
Fund balances at end of year	\$ 382,533	82,867	72,422	537,822

Combining Financials Governmental Funds



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE For the Year Ended June 30, 2006 (In Thousands)

	Road Fund	Housing and Community Development Fund	Air Pollution Fund	Lighting Maintenance District Fund
Revenues:				
Taxes	\$ 38,699			888
Licenses, permits and franchise fees	108		6,698	
Fines, forfeitures and penalties	13		1,942	
Revenue from use of money and property	3,115	10	834	17
Aid from other governmental agencies:				
State	54,848	461	3,168	11
Federal	8,344	13,936	2,394	
Other	1	505	4,964	
Charges for current services	27,712	24	560	583
Other revenue	1,693	192	589	6
Total revenues	134,533	15,128	21,149	1,505
Expenditures:				
Current:				
General government				
Public protection				
Public ways and facilities	62,867			1,413
Health and sanitation			23,185	
Public assistance		7,190		
Education				
Recreation and cultural				
Capital outlay	35,033		260	
Debt service:				
Principal				
Interest and fiscal charges				
Bond issuance costs				
Payment to refunded bond escrow agent				
Total expenditures	97,900	7,190	23,445	1,413
Excess (deficiency) of revenues over (under) expenditures	36,633	7,938	(2,296)	92
Other financing sources (uses):				
Sale of capital assets	109		4	
Issuance of bonds and loans:				
Face value of bonds issued				
Discount on issuance of bonds				
Refunding bonds issued				
Payment to escrow agent/refunded bond				
Transfers in	6,000		4,797	
Transfers out	(1,665)	(2,326)	(12,587)	
Total other financing sources (uses)	4,444	(2,326)	(7,786)	
Net change in fund balances	41,077	5,612	(10,082)	92
Fund balances at beginning of year	47,027	26,421	27,808	421
Increase (decrease) in				
Reserve for inventory of materials and supplies	(23)		(3)	
Fund balances at end of year	\$ 88,081	32,033	17,723	513



Combining Financials Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended June 30, 2006
(In Thousands)**

(Continued)	County Library Fund	Asset Forfeiture Program Fund	Inmate Welfare Program Fund	Inactive Wastesites Fund
Revenues:				
Taxes	\$ 25,835			
Licenses, permits and franchise fees				
Fines, forfeitures and penalties		1,840		20
Revenue from use of money and property	354	198	3,447	3,399
Aid from other governmental agencies:				
State	784			256
Federal	5			
Other				
Charges for current services	1,503			954
Other revenue	443	8	495	79
Total revenues	28,924	2,046	3,942	4,708
Expenditures:				
Current:				
General government				
Public protection		997	2,626	
Public ways and facilities				
Health and sanitation				9,085
Public assistance				
Education	31,223			
Recreation and cultural				
Capital outlay	159	110	49	
Debt service:				
Principal				
Interest and fiscal charges				
Bond issuance costs				
Payment to refunded bond escrow agent				
Total expenditures	31,382	1,107	2,675	9,085
Excess (deficiency) of revenues over (under) expenditures	(2,458)	939	1,267	(4,377)
Other financing sources (uses):				
Sale of capital assets			1	
Issuance of bonds and loans:				
Face value of bonds issued				
Discount on issuance of bonds				
Refunding bonds issued				
Payment to escrow agent/refunded bond				
Transfers in	3,441		500	327
Transfers out	(747)	(214)	(1,940)	(78)
Total other financing sources (uses)	2,694	(214)	(1,439)	249
Net change in fund balances	236	725	(172)	(4,128)
Fund balances at beginning of year	8,587	5,086	6,107	76,463
Increase (decrease) in				
Reserve for inventory of materials and supplies	(14)	14	14	
Fund balances at end of year	\$ 8,809	5,825	5,949	72,335

Combining Financials Governmental Funds



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE For the Year Ended June 30, 2006 (In Thousands)

(Continued)	Cable TV Fund	Parkland Dedication Fund	SANCAL Fund	County Service District Funds
Revenues:				
Taxes				3,283
Licenses, permits and franchise fees	\$ 2,306	865		
Fines, forfeitures and penalties				1
Revenue from use of money and property	83	335	358	600
Aid from other governmental agencies:				
State				38
Federal				168
Other			23	1,062
Charges for current services	263			6,907
Other revenue	42			153
Total revenues	2,694	1,200	381	12,212
Expenditures:				
Current:				
General government	2,409		44	861
Public protection				820
Public ways and facilities				763
Health and sanitation				6,058
Public assistance				
Education				
Recreation and cultural		88		1,501
Capital outlay	8			80
Debt service:				
Principal				133
Interest and fiscal charges				43
Bond issuance costs				
Payment to refunded bond escrow agent			2,900	
Total expenditures	2,417	88	2,944	10,259
Excess (deficiency) of revenues over (under) expenditures	277	1,112	(2,563)	1,953
Other financing sources (uses):				
Sale of capital assets				
Issuance of bonds and loans:				
Face value of bonds issued				
Discount on issuance of bonds				
Refunding bonds issued				
Payment to escrow agent/refunded bond				
Transfers in			57,010	9
Transfers out	(95)	(229)	(52,751)	(296)
Total other financing sources (uses)	(95)	(229)	4,259	(287)
Net change in fund balances	182	883	1,696	1,666
Fund balances at beginning of year	2,057	8,551	871	14,172
Increase (decrease) in Reserve for inventory of materials and supplies	(1)			
Fund balances at end of year	\$ 2,238	9,434	2,567	15,838



Combining Financials Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended June 30, 2006
(In Thousands)**

(Continued)	Flood Control District Fund	Housing Authority Fund	Realignment Fund	Public Safety Fund
Revenues:				
Taxes	\$ 3,265			236,393
Licenses, permits and franchise fees				
Fines, forfeitures and penalties				
Revenue from use of money and property	87	777		
Aid from other governmental agencies:				
State	1,334		221,529	
Federal	72	106,239		
Other	86			
Charges for current services	9	250		
Other revenue	2,700	1,078		
Total revenues	7,553	108,344	221,529	236,393
Expenditures:				
Current:				
General government				
Public protection	7,790			1,000
Public ways and facilities				
Health and sanitation				
Public assistance		92,757		
Education				
Recreation and cultural				
Capital outlay				
Debt service:				
Principal		132		
Interest and fiscal charges		33		
Bond issuance costs				
Payment to refunded bond escrow agent				
Total expenditures	7,790	92,922		1,000
Excess (deficiency) of revenues over (under) expenditures	(237)	15,422	221,529	235,393
Other financing sources (uses):				
Sale of capital assets				
Issuance of bonds and loans:				
Face value of bonds issued				
Discount on issuance of bonds				
Refunding bonds issued				
Payment to escrow agent/refunded bond				
Transfers in		2,319		
Transfers out			(221,529)	(232,706)
Total other financing sources (uses)		2,319	(221,529)	(232,706)
Net change in fund balances	(237)	17,741		2,687
Fund balances at beginning of year	19,561	13,000		21,849
Increase (decrease) in Reserve for inventory of materials and supplies				
Fund balances at end of year	\$ 19,324	30,741		24,536

Combining Financials Governmental Funds



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE For the Year Ended June 30, 2006 (In Thousands)

(Continued)	In Home Support Services Fund	Other Special Districts Funds	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
Revenues:				
Taxes	\$			308,363
Licenses, permits and franchise fees				9,977
Fines, forfeitures and penalties		28		3,844
Revenue from use of money and property	51	15	1,772	15,452
Aid from other governmental agencies:				
State		80		282,509
Federal		1		131,159
Other				6,641
Charges for current services		150		38,915
Other revenue			27,915	35,393
Total revenues	51	274	29,687	832,253
Expenditures:				
Current:				
General government			173	3,487
Public protection		63		13,296
Public ways and facilities		128		65,171
Health and sanitation				38,328
Public assistance	10,246			110,193
Education				31,223
Recreation and cultural				1,589
Capital outlay				35,699
Debt service:				
Principal			1,550	1,815
Interest and fiscal charges			11,975	12,051
Bond issuance costs			5,249	5,249
Payment to refunded bond escrow agent			21,140	24,040
Total expenditures	10,246	191	40,087	342,141
Excess (deficiency) of revenues over (under) expenditures	(10,195)	83	(10,400)	490,112
Other financing sources (uses):				
Sale of capital assets				114
Issuance of bonds and loans:				
Face value of bonds issued			154,831	154,831
Discount on issuance of bonds			(20,455)	(20,455)
Refunding bonds issued			428,800	428,800
Payment to escrow agent/refunded bond			(434,251)	(434,251)
Transfers in	10,182			84,585
Transfers out			(123,515)	(650,678)
Total other financing sources (uses)	10,182		5,410	(437,054)
Net change in fund balances	(13)	83	(4,990)	53,058
Fund balances at beginning of year	43	443	51,021	329,488
Increase (decrease) in Reserve for inventory of materials and supplies				(13)
Fund balances at end of year	\$ 30	526	46,031	382,533



Combining Financials Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
For the Year Ended June 30, 2006
(In Thousands)

	Pension Obligation Bonds Fund	SANCAL Fund	Redevelopment Agency Fund	Total Debt Service Funds
Revenues:				
Taxes	\$		1,189	1,189
Revenue from use of money and property	3,478	1,186	81	4,745
Other revenue	5,970			5,970
Total revenues	9,448	1,186	1,270	11,904
Expenditures:				
Current:				
General government	1,777	22		1,799
Debt service:				
Principal	20,960	34,320	150	55,430
Interest and fiscal charges	66,848	17,711	513	85,072
Bond issuance costs		508	415	923
Payment to refunded bond escrow agent		216		216
Total expenditures	89,585	52,777	1,078	143,440
Excess (deficiency) of revenues over (under) expenditures	(80,137)	(51,591)	192	(131,536)
Other financing sources (uses):				
Issuance of bonds and loans:				
Face value of bonds issued			11,780	11,780
Discount on issuance of bonds			(46)	(46)
Premium on issuance of bonds		1,308		1,308
Refunding bonds issued		28,210	4,220	32,430
Payment to escrow agent/refunded bond		(28,960)	(4,247)	(33,207)
Transfers in	64,409	52,765	287	117,461
Transfers out		(1,437)	(11,092)	(12,529)
Total other financing sources (uses)	64,409	51,886	902	117,197
Net change in fund balances	(15,728)	295	1,094	(14,339)
Fund balances at beginning of year	66,550	29,085	1,571	97,206
Fund balances at end of year	\$ 50,822	29,380	2,665	82,867

Combining Financials Governmental Funds



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS For the Year Ended June 30, 2006 (In Thousands)

	Capital Outlay Fund	Edgemoor Development Fund	SANCAL Fund	Redevelopment Agency Fund	Total Capital Projects Funds
Revenues:					
Taxes	\$ 339			900	1,239
Fines, forfeitures and penalties	50				50
Revenue from use of money and property	171	973	2,445	343	3,932
Aid from other governmental agencies:					
State	5,818				5,818
Federal	904				904
Other	15				15
Charges for current services	3,658				3,658
Other revenue	388				388
Total revenues	11,343	973	2,445	1,243	16,004
Expenditures:					
Current:					
General government		355		5,485	5,840
Public protection				247	247
Capital outlay	55,608				55,608
Total expenditures	55,608	355		5,732	61,695
Excess (deficiency) of revenues over (under) expenditures	(44,265)	618	2,445	(4,489)	(45,691)
Other financing sources (uses):					
Transfers in	44,597		524	11,088	56,209
Transfers out		(4,503)	(24,854)	(283)	(29,640)
Total other financing sources (uses)	44,597	(4,503)	(24,330)	10,805	26,569
Net change in fund balances	332	(3,885)	(21,885)	6,316	(19,122)
Fund balances at beginning of year	7,579	18,334	70,595	(4,964)	91,544
Fund balances at end of year	\$ 7,911	14,449	48,710	1,352	72,422



Combining Financials Governmental Funds

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

Road Fund

For the Year Ended June 30, 2006

(In Thousands)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 57,536	25,242	38,699
Licenses, permits and franchise fees	130	130	108
Fines, forfeitures and penalties	36	36	13
Revenue from use of money and property	631	631	3,115
Aid from other governmental agencies:			
State	50,231	49,051	54,848
Federal	4,216	2,658	8,344
Other			1
Charges for current services	22,620	23,798	27,712
Other revenue	25	1,025	1,693
Total revenues	135,425	102,571	134,533
Expenditures:			
Current:			
Public ways and facilities:			
Public works, other budgetary entity			16,743
Public works, road	119,397	77,705	46,124
Total public ways and facilities	119,397	77,705	62,867
Capital outlay	35,035	35,035	35,033
Total expenditures	154,432	112,740	97,900
Excess (deficiency) of revenues over (under) expenditures	(19,007)	(10,169)	36,633
Other financing sources (uses):			
Sale of capital assets			109
Transfers in	100	6,100	6,000
Transfers (out)			(1,665)
Total other financing sources (uses)	100	6,100	4,444
Net change in fund balance	(18,907)	(4,069)	41,077
Fund balance at beginning of year	68,438	47,027	47,027
Increase (decrease) in Reserve for inventory of materials and supplies		(23)	(23)
Fund balance at end of year	\$	42,935	88,081



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Housing and Community Development Fund
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Revenue from use of money and property	\$		10
Aid from other governmental agencies:			
State	879	1,879	461
Federal	30,444	26,005	13,936
Other	179	179	505
Charges for current services			24
Other revenue	180	180	192
Total revenues	31,682	28,243	15,128
Expenditures:			
Current:			
Public assistance:			
Housing and community development	28,148	24,102	7,190
Total expenditures	28,148	24,102	7,190
Excess (deficiency) of revenues over (under) expenditures	3,534	4,141	7,938
Other financing sources (uses):			
Transfers (out)	(5,733)	(4,141)	(2,326)
Total other financing sources (uses)	(5,733)	(4,141)	(2,326)
Net change in fund balance	(2,199)		5,612
Fund balance at beginning of year	8,160	26,421	26,421
Fund balance at end of year	\$	26,421	32,033



Combining Financials Governmental Funds

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

Air Pollution Fund

For the Year Ended June 30, 2006

(In Thousands)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Licenses, permits and franchise fees	\$ 7,808	7,808	6,698
Fines, forfeitures and penalties	1,020	1,200	1,942
Revenue from use of money and property	215	215	834
Aid from other governmental agencies:			
State	1,911	2,769	3,168
Federal	2,534	2,923	2,394
Other	4,697	4,697	4,964
Charges for current services	1,396	1,396	560
Other revenue	178	178	589
Total revenues	19,759	21,186	21,149
Expenditures:			
Current:			
Health and sanitation:			
Air pollution control	18,952	19,576	16,528
Air pollution control, improvement trust	5,197	3,606	2,358
Air pollution control, moyer program	2,233	2,989	1,705
Air pollution control, power general mitigation	3,622	2,196	2,030
Air pollution control, school bus program	664	737	564
Total health and sanitation	30,668	29,104	23,185
Capital outlay	349	260	260
Debt service:			
Principal	26	26	
Total expenditures	31,043	29,390	23,445
Excess (deficiency) of revenues over (under) expenditures	(11,284)	(8,204)	(2,296)
Other financing sources (uses):			
Sale of capital assets			4
Transfers in	4,697	4,815	4,797
Transfers (out)	(12,205)	(12,223)	(12,587)
Total other financing sources (uses)	(7,508)	(7,408)	(7,786)
Net change in fund balance	(18,792)	(15,612)	(10,082)
Fund balance at beginning of year	19,576	27,808	27,808
Increase (decrease) in Reserve for inventory of materials and supplies		(3)	(3)
Fund balance at end of year	\$	12,193	17,723

Combining Financials Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**
Lighting Maintenance District Fund
For the Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 800	796	888
Revenue from use of money and property			17
Aid from other governmental agencies:			
State	15	15	11
Charges for current services	571	567	583
Other revenue			6
Total revenues	1,386	1,378	1,505
Expenditures:			
Current:			
Public ways and facilities:			
San Diego Lighting Maintenance	1,542	1,525	1,413
Total expenditures	1,542	1,525	1,413
Net change in fund balance	(156)	(147)	92
Fund balance at beginning of year	5	421	421
Fund balance at end of year	\$	274	513



Combining Financials Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Library Fund
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 23,566	23,566	25,835
Revenue from use of money and property	199	199	354
Aid from other governmental agencies:			
State	720	740	784
Federal	2	2	5
Charges for current services	1,658	1,658	1,503
Other revenue	594	594	443
Total revenues	26,739	26,759	28,924
Expenditures:			
Current:			
Education:			
County library	32,685	38,710	31,201
Education			22
Total education	32,685	38,710	31,223
Capital outlay	330	328	159
Total expenditures	33,015	39,038	31,382
Excess (deficiency) of revenues over (under) expenditures	(6,276)	(12,279)	(2,458)
Other financing sources (uses):			
Transfers in	3,550	3,563	3,441
Transfers (out)	(27)	(23)	(747)
Total other financing sources (uses)	3,523	3,540	2,694
Net change in fund balance	(2,753)	(8,739)	236
Fund balance at beginning of year	2,024	8,587	8,587
Increase (decrease) in Reserve for inventory of materials and supplies		(14)	(14)
Fund balance at end of year	\$	(166)	8,809



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

Asset Forfeiture Program Fund
For the Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Fines, forfeitures and penalties	\$ 600	616	1,840
Revenue from use of money and property			198
Other revenue			8
Total revenues	600	616	2,046
Expenditures:			
Current:			
Public protection:			
District attorney asset forfeiture program - federal	28	240	137
District attorney asset forfeiture program - state	200	307	44
Probation asset forfeiture program	51	51	25
Sheriff's asset forfeiture program	1,093	850	791
Total public protection	1,372	1,448	997
Capital outlay	299	308	110
Total expenditures	1,671	1,756	1,107
Excess (deficiency) of revenues over (under) expenditures	(1,071)	(1,140)	939
Other financing sources (uses):			
Transfers in		3	
Transfers (out)	(300)	(303)	(214)
Total other financing sources (uses)	(300)	(300)	(214)
Net change in fund balance	(1,371)	(1,440)	725
Fund balance at beginning of year	292	5,086	5,086
Increase (decrease) in Reserve for inventory of materials and supplies		14	14
Fund balance at end of year	\$	3,660	5,825



Combining Financials Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Inmate Welfare Program Fund
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Revenue from use of money and property	\$ 3,525	3,525	3,447
Other revenue	300	300	495
Total revenues	3,825	3,825	3,942
Expenditures:			
Current:			
Public protection:			
Probation inmate welfare	227	226	208
Sheriff's inmate welfare	2,997	2,616	2,418
Total public protection	3,224	2,842	2,626
Capital outlay	45	164	49
Total expenditures	3,269	3,006	2,675
Excess (deficiency) of revenues over (under) expenditures	556	819	1,267
Other financing sources (uses):			
Sale of capital assets			1
Transfers in	500	500	500
Transfers (out)	(2,672)	(2,671)	(1,940)
Total other financing sources (uses)	(2,172)	(2,171)	(1,439)
Net change in fund balance	(1,616)	(1,352)	(172)
Fund balance at beginning of year	396	6,107	6,107
Increase (decrease) in Reserve for inventory of materials and supplies		14	14
Fund balance at end of year	\$	4,769	5,949

Combining Financials Governmental Funds



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

Inactive Wastesites Fund
For the Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Fines, forfeitures and penalties	\$		20
Revenue from use of money and property	325	325	3,399
Aid from other governmental agencies:			
State	261	416	256
Charges for current services	1,101	1,090	954
Other revenue	14,266	12,676	79
Total revenues	15,953	14,507	4,708
Expenditures:			
Current:			
Health and sanitation:			
Duck pond landfill cleanup	17	17	11
Hillsborough maintenance	342	342	278
Inactive waste site management	16,078	14,681	8,796
Total health and sanitation	16,437	15,040	9,085
Capital outlay	16	16	
Total expenditures	16,453	15,056	9,085
Excess (deficiency) of revenues over (under) expenditures	(500)	(549)	(4,377)
Other financing sources (uses):			
Transfers in	334	334	327
Transfers (out)	(170)		(78)
Total other financing sources (uses)	164	334	249
Net change in fund balance	(336)	(215)	(4,128)
Fund balance at beginning of year	2,018	76,463	76,463
Fund balance at end of year	\$	76,248	72,335



Combining Financials Governmental Funds

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

Cable TV Fund

For the Year Ended June 30, 2006

(In Thousands)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Licenses, permits and franchise fees	\$ 2,347	2,347	2,306
Revenue from use of money and property			83
Charges for current services	145	145	263
Other revenue			42
Total revenues	2,492	2,492	2,694
Expenditures:			
Current:			
General government:			
Media and public relation	2,585	2,682	2,409
Capital outlay	74	73	8
Total expenditures	2,659	2,755	2,417
Excess (deficiency) of revenues over (under) expenditures	(167)	(263)	277
Other financing sources (uses):			
Transfers in		50	
Transfers (out)		(50)	(95)
Total other financing sources (uses)			(95)
Net change in fund balance	(167)	(263)	182
Fund balance at beginning of year	57	2,057	2,057
Increase (decrease) in Reserve for inventory of materials and supplies		(1)	(1)
Fund balance at end of year	\$	1,793	2,238

Combining Financials Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**
Parkland Dedication Fund
For the Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Licenses, permits and franchise fees	\$ 67	67	865
Revenue from use of money and property			335
Total revenues	67	67	1,200
Expenditures:			
Current:			
Recreation and cultural:			
Local Park Planning Area 15 Sweetwater	5	5	5
Local Park Planning Area 16 Otay	1	1	
Local Park Planning Area 19 Jamul	1	1	1
Local Park Planning Area 20 Spring Valley	4	4	4
Local Park Planning Area 25 Lakeside	5	5	5
Local Park Planning Area 26 Crest	3	3	3
Local Park Planning Area 27 Alpine	4	4	4
Local Park Planning Area 28 Ramona	158	35	35
Local Park Planning Area 29 Escondido	3	3	2
Local Park Planning Area 30 San Marcos	1	1	1
Local Park Planning Area 31 San Dieguito	4	4	
Local Park Planning Area 32 Carlsbad	1	1	1
Local Park Planning Area 35 Fallbrook	4	4	3
Local Park Planning Area 36 Bonsall	2	2	2
Local Park Planning Area 37 Vista	1	1	1
Local Park Planning Area 38 Valley Center	13	13	13
Local Park Planning Area 39 Pauma	1	1	1
Local Park Planning Area 4 Lincoln Acres	1	1	1
Local Park Planning Area 40 Palomar-Julian	3	3	3
Local Park Planning Area 41 Mount Empire	3	3	2
Local Park Planning Area 42 Anza-Borrego	2	2	
Local Park Planning Central Mountain	2	2	
Local Park Planning Oceanside	1	1	1
Local Park Planning Valle de Oro	3	3	
Total recreational and cultural	226	103	88
Total expenditures	226	103	88
Excess (deficiency) of revenues over (under) expenditures	(159)	(36)	1,112
Other financing sources (uses):			
Transfers (out)	(713)	(237)	(229)
Total other financing sources (uses)	(713)	(237)	(229)
Net change in fund balance	(872)	(273)	883
Fund balance at beginning of year	871	8,551	8,551
Fund balance at end of year	\$	8,278	9,434



Combining Financials Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Service District Funds
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 2,879	2,834	3,283
Fines, forfeitures and penalties			1
Revenue from use of money and property	97	125	600
Aid from other governmental agencies:			
State	23	25	38
Federal			168
Other	1,410	1,410	1,062
Charges for current services	6,758	6,761	6,907
Other revenue	65	65	153
Total revenues	11,232	11,220	12,212
Expenditures:			
Current:			
General government:			
Regional Communication System CSA 135	623	628	623
Regional Communication System CSA 135 Zone B Del Mar	57	57	54
Regional Communication System CSA 135 Zone F Poway	140	145	145
Regional Communications System CSA 135 Zone H Solana Beach	38	43	39
Total general government	858	873	861
Public protection:			
Fire protection, PRD 107 Elfin Forest	304	303	253
Fire protection, PRD 109 MT Laguna F	44	44	44
Fire protection, PRD 110 MT Palomar F	249	168	109
Fire protection, PRD 111 Boulevard F	40	44	44
Fire protection, PRD 112 Campo Fire	27	36	34
Fire protection, PRD 113 San Pasqual	115	106	81
Fire protection, PRD 115 Pepper Drive	253	255	255
Total public protection	1,032	956	820
Public ways and facilities:			
PRD 10 Davis Dr	17	17	2
PRD 100 Viejas View	20	20	4
PRD 1002 Sunny Acres	4	4	3
PRD 1003 Alamo Way	9	9	3
PRD 1004 Butterfly	4	4	3
PRD 1005 Eden Valley	22	22	3
PRD 1007 Tumbler Creek	26	67	67
PRD 1008 Canter	23	23	3
PRD 1009 Golf Drive	2	2	1
PRD 101 A Hi-Ridge R	30	30	5
PRD 101 Johnson LK	103	103	4
PRD 1010 Alpine Highlands ZN	159	159	7
PRD 1011 La Cuesta ZN	42	42	4
PRD 1012 8112 Millar	58	58	4
PRD 1013 Singing Trails	27	27	3
PRD 1015 Landavo Drive ET AL		197	
PRD 102 MTN Meadow	161	161	79
PRD 103 Alto Drive	\$ 132	132	7



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**
County Service District Funds
For the Year Ended June 30, 2006
(In Thousands)

(Continued)	Budgeted Amounts		Actual
	Original Budget	Final Budget	
PRD 104 Artesian RO	\$ 92	92	5
PRD 105 A Alta Loma D	45	45	5
PRD 105 Alta Loma D	46	46	5
PRD 106 Garrison Ay	52	52	5
PRD 11 A Bernardo RD	31	31	3
PRD 11 A Bernardo RD	38	38	4
PRD 11 D Bernardo RD	21	21	2
PRD 117 Legend Rock	64	64	11
PRD 12 Lomair	166	166	6
PRD 123 Mizpah Lane	17	17	5
PRD 125 Wrightwood	39	39	3
PRD 126 Sandhurst W	26	26	3
PRD 127 Singing Trails	25	25	3
PRD 129 Birch Street			(1)
PRD 13 A Pala Mesa	237	237	22
PRD 13 B Stewart Canyon	66	66	3
PRD 130 Wilkes Road	99	85	8
PRD 133 Rnch Creek Rd	43	43	6
PRD 134 Kenora Lane	41	41	5
PRD 14 Rancho Diego	9	9	3
PRD 16 Wynola	102	99	6
PRD 18 Harrison Park	223	223	8
PRD 20 Daily Road	335	335	65
PRD 21 Pauma Heights	109	61	48
PRD 22 W Dougherty St	18	18	2
PRD 23 Rock Terrece RD	7	7	3
PRD 24 MT Whitney RD	57	57	18
PRD 30 Royal Oaks-CAR	35	35	2
PRD 38 Gay Rio Terrace	43	43	5
PRD 39 Sunbeam Lane	9	9	2
PRD 45 Rincon Springs	117	117	2
PRD 46 Rocoso Road	27	27	3
PRD 49 Sunset Knls RD	26	26	5
PRD 50 Knoll Park LN	86	86	2
PRD 53 Knoll Park LN EX	203	203	39
PRD 54 MT Helix	42	42	6
PRD 55 Rainbow Crest	307	307	23
PRD 6 Pauma Valley	197	197	7
PRD 60 River Drive	45	45	8
PRD 61 GRN Meadow Way	\$ 166	166	5



Combining Financials Governmental Funds

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

County Service District Funds
For the Year Ended June 30, 2006

(In Thousands)

(Continued)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
PRD 63 Hillview Road	\$ 397	397	7
PRD 64 Lila Lane	10	10	3
PRD 70 El Camino Cort	36	36	7
PRD 75 A Gay Rio Drive	151	151	12
PRD 75 B Gay Rio Drive	228	228	10
PRD 76 Kingford CT	21	21	10
PRD 77 Montiel TRK TR	122	122	5
PRD 78 Gardena Ay	105	105	4
PRD 8 Magee RD-PAL	222	222	10
PRD 80 Harris TRK TRL	143	143	3
PRD 86 Watson Place	1	1	
PRD 88 East Fifth St	46	46	2
PRD 9 B Santa Fe	90	90	49
PRD 90 South Cordov	47	47	5
PRD 94 Roble Grnde	344	344	8
PRD 95 Valle Del Sol	177	177	3
PRD 99 Via Allndra	45	45	8
Public works, PRD 1014 Lavender PT Lane		97	50
Total public ways and facilities	6,335	6,605	763
Health and sanitation:			
CSA 17 San Dieguito Ambulance	2,190	2,120	2,085
CSA 69 Heartland Paramedics	4,151	4,014	3,928
PRD 136 Sundance Detention Basin	89	89	20
Sanitation, A9589 PRD 122 OTAY MESA E	62	61	25
Total health and sanitation	6,492	6,284	6,058
Recreation and cultural:			
CSA 128 San Miguel Park	415	428	426
CSA 26 Rancho San Diego	287	286	285
CSA 81 Fallbrook Park	116	164	164
CSA 83 San Dieguito	446	339	291
CSA 83A 4S Ranch Park	220	220	93
PRD 26 A Cottonwood Village	175	175	121
PRD 26 B Monte Vista	449	449	121
Total recreational and cultural	2,108	2,061	1,501
Capital outlay	141	210	80
Debt service:			
Principal	300	326	133
Interest and fiscal charges	47	53	43
Total expenditures	17,313	17,368	10,259
Excess (deficiency) of revenues over (under) expenditures	(6,081)	(6,148)	1,953
Other financing sources (uses):			
Issuance of bonds and loans:			
Long-term debt proceeds	35	275	
Transfers in	72	72	9
Transfers (out)	(534)	(534)	(296)
Total other financing sources (uses)	(427)	(187)	(287)
Net change in fund balance	(6,508)	(6,335)	1,666
Fund balance at beginning of year	651	14,172	14,172
Fund balance at end of year	\$	7,837	15,838

Combining Financials Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Flood Control District Fund
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 2,383	1,803	3,265
Revenue from use of money and property	50	50	87
Aid from other governmental agencies:			
State	1,996	1,996	1,334
Federal		2,933	72
Other			86
Charges for current services	307	307	9
Other revenue	1,520	(3,179)	2,700
Total revenues	6,256	3,910	7,553
Expenditures:			
Current:			
Public protection:			
Flood control district	6,915	8,292	7,790
Stormwater Maint	8	8	
Total public protection	6,923	8,300	7,790
Total expenditures	6,923	8,300	7,790
Excess (deficiency) of revenues over (under) expenditures	(667)	(4,390)	(237)
Other financing sources (uses):			
Issuance of bonds and loans:			
Long-term debt proceeds		700	
Transfers in		1,738	
Total other financing sources (uses)		2,438	
Net change in fund balance	(667)	(1,952)	(237)
Fund balance at beginning of year	1,089	19,561	19,561
Fund balance at end of year	\$	17,609	19,324



Combining Financials Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Housing Authority Fund
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Revenue from use of money and property	\$		777
Aid from other governmental agencies:			
Federal	97,918	97,918	106,239
Other	398	253	
Charges for current services	1,158	1,158	250
Other revenue	2,870	1,942	1,078
Total revenues	102,344	101,271	108,344
Expenditures:			
Current:			
Public assistance:			
Housing Authority			(114)
Other assistance - other budgetary entity	107,262	106,850	92,871
Total public assistance	107,262	106,850	92,757
Debt service:			
Principal	411	426	132
Interest and fiscal charges		35	33
Total expenditures	107,673	107,311	92,922
Excess (deficiency) of revenues over (under) expenditures	(5,329)	(6,040)	15,422
Other financing sources (uses):			
Transfers in	6,041	6,041	2,319
Total other financing sources (uses)	6,041	6,041	2,319
Net change in fund balance	712	1	17,741
Fund balance at beginning of year	167	13,000	13,000
Fund balance at end of year	\$	13,001	30,741

Combining Financials Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Realignment Fund
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Aid from other governmental agencies:			
State	\$ 304,253	304,253	221,529
Total revenues	304,253	304,253	221,529
Expenditures:			
Current:			
Health and sanitation:			
Health realignment	3,927	3,927	
Mental health realignment	1,458	1,458	
Total health and sanitation	5,385	5,385	
Public assistance:			
Social services realignment	11,625	11,625	
Total public assistance	11,625	11,625	
Total expenditures	17,010	17,010	
Excess (deficiency) of revenues over (under) expenditures	287,243	287,243	221,529
Other financing sources (uses):			
Transfers (out)	(288,870)	(288,870)	(221,529)
Total other financing sources (uses)	(288,870)	(288,870)	(221,529)
Net change in fund balance	(1,627)	(1,627)	
Fund balance at end of year	\$	(1,627)	



Combining Financials Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 217,954	219,460	236,393
Total revenues	217,954	219,460	236,393
Expenditures:			
Current:			
Public protection:			
Public safety (Prop 172)		1,000	1,000
Total expenditures		1,000	1,000
Excess (deficiency) of revenues over (under) expenditures	217,954	218,460	235,393
Other financing sources (uses):			
Transfers (out)	(220,518)	(232,707)	(232,706)
Total other financing sources (uses)	(220,518)	(232,707)	(232,706)
Net change in fund balance	(2,564)	(14,247)	2,687
Fund balance at beginning of year		21,849	21,849
Fund balance at end of year	\$	7,602	24,536



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**
In Home Support Services Fund
For the Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Revenue from use of money and property	\$		51
Total revenues			51
Expenditures:			
Current:			
Public assistance:			
In Home Support Services Public authority	716	14,459	10,246
Total expenditures	716	14,459	10,246
Excess (deficiency) of revenues over (under) expenditures	(716)	(14,459)	(10,195)
Other financing sources (uses):			
Transfers in			10,182
Total other financing sources (uses)			10,182
Net change in fund balance	(716)	(14,459)	(13)
Fund balance at beginning of year	716	43	43
Fund balance at end of year	\$	(14,416)	30



Combining Financials Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Other Special Districts Funds
For the Year Ended June 30, 2006
(In Thousands)**

	Budgeted Amounts		Actual
	Original Budget	Final Budget	
Revenues:			
Fines, forfeitures and penalties	\$ 16	16	28
Revenue from use of money and property	5	5	15
Aid from other governmental agencies:			
State	174	174	80
Federal			1
Charges for current services	100	100	150
Total revenues	295	295	274
Expenditures:			
Current:			
Public protection:			
Agriculture weights and Measure - Fish and Game	47	65	63
Total public protection	47	65	63
Public ways and facilities:			
Special Aviation	178	178	128
Total public ways and facilities	178	178	128
Total expenditures	225	243	191
Excess (deficiency) of revenues over (under) expenditures	70	52	83
Other financing sources (uses):			
Transfers (out)	(100)	(100)	
Total other financing sources (uses)	(100)	(100)	
Net change in fund balance	(30)	(48)	83
Fund balance at beginning of year		443	443
Fund balance at end of year	\$	395	526





Combining Financials Enterprise Funds

ENTERPRISE FUNDS

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

AIRPORT FUND

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

WASTEWATER MANAGEMENT

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

SANITATION DISTRICTS FUND

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



**COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
June 30, 2006
(In thousands)**

	Airport Fund	Wastewater Management Fund	Sanitation Districts Fund	Total Enterprise Funds
ASSETS				
Current assets:				
Pooled cash and investments	\$ 15,780	2,870	59,636	78,286
Receivables, net	1,964	39	808	2,811
Property taxes receivables, net			2	2
Due from other funds	345	481	174	1,000
Total current assets	18,089	3,390	60,620	82,099
Noncurrent assets:				
Advances to other funds	3,363			3,363
Capital assets:				
Land	9,620	20	1,069	10,709
Construction and contracts in progress	14,427		13,229	27,656
Buildings and improvements	44,708	721	1,699	47,128
Equipment	479	194	579	1,252
Road network	139			139
Sewer network			64,251	64,251
Accumulated depreciation	(20,934)	(533)	(29,494)	(50,961)
Total noncurrent assets	51,802	402	51,333	103,537
Total assets	69,891	3,792	111,953	185,636
LIABILITIES				
Current liabilities:				
Accounts payable	2,411	65	542	3,018
Accrued payroll	51	67		118
Due to other funds	363	428	397	1,188
Unearned revenue	212		1	213
Bonds, loans and notes payable	192		1	193
Compensated absences	22	44		66
Total current liabilities	3,251	604	941	4,796
Noncurrent liabilities:				
Advances from other funds			217	217
Bonds, loans and notes payable	2,460		92	2,552
Compensated absences	139	184		323
Total noncurrent liabilities	2,599	184	309	3,092
Total liabilities	5,850	788	1,250	7,888
NET ASSETS				
Invested in capital assets, net of related debt	45,787	402	51,023	97,212
Unrestricted	18,254	2,602	59,680	80,536
Total net assets	\$ 64,041	3,004	110,703	177,748



Combining Financials Enterprise Funds

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - ENTERPRISE FUNDS
For the Year Ended June 30, 2006
(In Thousands)**

	Airport Fund	Wastewater Management Fund	Sanitation Districts Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for current services	\$ 7,055	4,322	17,230	28,607
Miscellaneous	156	5		161
Total operating revenues	7,211	4,327	17,230	28,768
OPERATING EXPENSES				
Salaries	2,564	3,411		5,975
Repairs and maintenance	422	91	3,620	4,133
Equipment rental	241	282		523
Sewage processing			8,696	8,696
Contracted services	2,558	756		3,314
Depreciation	1,070	19	1,374	2,463
Utilities	125	12		137
Cost of material		2		2
Other operating expenses	541	268	571	1,380
Total operating expenses	7,521	4,841	14,261	26,623
Operating income (loss)	(310)	(514)	2,969	2,145
NONOPERATING REVENUES (EXPENSES)				
Grants	9,994			9,994
Interest and dividends	5,214	85	2,102	7,401
Interest expense	(159)		(19)	(178)
Loss on disposal of assets			(853)	(853)
Other nonoperating revenues	46			46
Total nonoperating revenues (expenses)	15,095	85	1,230	16,410
Income (loss) before contributions and transfers	14,785	(429)	4,199	18,555
Capital contributions			58	58
Transfers in			107	107
Transfers out	(1,046)	(151)		(1,197)
Net change in net assets	13,739	(580)	4,364	17,523
Net assets (deficits) at beginning of year	50,302	3,584	106,339	160,225
Net assets (deficits) at end of year	\$ 64,041	3,004	110,703	177,748

Combining Financials Enterprise Funds



COMBINING STATEMENT OF CASH FLOWS ENTERPRISE FUNDS For the Year Ended June 30, 2006 (In Thousands)

	Airport Fund	Wastewater Management Fund	Sanitation Districts Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 7,006		17,236	24,242
Cash received from other funds		4,970		4,970
Cash payments to suppliers	(3,730)	(1,188)	(10,419)	(15,337)
Cash payments to employees	(2,612)	(3,454)		(6,066)
Cash payments to other funds	(336)		(3,779)	(4,115)
Other payments	(308)	(58)	(299)	(665)
Net cash provided (used) by operating activities	20	270	2,739	3,029
Cash flows from noncapital financing activities:				
Operating grants	8,308			8,308
Transfers from other funds			106	106
Transfers to other funds	(1,046)	(151)		(1,197)
Collections on advances to other funds	5,949			5,949
Other noncapital increases	333			333
Net cash provided (used) by non-capital financing activities	13,544	(151)	106	13,499
Cash flows from capital financing activities:				
Acquisition of capital assets	(8,749)		(4,863)	(13,612)
Proceeds from sale of assets				
Retirement of capital leases, bonds and loans	(179)		(2)	(181)
Interest paid on long-term debt	(159)		(17)	(176)
Net cash provided (used) by capital and related financing activities	(9,087)		(4,882)	(13,969)
Cash flows from investing activities:				
Interest	4,862	73	1,844	6,779
Net increase (decrease) in cash and cash equivalents	9,339	192	(193)	9,338
Cash and cash equivalents - beginning of year	6,441	2,678	59,829	68,948
Cash and cash equivalents - end of year	15,780	2,870	59,636	78,286
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(310)	(514)	2,969	2,145
Adjustments for non-cash activities:				
Inc (dec) in compensated absences	21	44		65
Inc (dec) in accrued payroll	(67)	(86)		(153)
Inc (dec) in due to other funds	189	332	(605)	(84)
Inc (dec) in accounts payable	(554)	29	(832)	(1,357)
Inc (dec) in deferred credits and other liabilities	(26)		2	(24)
Dec (inc) in accounts and notes receivable	82	8	(17)	73
Dec (inc) in due from other funds	(385)	438	(152)	(99)
Depreciation	1,070	19	1,374	2,463
Net cash provided by (used in) operating activities	20	270	2,739	3,029
Non-Cash investing and capital financing activities:				
Accrued Interest	61	28	615	704
Capital acquisitions included in accounts payable	1,956		236	2,192
Contributions of Capital Assets:				
From Governmental	46			46
From Developers			59	59
Total non-cash investing and capital financing activities \$	2,063	28	910	3,001



INTERNAL SERVICE FUNDS

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

ROAD AND COMMUNICATION EQUIPMENT FUND

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

PURCHASING FUND

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

SPECIAL DISTRICT LOANS FUND

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

RISK FINANCING FUND

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

FLEET SERVICES FUND

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

FACILITIES MANAGEMENT FUND

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

INFORMATION TECHNOLOGY FUND

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

OTHER MISCELLANEOUS INTERNAL SERVICE FUNDS

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



**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2006
(In Thousands)**

	Road and Communication Equipment Fund	Purchasing Fund	Special District Loans Fund	Risk Financing Fund
ASSETS				
Current assets:				
Pooled cash and investments	\$ 12,329	3,673	602	86,398
Receivables, net	128	60		865
Due from other funds	1,602	718	140	1,154
Inventory of materials and supplies		4		
Prepaid items				
Total current assets	14,059	4,455	742	88,417
Noncurrent assets:				
Advances to other funds			211	237
Capital assets:				
Equipment	25,296	137		
Software				
Accumulated depreciation	(14,278)	(97)		
Total noncurrent assets	11,018	40	211	237
Total assets	25,077	4,495	953	88,654
LIABILITIES				
Current liabilities:				
Accounts payable	44	33		3,537
Accrued payroll		86		
Due to other funds	5,264	62	50	1,825
Unearned revenue				
Bonds, loans and notes payable				
Compensated absences		5		
Claims and judgments				35,180
Total current liabilities	5,308	186	50	40,542
Noncurrent liabilities:				
Bonds, loans and notes payable				
Compensated absences		444		
Claims and judgments				87,152
Total noncurrent liabilities		444		87,152
Total liabilities	5,308	630	50	127,694
NET ASSETS				
Invested in capital assets, net of related debt	11,018	40		
Unrestricted	8,751	3,825	903	(39,040)
Total net assets	\$ 19,769	3,865	903	(39,040)



Combining Financials Internal Service Funds

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2006
(In Thousands)**

(Continued)	Fleet Services Fund	Facilities Management Fund	Information Technology Fund	Other Miscellaneous Internal Service Funds	Total Internal Service Funds
ASSETS					
Current assets:					
Pooled cash and investments	\$ 15,045	4,875	49,457	2,014	174,393
Receivables, net	472	1,251	2,549		5,325
Due from other funds	1,110	5,596	9,488	1	19,809
Inventory of materials and supplies	479	36		121	640
Prepaid items		86			86
Total current assets	17,106	11,844	61,494	2,136	200,253
Noncurrent assets:					
Advances to other funds					448
Capital assets:					
Equipment	82,771	1,138		281	109,623
Software			55,480		55,480
Accumulated depreciation	(43,760)	(880)	(5,548)	(243)	(64,806)
Total noncurrent assets	39,011	258	49,932	38	100,745
Total assets	56,117	12,102	111,426	2,174	300,998
LIABILITIES					
Current liabilities:					
Accounts payable	2,269	4,584	17,062	460	27,989
Accrued payroll	77	385			548
Due to other funds	188	7,801	44,669	52	59,911
Unearned revenue	1	129			130
Bonds, loans and notes payable		369			369
Compensated absences	9	33			47
Claims and judgments					35,180
Total current liabilities	2,544	13,301	61,731	512	124,174
Noncurrent liabilities:					
Bonds, loans and notes payable		4,329			4,329
Compensated absences	269	1,529			2,242
Claims and judgments					87,152
Total noncurrent liabilities	269	5,858			93,723
Total liabilities	2,813	19,159	61,731	512	217,897
NET ASSETS					
Invested in capital assets, net of related debt	39,011	258	49,932	38	100,297
Unrestricted	14,293	(7,315)	(237)	1,624	(17,196)
Total net assets	\$ 53,304	(7,057)	49,695	1,662	83,101

Combining Financials Internal Service Funds



**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-INTERNAL SERVICE FUNDS**
For the Year Ended June 30, 2006
(In Thousands)

	Road and Communication Equipment Fund	Purchasing Fund	Special District Loans Fund	Risk Financing Fund	Fleet Services Fund
OPERATING REVENUES					
Charges for current services	\$ 5,141	7,951		37,221	27,464
Miscellaneous	14	140		75	213
Total operating revenues	5,155	8,091		37,296	27,677
OPERATING EXPENSES					
Salaries		4,574			4,044
Repairs and maintenance	2,119	225			6,838
Equipment rental		125			107
Contracted services	251	686			1,257
Depreciation	1,809	95			8,278
Utilities		158			287
Cost of material		376			1
Claims and judgments				52,908	
Fuel	1,018	2			8,191
Other operating expenses		741			802
Total operating expenses	5,197	6,982		52,908	29,805
Operating income (loss)	(42)	1,109		(15,612)	(2,128)
NONOPERATING REVENUES (EXPENSES)					
Grants		4			4
Interest and dividends	448	114	(3)		695
Interest expense				(611)	
Loss on disposal of assets	(96)	(87)			(200)
Other nonoperating revenues	(10)				
Total nonoperating revenues (expenses)	342	31	(3)	(611)	499
Income (loss) before contributions and transfers	300	1,140	(3)	(16,223)	(1,629)
Capital contributions					120
Transfers in	603			262	701
Transfers out	(5,000)	(219)			(173)
Net change in net assets	(4,097)	921	(3)	(15,961)	(981)
Net assets (deficits) at beginning of year	23,866	2,944	906	(23,079)	54,285
Net assets (deficits) at end of year	\$ 19,769	3,865	903	(39,040)	53,304



Combining Financials Internal Service Funds

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2006
(In Thousands)**

(Continued)	Facilities Management Fund	Information Technology Fund	Other Miscellaneous Internal Service Funds	Total Internal Service Funds
OPERATING REVENUES				
Charges for current services	\$ 76,551	104,579		258,907
Miscellaneous	1,487		4,145	6,074
Total operating revenues	78,038	104,579	4,145	264,981
OPERATING EXPENSES				
Salaries	20,293			28,911
Repairs and maintenance	23,289		27	32,498
Equipment rental	1,350		55	1,637
Contracted services	5,650	103,245	1,036	112,125
Depreciation	72	5,548	16	15,818
Utilities	16,338		2	16,785
Cost of material	49		1,437	1,863
Claims and judgments				52,908
Fuel	268		8	9,487
Other operating expenses	17,442		55	19,040
Total operating expenses	84,751	108,793	2,636	291,072
Operating income (loss)	(6,713)	(4,214)	1,509	(26,091)
NONOPERATING REVENUES (EXPENSES)				
Grants	1,509			1,517
Interest and dividends	1,862		(1)	3,115
Interest expense	(73)	(347)		(1,031)
Loss on disposal of assets				(383)
Other nonoperating revenues	434			424
Total nonoperating revenues (expenses)	3,732	(347)	(1)	3,642
Income (loss) before contributions and transfers	(2,981)	(4,561)	1,508	(22,449)
Capital contributions				120
Transfers in	1,391	6,449		9,406
Transfers out	(906)		(1,083)	(7,381)
Net change in net assets	(2,496)	1,888	425	(20,304)
Net assets (deficits) at beginning of year	(4,561)	47,807	1,237	103,405
Net assets (deficits) at end of year	\$ (7,057)	49,695	1,662	83,101

Combining Financials Internal Service Funds



COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended June 30, 2006 (In Thousands)

	Road and Communication Equipment Fund	Purchasing Fund	Special District Loans Fund	Risk Financing Fund	Fleet Services Fund
Cash flows from operating activities:					
Cash received from customers	\$ 5,322	161			1,124
Cash received from other funds	2,443	7,749		38,288	26,140
Other receipts					
Cash payments to suppliers	(2,314)	(1,165)			(13,635)
Cash payments to employees		(4,857)			(4,166)
Cash payments to other funds		(844)	(85)		(3,247)
Cash paid for judgments and claims				(32,655)	
Other payments	(23)	(348)			(7)
Net cash provided (used) by operating activities	5,428	696	(85)	5,633	6,209
Cash flows from noncapital financing activities:					
Operating grants					(136)
Transfers from other funds	603			262	701
Transfers to other funds	(5,000)	(219)			(173)
Collections on advances to other funds			89	59	
Other noncapital increases					
Other noncapital (decreases)				(865)	14
Net cash provided (used) by non-capital financing activities	(4,397)	(219)	89	(544)	406
Cash flows from capital financing activities:					
Capital contributions					
Acquisition of capital assets	(1,595)				(11,996)
Proceeds from sale of assets	136	55			411
Retirement of capital leases, bonds and loans		(9)			
Bond sale proceeds and loans received					
Interest paid on long-term debt				(611)	
Net cash provided (used) by capital and related financing activities	(1,459)	46		(611)	(11,585)
Cash flows from investing activities:					
Interest	399	93	(3)		642
Net increase (decrease) in cash and cash equivalents	(29)	616	1	4,478	(4,328)
Cash and cash equivalents - beginning of year	12,358	3,057	601	81,920	19,373
Cash and cash equivalents - end of year	12,329	3,673	602	86,398	15,045
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	(42)	1,109		(15,612)	(2,128)
Adjustments for non-cash activities:					
Inc (dec) in compensated absences		6			9
Inc (dec) in accrued payroll		(283)			(131)
Inc (dec) in due to other funds	5,236	(2)	50	253	49
Inc (dec) in accounts payable	(103)	(148)		1,237	651
Inc (dec) in claims and judgments				18,763	
Inc (dec) in deferred credits and other liabilities		1			1
Dec (inc) in accounts and notes receivable	167	12		1,265	89
Dec (inc) in due from other funds	(1,639)	(193)	(135)	(273)	(503)
Dec (inc) in Inventory of materials and supplies		99			(106)
Dec (inc) in other current assets					
Depreciation	1,809	95			8,278
Net cash provided by (used in) operating activities	5,428	696	(85)	5,633	6,209
Non-cash investing and capital financing activities:					
Accrued Interest	128	38			177
Capital acquisitions included in accounts payable	41				1,171
Total non-cash investing and capital financing activities	\$ 169	38			1,348



Combining Financials Internal Service Funds

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2006
(In Thousands)**

(Continued)	Facilities Management Fund	Information Technology Fund	Other Miscellaneous Internal Service Funds	Total Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 3,133	9,612	4,145	23,497
Cash received from other funds	75,185	94,093		243,898
Other receipts	1			1
Cash payments to suppliers	(60,674)	(93,754)	(2,395)	(173,937)
Cash payments to employees	(20,890)			(29,913)
Cash payments to other funds	(526)	(195)	(41)	(4,938)
Cash paid for judgments and claims				(32,655)
Other payments	(348)		(4)	(730)
Net cash provided (used) by operating activities	(4,119)	9,756	1,705	25,223
Cash flows from noncapital financing activities:				
Operating grants	1,081			945
Transfers from other funds	1,391	6,412		9,369
Transfers to other funds	(906)		(1,083)	(7,381)
Collections on advances to other funds				148
Other noncapital increases	2,291			2,291
Other noncapital (decreases)				(851)
Net cash provided (used) by non-capital financing activities	3,857	6,412	(1,083)	4,521
Cash flows from capital financing activities:				
Capital contributions				
Acquisition of capital assets		(7,785)		(21,376)
Proceeds from sale of assets				602
Retirement of capital leases, bonds and loans	(165)			(174)
Bond sale proceeds and loans received	1,215			1,215
Interest paid on long-term debt	(73)	(347)		(1,031)
Net cash provided (used) by capital and related financing activities	977	(8,132)		(20,764)
Cash flows from investing activities:				
Interest	5		(1)	1,135
Net increase (decrease) in cash and cash equivalents	720	8,036	621	10,115
Cash and cash equivalents - beginning of year	4,155	41,421	1,393	164,278
Cash and cash equivalents - end of year	4,875	49,457	2,014	174,393
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(6,713)	(4,214)	1,509	(26,091)
Adjustments for non-cash activities:				
Inc (dec) in compensated absences	34			49
Inc (dec) in accrued payroll	(603)			(1,017)
Inc (dec) in due to other funds	1,552	803	1	7,942
Inc (dec) in accounts payable	1,346	8,737	213	11,933
Inc (dec) in claims and judgments				18,763
Inc (dec) in deferred credits and other liabilities	130			132
Dec (inc) in accounts and notes receivable	691	(689)		1,535
Dec (inc) in due from other funds	(540)	(429)	(1)	(3,713)
Dec (inc) in Inventory of materials and supplies	(2)		(33)	(42)
Dec (inc) in other current assets	(86)			(86)
Depreciation	72	5,548	16	15,818
Net cash provided by (used in) operating activities	(4,119)	9,756	1,705	25,223
Non-cash investing and capital financing activities:				
Accrued Interest				343
Capital acquisitions included in accounts payable				1,212
Total non-cash investing and capital financing activities \$				1,555





Combining Financials Agency Funds

AGENCY FUNDS

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

PROPERTY TAXES COLLECTIONS FUNDS

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

OTHER AGENCY FUNDS

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



COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds

For the Year Ended June 30, 2006

(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
PROPERTY TAX COLLECTION FUNDS				
ASSETS				
Pooled cash and investments	\$ 58,704	15,423,113	15,431,497	50,320
Accounts receivable	2,594	618,185	617,809	2,970
Property taxes receivable		4,554,243	4,554,243	
Total assets	61,298	20,595,541	20,603,549	53,290
LIABILITIES				
Accounts payable	4,672	1,443,334	1,444,646	3,360
Due to other governments	56,626	20,124,452	20,131,148	49,930
Total liabilities	61,298	21,567,786	21,575,794	53,290
OTHER AGENCY FUNDS				
ASSETS				
Pooled cash and investments	356,995	22,138,314	22,116,536	378,773
Cash with fiscal agents	11,409	15,584	17,717	9,276
Accounts receivable	26,445	151,566	154,195	23,816
Total assets	394,849	22,305,464	22,288,448	411,865
LIABILITIES				
Accounts payable	41,006	2,526,942	2,546,305	21,643
Due to other governments	353,843	3,203,483	3,167,104	390,222
Total liabilities	394,849	5,730,425	5,713,409	411,865
TOTAL AGENCY FUNDS				
ASSETS				
Pooled cash and investments	415,699	37,561,427	37,548,033	429,093
Cash with fiscal agents	11,409	15,584	17,717	9,276
Accounts receivable	29,039	769,751	772,004	26,786
Property taxes receivable		4,554,243	4,554,243	
Total assets	456,147	42,901,005	42,891,997	465,155
LIABILITIES				
Accounts payable	45,678	3,970,276	3,990,951	25,003
Due to other governments	410,469	23,327,935	23,298,252	440,152
Total liabilities	\$ 456,147	27,298,211	27,289,203	465,155



Introduction

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

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

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

Financial Trends 172

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

Revenue Capacity 177

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

Debt Capacity 181

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 185

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..... 187

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



Table 2

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



Table 2

**County of San Diego
Changes in Net Assets
For the Last Five Fiscal Years (1)
(Accrual Basis of Accounting)
(in thousands)**

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



Table 3

**County of San Diego
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(in thousands)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 57,579	65,232	71,057	106,777	267,091	215,197	210,277	213,292	291,832	272,936
Unreserved:	64,271	155,853	209,989	246,148	351,193	355,155	388,384	337,708	375,626	625,949 (1)
Total general fund	121,850	221,085	281,046	352,925	618,284	570,352	598,661	551,000	667,458	898,885
All Other Governmental Funds										
Reserved	63,946	168,636	173,558	179,991	267,661	251,704	294,793	208,900	284,316	278,878
Unreserved, reported in:										
Special Revenue Funds	47,492	49,894	48,936	60,304	215,458	485,565	447,612	523,399	481,792	633,430 (2)
Capital Projects Fund	63,615	18,845	11,530	54,254	22,375	14,418	9,771	10,864	84,389	65,452
Total other governmental funds	\$ 175,053	237,375	234,024	294,549	505,494	751,687	752,176	743,163	850,497	977,760
(1) The increase in the unreserved fund balance of the general fund is explained in the Management Discussion and Analysis, "Financial Analysis of County Funds."										
(2) The increase in the unreserved fund balance of special revenue funds was principally due to the proceeds received from the issuance of San Diego County Tobacco Securitization Corporation Series Tobacco Settlement Asset Backed Bonds as explained in the Notes to the Financial Statements, Note IV-I-4, "Advance Refunding of Long-Term Debt including New Long-Term Debt."										



Table 4

County of San Diego Changes in Fund Balances of Governmental Funds Last Five Fiscal Years (Modified accrual basis of accounting) (in thousands)					
	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$ 409,969	446,835	497,178	717,174	1,102,032
Licenses, permits and franchise fees	37,808	39,335	42,252	42,954	41,824
Fines, forfeitures and penalties	39,691	41,236	46,495	55,538	60,071
Revenue from use of money and property	45,567	40,733	25,867	50,811	76,608
Aid from other governmental agencies:					
State	1,139,344	1,231,904	1,201,278	1,080,663	867,063
Federal	574,002	632,241	701,057	729,725	793,039
Other	57,777	66,116	69,860	74,272	94,866
Charges for current services	251,018	266,574	277,637	286,631	314,021
Other revenue	70,203	70,065	65,913	84,410	67,419
Total revenues	2,625,379	2,835,039	2,927,537	3,122,178	3,416,943
Expenditures					
General government	156,517	209,874	216,183	211,521	199,349
Public protection	809,185	1,145,171	1,216,296	939,070	1,014,653
Public ways and facilities	95,936	123,202	115,426	84,560	67,145
Health and sanitation	548,627	600,525	562,657	541,921	556,165
Public assistance	827,229	1,037,467	1,053,545	970,208	1,011,315
Education	24,005	31,013	31,308	27,119	32,043
Recreation and cultural	16,514	20,805	24,702	19,614	22,964
Capital outlay	72,341	83,748	54,958	54,157	109,897
Debt service:					
Principal	101,538	88,846	69,839	60,849	57,245
Interest and fiscal charges	67,773	73,747	92,503	94,556	109,491
Bond issuance costs	-	-	4,095	1,915	6,172
Payment to refunded bond escrow agent	-	-	-	-	24,256
Total expenditures	2,719,665	3,414,398	3,441,512	3,005,490	3,210,695
Excess (deficiency) of revenues over (under) expenditures	(94,286)	(579,359)	(513,975)	116,688	206,248
Other financing sources (uses)					
Sale of capital assets	2,230	474	4,044	18,400	12,355
Issuance of bonds and loans:					
Face value of bonds issued	-	-	-	83,510	166,611
Face value of loans issued	-	-	-	160	-
Discount on issuance of bonds	-	-	-	-	(20,501)
Premium on issuance of bonds	-	-	-	5,960	1,308
Long-term debt proceeds	411,913	560,886	454,179	-	-
Refunding bonds issued	65,319	176,890	-	28,885	461,230
Payment to refunded bond escrow agent	-	-	-	(31,633)	-
Payment to escrow agent/refunded bond	(66,254)	(176,890)	-	-	(467,458)
Transfers in	1,188,505	768,997	776,166	819,490	867,973
Transfers (out)	(1,196,995)	(773,145)	(777,179)	(819,627)	(868,908)
Total other financing sources (uses)	404,718	557,212	457,210	105,145	152,610
Net change in fund balances	\$ 310,432	(22,147)	(56,765)	221,833	358,858
Debt service as a percentage of noncapital expenditures	6.83%	5.13%	5.17%	5.63%	6.79%
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section					



Table 5

County of San Diego Assessed Value of Taxable Property (1) Last Ten Fiscal Years (in thousands)								
Fiscal Year Ended June 30	Real Property		Personal Property		Less: Tax Exempt		Total Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured		
1997	\$ 143,747,255	\$ 1,759,688	\$ 2,253,372	\$ 5,150,899	\$ 3,643,995	\$ 155,414	\$ 149,111,805	1.00000
1998	145,486,076	1,706,300	4,125,615	6,096,946	4,004,395	508,163	152,902,379	1.00000
1999	156,003,035	1,803,442	4,099,352	6,478,142	4,254,794	400,587	163,728,590	1.00000
2000	173,156,433	2,011,700	2,957,459	7,263,938	4,403,504	437,295	180,548,731	1.00000
2001	187,297,036	2,144,396	3,897,721	7,701,247	4,646,122	676,798	195,717,480	1.00000
2002	205,354,845	2,127,362	3,926,419	8,749,368	4,872,712	801,613	214,483,669	1.00000
2003	224,113,067	2,450,811	3,263,353	8,509,857	5,121,115	353,596	232,862,377	1.00000
2004	247,063,576	2,728,490	3,007,787	8,941,840	5,961,964	780,078	254,999,651	1.00000
2005	273,700,150	2,645,348	2,951,588	8,852,828	6,504,638	827,514	280,817,762	1.00000
2006	\$ 310,318,786	\$ 2,748,781	\$ 3,273,999	\$ 9,533,091	\$ 6,958,731	\$ 957,441	\$ 317,958,485	1.00000

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

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



Table 6

County of San Diego Property Tax Rates Direct and Overlapping Governments Last Ten Fiscal Years					
Fiscal Year	County of San Diego (1)	Overlapping Rates (2)			Total Direct & Overlapping Rates
		Cities	Schools	Special Districts	
1997	1.000	0.004	0.044	0.015	1.063
1998	1.000	0.004	0.045	0.013	1.062
1999	1.000	0.004	0.044	0.012	1.060
2000	1.000	0.004	0.046	0.011	1.061
2001	1.000	0.004	0.047	0.011	1.062
2002	1.000	0.004	0.048	0.009	1.061
2003	1.000	0.004	0.054	0.008	1.066
2004	1.000	0.003	0.062	0.007	1.072
2005	1.000	0.004	0.062	0.006	1.072
2006	1.000	0.004	0.059	0.008	1.071

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

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

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



Table 7

County of San Diego Principal Property Taxpayers June 30, 2006 (in thousands)						
Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
San Diego Gas & Electric Company	\$ 2,862,550	1	0.93%	\$ 3,311,173	1	2.33%
Southern California Edison Company	1,646,607	2	0.54%	1,809,695	2	1.27%
Pacific Bell Telephone Company	801,580	3	0.26%	1,532,037	3	1.08%
Kilroy Realty LP	752,774	4	0.25%			
Pfizer Incorporated	640,043	5	0.21%			
Qualcomm Incorporated	617,429	6	0.20%	241,264	5	0.17%
San Diego Ballpark Funding LLC	603,072	7	0.20%			
Irvine Company	520,902	8	0.17%			
San Diego Family Housing LLC	473,816	9	0.15%			
Fashion Valley Mall LLC	428,018	10	0.14%			
Equitable Life Assurance Society				294,300	4	0.21%
Sony Corp of America				239,687	6	0.17%
Solar Turbines				226,282	7	0.16%
Pacific Gateway				216,976	8	0.15%
Pardee Construction Company Ltd				211,568	9	0.15%
CF Pomerado				25,873	10	0.02%
Totals	\$ 9,346,791		3.04%	\$ 8,108,855		5.70%

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 Ended June 30	Total Tax Levy for Fiscal Year(1)	Collections within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
1997	\$ 1,491,118	\$ 1,450,132	97.25%	\$ 24,164	\$ 1,474,296	98.87%
1998	1,529,024	1,510,525	98.79%	17,804	1,528,329	99.95%
1999	1,637,286	1,622,007	99.07%	13,469	1,635,476	99.89%
2000	1,805,487	1,784,491	98.84%	18,409	1,802,900	99.86%
2001	1,957,175	1,939,801	99.11%	16,239	1,956,040	99.94%
2002	2,144,837	2,123,067	98.99%	16,544	2,139,611	99.76%
2003	2,328,624	2,304,083	98.95%	16,059	2,320,142	99.64%
2004	2,549,997	2,525,796	99.05%	15,140	2,540,936	99.64%
2005	2,808,178	2,777,733	98.92%	18,851	2,796,584	99.59%
2006	\$ 3,179,585	\$ 3,146,615	98.96%	\$ N/A	\$ 3,146,615	98.96%
(1) This includes the Secured, Unsecured and Unitary Tax Levy for the County and school districts, cities and special districts under the supervision of independent governing boards.						
Source: County of San Diego Auditor and Controller, Property Tax Services Division						



Table 9

County of San Diego
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
 (in thousands, except per capita amount)

Fiscal Year Ended June 30	Governmental Activities						Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Certificates of participation	Redevelopment Agency	Tobacco	Pension Obligation Bonds	Capital and Retrofit Loans	Capitalized Leases	Capital Loans	Sanitation Loans	Capitalized Leases			
1997	\$420,338	\$ 5,100	\$ -	\$ 414,435	\$ -	\$ 169,275	\$ -	\$ 1,853	\$ -	\$ 1,011,001	1.43%	\$ 377
1998	424,338	5,035	-	395,475	2,860	152,172	-	105	4,717	984,702	1.26%	361
1999	473,818	4,960	-	373,220	1,190	85,602	-	81	11,385	950,256	1.13%	342
2000	515,980	4,870	-	347,305	1,120	81,834	-	401	10,286	961,796	1.04%	339
2001	466,450	4,770	-	317,345	4,490	76,525	-	225	6,486	876,291	.90%	303
2002	433,790	4,655	403,868	282,900	4,277	46,604	-	200	-	1,176,294	1.17%	399
2003	395,285	4,530	449,235	824,395	7,088	40,860	-	195	-	1,721,588	1.65%	575
2004	344,365	4,400	440,305	1,268,878	5,750	37,346	2,998	195	-	2,104,237	1.89%	695
2005	393,395	4,260	430,350	1,252,243	7,316	34,625	2,926	-	-	2,125,115	1.82%	695
2006	\$356,690	\$ 16,000	\$ 583,904	\$ 1,238,405	\$ 8,098	\$ 31,894	\$ 2,745	\$ -	\$ -	\$ 2,237,736	1.79%	\$ 730

(1) See Table 13 Demographic and Economic Statistics



Table 10

County of San Diego Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years (in thousands, except per capita amount)									
Fiscal Year Ended June 30	Certificates of Participation	Less: Amounts Available in Debt Service Fund	Net Certificates of Participation	Pension Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Pension Obligation Bonds	Total Net General Obligation Debt	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
1997	\$ 420,338	\$ 29,886	\$ 390,452	\$ 414,435	\$ 389	\$ 414,046	\$ 804,498	0.54%	\$ 300
1998	424,338	28,394	394,944	395,475	0	395,475	790,419	0.52%	290
1999	473,818	28,013	445,805	373,220	287	372,933	818,738	0.50%	295
2000	515,980	31,2665	484,715	347,305	112	347,193	831,908	0.46%	293
2001	466,450	37,002	429,448	317,345	143	317,202	746,650	0.38%	258
2002	433,790	26,162	407,628	282,900	220	282,680	690,308	0.32%	234
2003	395,285	25,957	369,328	824,395	2,369	822,026	1,191,354	0.51%	398
2004	344,365	21,798	322,567	1,268,878	14,966	1,253,912	1,576,479	0.62%	521
2005	393,395	29,085	364,310	1,252,243	66,550	1,185,693	1,550,003	0.55%	507
2006	\$ 356,690	\$ 29,380	\$ 327,310	\$ 1,238,405	\$ 50,822	\$ 1,187,583	\$ 1,514,893	0.48%	\$ 494
Note: Details regarding the County's outstanding debt can be found in the Notes to the Basic Financial Statements									
(1) See Table 7 Assessed Value and Estimated Actual Value of Taxable Property									
(2) See Table 13 Demographic and Economic Statistics for personal income and population data									



Table 11

County of San Diego Legal Debt Margin Information Last Ten Fiscal Years (in thousands)				
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (1)	Legal Debt Margin	Legal Debt Margin / Debt Limit
1997	\$ 1,863,898	-	\$ 1,863,898	100%
1998	1,911,280	-	1,911,280	100%
1999	2,046,607	-	2,046,607	100%
2000	2,256,859	-	2,256,859	100%
2001	2,446,469	-	2,446,469	100%
2002	2,681,046	-	2,681,046	100%
2003	2,910,780	-	2,910,780	100%
2004	3,187,496	-	3,187,496	100%
2005	3,510,222	-	3,510,222	100%
2006	\$ 3,974,481	-	\$ 3,974,481	100%
Legal Debt Margin Calculation for Fiscal Year 2005-06				
Assessed value	\$ 317,958,485			
Debt Limit (1.25% of total assessed value) (2)	3,974,481			
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	\$ 3,974,481			
(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
2002	\$ 26,205	\$ 50	\$ 26,155	\$ 8,045	\$ 18,160	1.00
2003	35,444	113	35,331	9,560	25,351	1.01
2004	29,961	131	29,830	8,930	24,830	0.88
2005	30,415	172	30,243	9,955	24,446	0.88
2006	\$ 27,915	\$ 173	\$ 27,742	\$ 1,550	\$ 11,975	2.05
Redevelopment Agency Refunding Bonds (Gillespie Field Series Bonds)						
Fiscal Year	Property Tax Incremental Revenue	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest	Coverage
1997	\$ 538	\$ 2,605	\$ (2,067)	\$ 0	\$ 325	(6.36)
1998	616	798	(182)	65	323	(0.47)
1999	821	755	66	75	320	0.17
2000	1,285	1,187	98	90	316	0.24
2001	1,696	1,072	624	100	311	1.52
2002	2,129	668	1,461	115	305	3.48
2003	2,237	958	1,279	125	299	3.02
2004	3,133	2,129	1,004	130	292	2.38
2005	2,135	1,262	873	140	284	2.06
2006	\$ 2,089	\$ 5,485	\$ (3,396)	\$ 150	\$ 513	(5.12)
Note: Details regarding the County's outstanding debt can be found in the notes to the basic financial statements						
(1) These bonds were issued in 2002						
(2) Operating expenses do not include interest or depreciation						
(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 thousands) (3)	School Enrollment (4)	Unemployment Rate (5)
1996	2,627,023	\$ 65,881,004	\$ 25,078	438,201	5.4
1997	2,679,967	70,535,060	26,319	449,463	4.5
1998	2,725,718	77,968,184	28,605	460,949	3.7
1999	2,776,342	84,346,910	30,381	470,494	3.3
2000	2,836,158	92,654,006	32,669	480,017	4.3
2001	2,892,579	97,009,480	33,537	488,377	4.3
2002	2,950,017	100,655,726	34,120	494,588	5.3
2003	2,995,551	104,050,119	34,735	499,750	5.7
2004	3,027,703	111,434,714	36,805	499,356	5.1
2005	3,057,000	116,986,000	38,268	498,186	4.5
2006	3,066,820	\$ 124,699,968	\$ 40,661	495,228	4.2

Sources:

Primary

(1) State Department of Finance, Demographic Research Unit.
Annual data as of July 1 for the preceding year. 2006 data is based on estimated data as of January 1, 2006 released in May 2006.

(2) U.S. Department of Commerce, Bureau of Economic Analysis.
Regional Economic Information System for calendar years 1996 through 2005. Amount for 2006 was not available, and was therefore calculated by multiplying 2006 Population by Per Capita Personal Income. The result of this calculation was consistent with the results of 1996 through 2005, had those years been calculated.

(3) Per capita personal income is calculated by dividing personal income by population.

(4) California Department of Education & Education Data Partnership

(5) U.S. Department of Labor, Bureau of Labor Statistics.
Annual data not seasonally adjusted and as of July 1.

Secondary

(2) U.S. Department of Commerce, Bureau of Economic Analysis. (for 2005)
Personal Income and Per Capita Personal Income by Metropolitan Area, 2003-2005

(3) Economic Research Bureau, San Diego Regional Chamber of Commerce. (for 2006)
San Diego Economic Bulletin, Forecast 2005, Volume 53, Number 1



Table 14

County of San Diego Principal Employers Current Year and Eight Years Ago (1)						
Employer	2006 (2)			1998 (3)		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Federal Government	39,100	1	2.71%	44,200	1	3.53%
State of California	38,800	2	2.68%	32,400	2	2.59%
University of California, San Diego	27,200	3	1.88%	21,444	4	1.71%
San Diego Unified School District	19,777	4	1.37%	25,230	3	2.01%
County of San Diego	15,715	5	1.09%	17,700	5	1.41%
Sharp HealthCare	13,377	6	0.93%	8,111	8	0.65%
City of San Diego	11,777	7	0.81%	11,085	6	0.88%
Scripps Health	10,932	8	0.76%			
Kaiser Permanente	7,432	9	0.51%	5,959	10	0.48%
U.S. Postal Service, San Diego District	6,937	10	0.48%	7,162	9	0.57%
Qualcomm Inc.				10,431	7	0.83%
Total	191,047		13.22%	183,722		14.67%
Notes:						
(1) Principal Employers data not available for 1997.						
Sources:						
(2) San Diego Business Journal						
(3) Employment Development Department						



Table 15

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



Table 16

County of San Diego Operating Indicators by Function Fiscal Years 2004 through 2006 (1)			
Function	Fiscal Year		
	2004	2005	2006
General			
Registrar of Voters: % of total absentee ballots tallied by the Monday after Election Day	(2)	74.00%	96.40%
Assessor/Recorder/County Clerk: % of mandated assessments completed by close of annual tax roll	(2)	(2)	100.00%
Treasurer-Tax Collector: Secured Taxes Collected (% of total)	(2)	99.00%	98.00%
Public Protection			
Child Support Services: Percent of Current Support Collected (Federal performance measure #3)	41.00%	42.10%	49.00%
Sheriff: Deputy Initiated Actions (DIA)	(2)	242,978	237,611
Sheriff: Number of Jail Bookings	139,019	145,180	144,727
Sheriff: Daily Average – Number of Inmates	5,009	5,102	5,184
District Attorney: Felony Defendants Received	30,108	31,150	31,182
District Attorney: Misdemeanor Defendants Received	27,575	27,035	27,000
Planning and Land Use: Percent of Building Inspections completed next day	100.00%	100.00%	100.00%
Animal Services: Percentage of treatable shelter animals euthanized	(2)	12.90%	12.90%
Public Ways and Facilities			
Public Works: Protect water quality through DPW Roads/Drainage waste debris removal (cubic yards removed)	(2)	42,000	51,287
Health and Sanitation			
Public Health Services: Immunization coverage rate maintained for children age 24 months in regional public health centers	85.00%	91.00%	90.00%
Air Pollution Control District: Average number of days meeting the federal ozone standards (3-year avg.)	354	356	358
Behavioral Health Services: Wait time for children's mental health outpatient treatment	9 days	5 days	4 days
Public Assistance			
Regional Operations: Welfare-to-Work participants and their families who secure stable employment, remaining off aid for six continuous months	88.00%	88.00%	89.00%
Aging & Independence Services: Face-to-face Adult Protective Services investigations within 10 days	93.00%	94.00%	96.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equiv.)	(2)	76.00%	79.00%
Education			
County Library: Annual Average Circulation per Item	(2)	2.51	2.57
Recreation and Cultural			
Parks and Recreation: Number of Parkland acres owned and managed	37,326	40,000	40,600
Parks and Recreation: Number of miles of trails managed in the County Trails Program	(2)	(2)	275
(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 Two Fiscal Years (1)		
Function	Fiscal Year	
	2005	2006
Primary Government:		
General Government:		
Fleet vehicle	1,608	1,797
Buildings	1,038	1,029
Land	884	896
Public Protection		
Building- Sub stations	5	5
Patrol Units	922	920
Detention Facilities	9	9
Public Ways and Facilities		
Road Miles	1,905.79	1,911.18
Bridges	174	174
Airports	8	8
Road Stations	32	32
Health and Sanitation		
Inactive Landfills	11	11
Sewer Lines Miles	376.32	379.31
Water Pollution Control Facilities	2	2
Public Assistance		
Administration Building	1	1
Housing Facilities	6	6
Education		
Libraries	27	27
Recreation and Cultural		
Parks/Open Space area	90	90
Camp grounds	9	9
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section		
Source: Various county departments		

