December 17, 2007

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

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of San Diego, California (the County) for the fiscal year ended June 30, 2007 with the Independent Auditor's Report, submitted in compliance with California Government Code Section 25253. The Auditor and Controller's department has prepared the CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the changes in financial position as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the County's financial affairs.

The CAFR was prepared to satisfy the financial reporting requirements for State and local governments issued by the GASB, which require that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management’s Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the financial statements.

The CAFR has been audited by the independent certified public accounting firm of Macias Gini & O’Connell LLP which has issued an unqualified (“clean”) opinion on the County of San Diego’s financial statements for the year ended June 30, 2007. The Independent Auditor’s Report is located at the front of the financial section of this report.
COUNTY PROFILE

San Diego County is the southernmost major metropolitan area in the State of California and covers 4,255 square miles, extending 70 miles along the Pacific Coast from Mexico to Orange County, and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern boundary. The County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most resources and population are located. The average annual rainfall in the coastal areas is 10 inches, so the County is highly dependent on imported water.

The County population in January 2007 was estimated to be 3,098,269, an increase of 1.1% over the adjusted January 2006 figure of 3,064,113, and it is the third largest county by population in California behind Los Angeles and Orange counties. There are 18 incorporated cities in the County; of them, the City of San Diego is the largest, with a population of approximately 1.317 million, and Del Mar is the smallest, with a population of approximately 4.5 thousand. In addition, Tijuana, Mexico, with an estimated population of 1.4 million, is a substantial urban neighbor with a shared border, workforce, and economy.

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

COUNTY GOVERNMENT, ECONOMY AND OUTLOOK

County Government

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

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

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

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

The County's economic base consists of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence. Highlights of County employment as of July 2007 are listed below. One trend the County is monitoring is the changing occupational statistics of the key industry groups of employed persons in the region. Highlights of County employment as of July 2007 are listed below:

- Non-agricultural employment totaled 1,306,500 jobs.
- The services industry constitutes the largest employment sector and accounted for approximately 46% of non-agricultural employment, with a total of 598,300 employed.
- The wholesale and retail trade industries were the second largest, with the non-government sector, comprising approximately 14.6% of non-agricultural employment totaling of 191,300 jobs.
- Government accounted for approximately 16.3% of non-agricultural employment. Due to San Diego's military presence it is anticipated to remain relatively stable.
- Manufacturing accounted for an additional 7.8% of non-agricultural employment.
- The construction sector is greatly influenced by the general health of the economy, and in particular population and housing growth. Construction employment, which accounted for 6.9% of total non-agricultural employment or 90,000 jobs, was down 3,900 jobs from July 2006. Continued slowing in residential building permits, increased foreclosures and marginally declining home prices are all expected to continue to negatively impact construction jobs through the end of 2007 and into 2008.
- Agriculture accounted for approximately 0.82% of total employment.
- It is anticipated that employment growth over the next year will be led by increases in the government and services' sectors including professional, business, leisure, hospitality and health services. From July 2006 to July 2007, the San Diego County region experienced an increase of 11,500 jobs, down from 15,400 new jobs in the prior year. Job creation is expected to continue to be moderate in 2008 adding approximately 10,000 to 12,000 new jobs in the region.

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

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

GENERAL MANAGEMENT SYSTEM

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

The County had an adopted annual budget of $4.37 billion and almost seventeen thousand employees (staff years) who serve about three million residents spread over more than 4,000 square miles. Coordination, fiscal and operational discipline, and shared commitment are vital. The GMS facilitates and organizes the goal setting process. The GMS then links goal setting and long-range planning and resource allocation to goal attainment, which includes monitoring, evaluation, cooperation, motivation, and recognition. The GMS helps ensure that County employees adhere to core principles, promoting a culture that values our employees, partners, and customers and institutionalizes continuous improvement and innovation.

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

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

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

**STRATEGIC AND OPERATIONAL PLANNING (BUDGETARY) PROCESS**

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

**FINANCIAL (BUDGETARY) POLICIES**

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

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

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

**Administrative Code**

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

**Board of Supervisors Policies**

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

B-29 Fees, Grants, Revenue Contract: Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.
B-71 Fund Balance and Reserves: Establishes guidelines regarding the use of fund balance and the maintenance of reserves in order to protect the fiscal health and stability of the County. Expenditures for services are subject to fluctuations in demand and revenues are influenced by changes in the economy and by State and federal regulations. This policy ensures the County is prepared for unforeseen events by establishing and maintaining prudent levels of fund balance and reserves.

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

**Administrative Manual**

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

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

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

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

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

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

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

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

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

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

**STRATEGIC INITIATIVES AND ACHIEVEMENTS**

The failure of State government to develop a viable long-term solution to its budget imbalance remains a risk to funding and stability of County programs, since State aid is the primary source of County revenues. Although, according to the California Legislative Analyst’s Office (“LAO”) the California economy has
improved, the budget still relies on one-time spending such as debt issuance and has a structural operating shortfall. Risk and uncertainty surrounding State support to local governments for mandated as well as discretionary programs persisted throughout Fiscal Year 2006-07 (2007) and is expected to remain.

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

- **Kids** - Improve opportunities for children.
- **The Environment** - Manage resources to ensure environmental preservation, quality of life, and economic development.
- **Safe and liveable Communities** - Promote safe and livable communities.

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

- **Fiscal Stability**
- **Customer Satisfaction**
- **Regional Leadership**
- **Skilled, Competent and Diverse Workforce**
- **Essential Infrastructure**
- **Information Technology**
- **Accountability/Transparency**
- **Continuous Improvement**

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

**KIDS**

- The Department of Child Support Services was one of only 12 of the 52 child support agencies in the State, and the only “very large” county, to achieve an increase in 2006 distributed child support collections.
- The District Attorney’s Office, local law enforcement officials, and child welfare and health professionals convened to sign the San Diego County Child Victim-Witness Protocol for the uniform investigation of child abuse cases.
- Public Safety Group departments collaborated to promote the well-being of children and self-sufficiency of families by working together to establish a procedure addressing child support issues involving incarcerated felons.
- To provide accurate and timely service to low income children and families, the Health and Human Services Agency successfully converted nearly 300,000 cases, impacting 2,100 end users, to the California Work Opportunity and Responsibility to Kids (CalWORKs) Information Network, a system for tracking and determining monthly eligibility for welfare services. To safeguard taxpayer dollars, the Agency established interfaces with the District Attorney’s Public Assistance Fraud Division, Auditor and Controller’s Revenue and Recovery Division, and the Department of Child Support Services.
- Based on the San Diego Association of Governments “Camp and Ranch Evaluation Study,” the Probation Department instituted evidence based practices in programs for work readiness and substance abuse recovery at the Juvenile Ranch and Camp Barrett facilities.
- Land Use and Environment Group staff supported the County’s Childhood Obesity Action Plan by providing 116 health related
events, classes, and activities throughout the San Diego region and conducting awareness of the link between nutrition and improved health through the garden-based nutrition education programs at 10 local schools.

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

THE ENVIRONMENT

• The Parks and Recreation Department improved and expanded park facilities and increased recreational experiences, by completing 25 major projects totaling $12.0 million, in 14 park facilities in 13 communities.

• The Parks and Recreation Department expanded and protected park resources by acquiring over 470 acres of park land; added 30 miles of trails and rehabilitated over 75 miles of trails.

• The Department of Public Works enhanced the access to road information for the public, County, and other public agencies by converting 100% of the existing data to a Geographic Information System (GIS) County Maintained Roads layer. This online tool provides a more efficient way for staff to research road data and provide prompt information and maps to the public and other agencies.

• The County Library increased access to library services by opening for Sunday hours in 10 branch libraries, implemented the San Diego County Library Literacy Program, and established a baseline of $200,000 for the acquisition of specialized program materials.

• The Housing and Community Development Department conducted 10 Community Revitalization Committee meetings to bring their clients together to improve and stimulate involvement and funded 37 projects involving new public facilities or improvements that contributed to the revitalization of lower-income neighborhoods.

• The Department of Animal Services teamed with the County Library in the “Paws, Claws, Scales, & Tales” youth reading program. Each time a child enrolled in the program achieved a goal of reading 500 books, a free pet adoption was provided to a shelter customer. Twenty animals were adopted.

• The Department of Public Works enhanced water quality by removing over 55 acres of invasive vegetation from the headwaters of the Tijuana River (meeting goal). The department removed 2.56 acres of non-native vegetation, including Arundo donax, from various sites throughout the county. These invasive species clog rivers downstream, degrade water quality, and impact native vegetation.

• The Department of Public Works supported the Watershed Protection Program by conducting 568 dry weather site investigations (exceeding the goal of 240 investigations). These investigations provide crucial data for understanding the condition of receiving waters in all eight watersheds, and how they are impacted by discharges from unincorporated communities. Information gained from these site investigations also provides guidance in
determining areas that could potentially cause greater pollution and therefore require increased stormwater quality management.

SAFE AND LIVEABLE COMMUNITIES

• The Sheriff's Department participated in the development and co-location of regional public safety agencies into the San Diego Law Enforcement Coordination Center (SD LECC), an all-crimes intelligence center focused on significant threats to the region.

• The Sheriff's Department completed the ASTREA aviation facility in Fallbrook that will provide a presence for aircraft in the North County to combat wildfires.

• The District Attorney developed an Internet-based crime mapping application allowing the public to easily search and view crime information.

• Public Safety Group departments partnered with local and federal law enforcement agencies to fight gang-related crime through joint efforts with the following: the East County Gang Task Force, the Violent Crime Task Force, the Federal Bureau of Investigations, the San Diego Police Department, the Oceanside Police Department, the City of San Diego Commission on Gang Prevention and Intervention and various community organizations.

• To combat identity theft and protect employees and the public, the Public Safety Group Executive Office led a county-wide review of policies regarding sensitive data in County records.

• The Probation Department created the Warrant Unit to decrease the number of adult and juvenile probation violation warrants, working with the Regional Fugitive Task Force to clear active and pending warrants.

• The District Attorney led the multi-agency implementation of the Community Prison Re-entry Program (SB 618) to facilitate the successful return of offenders released from prison into the community. Accomplishments to date include the development of individual Life Plans to guide activities that promote rehabilitation.

• The Public Safety Group, Community Services Group and Land Use and Environment Group collaborated on the design of the Medical Examiner/Forensic Center projected to open in Spring, 2009.

• The Department of Planning and Land Use improved emergency response capabilities of rural fire agencies by providing approximately $10 million in funding to continue service agreements with 15 fire agencies and add three additional fire agencies, bringing the total number of agreements to 18. This funding enhanced rural fire protection in communities by providing funding for the service agreements and the purchase of eight engines, nine water tenders, one light and air apparatus, and two rescue engines. This brings a combined new fleet inventory to 20 pieces of apparatus purchased since the program began.

• To protect the public's health, a public information campaign was launched to educate and prepare the public for a possible flu pandemic, which included a website, television ads, brochures, posters, and community presentations. Trainings and exercises were conducted to prepare the HHSA workforce in responding to a pandemic. Additionally, the Public Health Laboratory was enhanced to facilitate
heighened response to public health threats through rapid identification and processing of suspicious infectious agents.

- To identify and address the County’s future capacity and demand for health care by at-risk and vulnerable populations, a comprehensive assessment of the Healthcare Safety Net serving San Diego’s uninsured and underinsured was completed during this fiscal year and implementation of the Board-approved action plan was started. Four major public-private partnership workgroups have been established to address the findings and recommendations on the four priority areas of funding, legislative advocacy, best practices/care coordination, and South region. From the more than 200 participants that attended the regional forums during the assessment process, more than 50 have continued to work in the various groups to identify specific and tangible actions in the four priority areas.

- To improve the operational productivity of the County’s regional public health nursing services, we expanded the Mobile Remote Workforce project, which called for reengineering work processes and incorporating the use of the latest technology. The successful North Region pilot project from Fiscal Year 2005-06 (2006) was duplicated in the remaining regional public health centers during Fiscal Year 2007, resulting in a reduction in time spent on administrative tasks and more time available for direct client services.

- To better integrate mental health and substance abuse treatment services, we continued our progress in implementing the Behavioral Health Services (BHS) model to enhance the alcohol and drug and mental health systems of care. During Fiscal Year 2007, BHS established one centralized access and crisis line for both alcohol and drug and mental health services that operates 24 hours a day, 7 days a week, with 99% of calls answered within 30 seconds. BHS also consolidated administrative functions such as contracts, financial management, and budgeting.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

OTHER AWARDS AND RECOGNITIONS

Even with the financial and environmental challenges of Fiscal Year 2007, the County was recognized for many activities that highlight progress in the Strategic Plan Initiatives. County programs received awards for operational and service delivery achievements, technological innovations, and prudent fiscal management.

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

• For the fifth consecutive year, The Government Finance Officers Association of the United States and Canada (GFOA) recognized the County with the Distinguished Budget Presentation Award for the 2007 & 2007-08 (2008) Operational Plan.

• The GFOA also recognized the County Treasury with the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006.

• San Diego County won two Merit Awards from the California State Association of Counties (CSAC). The County programs selected include The Intergenerational Games, created to address health and social issues in the county, namely the alarming rate of overweight youth and the high rate of seniors diagnosed with diabetes and heart disease and The Tutor Connection, which provides free high quality tutoring services to current and former foster youth between the ages of 5 and 21.

• The San Diego County Taxpayers Association recognized the County of San Diego with the Grand Golden Watchdog Award for the San Diego County Board of Supervisors' proposal to control retiree health care costs.

• The Center for Digital Government recognized the County Health and Human Services Agency with the 2006 Innovative Use of Technology Award for the Mobile Remote Workforce (MRW) Project, a project which streamlined and improved the way County public health nurses receive, process, and manage their cases. The MRW Project was also recognized by the E-Gov Institute for “Successfully Using Innovative Knowledge Management Practices in a Knowledge Management Solution”.

• The County received one of five national Model Community awards from the Terrorism Injuries: Information, Dissemination and Exchange (TIIDE) program of the Centers for Disease Control and Prevention. The award was in recognition of the County's integration of Public Health and Emergency Medical Services, and reflects the steps taken to strengthen partnerships to better protect the community in a mass casualty event. The recognition was particularly meaningful because selections were made by the TIIDE member agencies, which include prestigious medical organizations such as the American Medical Association, American College of Surgeons, American Trauma Society and the National Association of Emergency Medical Services Physicians.

• Parks and Recreation received an award for Outstanding Resource Document from The State Association of Environmental Professionals for the Otay Valley Regional Park (OVRP) Habitat Restoration Plan and Non-native Plant Removal Guidelines.

• The Fire Safe Council of San Diego County honored the Department of Planning and Land Use (DPLU) with the Distinguished
Service Partner Award in recognition of DPLU’s assistance towards the preparation of Community Wildfire Protection Plans for 14 communities within the county. San Diego County now leads the State, with more approved Plans than any other county.

• The Sheriff’s Department received a National Law Enforcement Challenge Award from the International Association of Chiefs of Police. The department was recognized as having one of the best overall traffic safety programs because of its ability to combine officer training, public information and enforcement efforts to reduce motor vehicle accidents and injuries.

• Agriculture, Weights, and Measures won an Achievement in Consumer Education (ACE) Award from the National Association of Consumer Agency Administrators (NACAA). The award recognized San Diego County’s efforts to post consumer rights information at every commercial/retail scanner, to post failed scanner inspection notices at businesses, and the optional posting of successful scanner inspection notices.

• The American Society on Aging awarded Pfizer 2007 Healthcare and Aging Awards to two Aging and Independence Services (AIS) programs: the popular Cool Zone Program which offers locations throughout the county where seniors can “beat the heat” during the summer-time months; and the Matter of Balance program which focuses on developing yoga/exercise routines to decrease falls among the senior population.

• For the second consecutive year and the third time in the past four years, the Department of Child Support Services has been honored by the California Department of Child Support Services for the “Most Improved Performance by a Very Large Local Child Support Agency in the Federal Measure of Current Support Collections in Federal Fiscal Year 2006.” San Diego County improved its rate of collection for current support to 49.8% in 2006, a 7.3% increase over the previous year and the largest improvement among the “very large” designated counties. San Diego was the only county with that designation, whose total amount of child support payments distributed increased from 2005 to 2006. Collections totaling $164.4 million were distributed by San Diego County during Federal Fiscal Year 2006.
ACKNOWLEDGMENTS

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

Respectfully,

DONALD F. STEUER
Chief Financial Officer

TRACY M. SANDOVAL
Auditor and Controller