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, 2009.

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 2009 by $3.45 billion (net assets). Of this amount, $2.73 billion is invested in capital assets, net of related debt; $314 million is restricted for specific purposes (restricted net assets); and the remaining portion represents unrestricted net assets of $409 million.
- Total net assets increased by $217 million. For governmental activities, revenues exceeded expenses by $199 million. For business-type activities, revenues exceeded expenses, before transfers, by $18 million.
- General revenues for governmental activities were $1.15 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for $935 million or 81%; other taxes, sales and uses taxes, investment income and other general revenues accounted for $214 million or 19%.
- Program revenues for governmental activities were $2.69 billion. Of this amount, $2.18 billion or 81% was attributable to operating grants and contributions while charges for services accounted for $443 million or 17%.
- The total expenses for governmental activities were $3.64 billion. Public assistance accounted for $1.18 billion or 32%, while Public protection accounted for $1.16 billion or 32% of this amount. Additionally, health and sanitation accounted for $678 million or 19%.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The County maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Public Safety Special Revenue Fund and the Tobacco Endowment Special Revenue Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining financial statements/schedules and supplemental information section in this report.

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); for start up services for new and existing county service districts; for the County's public liability and employee benefits activities; the financing of fleet services; for facilities management activities; for the financing of information technology services; and for the financing of clothing and personal sundry items for persons institutionalized at various County facilities. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

Required supplementary information (RSI) is also presented. It provides budgetary comparisons for the General Fund, Public Safety Special Revenue Fund and the Tobacco Endowment Special Revenue Fund (all major funds) in separate Schedules of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual.

Combining financial statements/schedules and 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, 2009 and 2008 (In Thousands)

	Governmental Activities		Business Type Activities		Total	
	2009	2008 (1)	2009	2008	2009	2008
ASSETS						
Current and other assets	$ 2,936,339	2,706,116	91,415	98,107	3,027,754	2,804,223
Capital assets	2,933,805	2,821,553	150,184	128,492	3,083,989	2,950,045
Total assets	5,870,144	5,527,669	241,599	226,599	6,111,743	5,754,268
LIABILITIES						
Long-term liabilities	2,275,911	2,232,294	2,486	2,645	2,278,397	2,234,939
Other liabilities	377,603	277,219	2,058	5,031	379,661	282,250
Total liabilities	2,653,514	2,509,513	4,544	7,676	2,658,058	2,517,189
NET ASSETS						
Invested in capital assets, net of related debt	2,582,854	2,468,142	148,146	126,237	2,731,000	2,594,379
Restricted	314,107	181,198			314,107	181,198
Unrestricted	319,669	368,816	88,909	92,686	408,578	461,502
Total net assets	$ 3,216,630	3,018,156	237,055	218,923	3,453,685	3,237,079

(1) Note: 2008 Adjustments for Comparative Purposes

Certain fiscal year 2008 balances were adjusted to conform to the proper current year presentation as a result of the addition of the San Diego Regional Building Authority as a blended component unit in 2009 and the 2009 addition of a capital sublease between the County and the Metropolitan Transit Development Board related to the Metropolitan Transit System Towers refunding project. As a result, adjustments were made to Table 1, 2008 as follows: Current and other assets were increased by $25.59 million coupled with an $8.1 million increase in Long-term liabilities resulting in a $17.49 million increase to Unrestricted and Total net assets, respectively.

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 $3.45 billion at the close of fiscal year 2009, an increase of $217 million or 7% over fiscal year 2008. This included an increase of $80 million in the County's restricted and unrestricted net assets (a 13% increase over fiscal year 2008) and an increase of $137 million in capital assets, net of related debt (a 5% increase over fiscal year 2008).

The aforementioned increase of $217 million in net assets was composed of the following changes in total assets and liabilities:

- Total assets increased by $358 million. This included an increase of $224 million in current and other assets and a $134 million increase in capital assets. The $224 million increase in current and other assets was primarily attributable to an increase in cash and investments (including investments with fiscal agents) of $116 million, an increase of $106 million in receivables, net (excluding property taxes), and a $2 million increase in other assets. The increase in cash and investments was chiefly due to the issuance of $136.885 million of fixed rate serial and term lease revenue bonds titled, "San Diego Regional Building Authority Lease Revenue Bonds - County Operations Center and Annex Redevelopment Project Series 2009 A" offset in part by annual debt service payments and a liquidation of investments to fund health related expenses. The increase in receivables, net was principally attributable to a $106 million increase in amounts due from other governmental agencies.

- Total liabilities increased by $141 million. This included an increase in other liabilities of $98 million and an increase in long-term liabilities of $43 million. The increase in other liabilities of $98 million was primarily due to an increase in unearned revenue related to mental health services. The increase of $43 million in long-term liabilities was mainly due to a $39 million increase in long-term debt (see Long-Term Liabilities discussion), coupled with a net $4 million increase in other long-term liabilities (including a $5 million increase in claims and judgments and compensated absences offset by a $1 million decrease in landfill closure and postclosure).

The largest portion of the County's net assets (80%) reflects its investment of $2.73 billion in capital assets, net of related debt (which includes: 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, i.e. restricted net assets equaled $314 million and represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments. The remaining portion of the County's net assets includes $409 million in unrestricted net assets.

Table 2

Changes in Net Assets

For the Years Ended June 30, 2009 and 2008 (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008 (1)	2009	2008	2009	2008
Revenues:						
Program Revenues						
Charges for services	$ 443,116	488,777	36,078	41,475	479,194	530,252
Operating grants and contributions	2,181,366	2,152,380	12,974	7,725	2,194,340	2,160,105
Capital grants and contributions	60,703	24,474			60,703	24,474
General revenues						
Property taxes	618,048	637,491			618,048	637,491
Other taxes	15,167	20,374			15,167	20,374
Property taxes in lieu of vehicle license fees	316,925	303,348			316,925	303,348
Sales and use taxes	22,435	24,872			22,435	24,872
Investment income	57,859	87,754	2,237	4,113	60,096	91,867
Other	118,929	80,811	68	105	118,997	80,916
Total revenues	3,834,548	3,820,281	51,357	53,418	3,885,905	3,873,699
Expenses:						
Governmental Activities:						
General government	275,508	299,735			275,508	299,735
Public protection	1,158,162	1,180,114			1,158,162	1,180,114
Public ways and facilities	151,125	144,452			151,125	144,452
Health and sanitation	678,217	638,869			678,217	638,869
Public assistance	1,177,320	1,114,453			1,177,320	1,114,453
Education	42,424	36,355			42,424	36,355
Recreation and cultural	34,542	33,941			34,542	33,941
Interest expense	118,927	120,923			118,927	120,923
Business-type Activities:						
Airport			10,614	8,848	10,614	8,848
Sanitation districts			16,666	17,574	16,666	17,574
Wastewater management			5,794	5,320	5,794	5,320
Total expenses	3,636,225	3,568,842	33,074	31,742	3,669,299	3,600,584
Changes in net assets before transfers	198,323	251,439	18,283	21,676	216,606	273,115
Transfers	151	81	(151)	(81)		
Change in net assets	198,474	251,520	18,132	21,595	216,606	273,115
Net assets at beginning of year (restated - see note 26 to the financial statements)	3,018,156	2,766,636	218,923	197,328	3,237,079	2,963,964
Net assets at end of year	$ 3,216,630	3,018,156	237,055	218,923	3,453,685	3,237,079

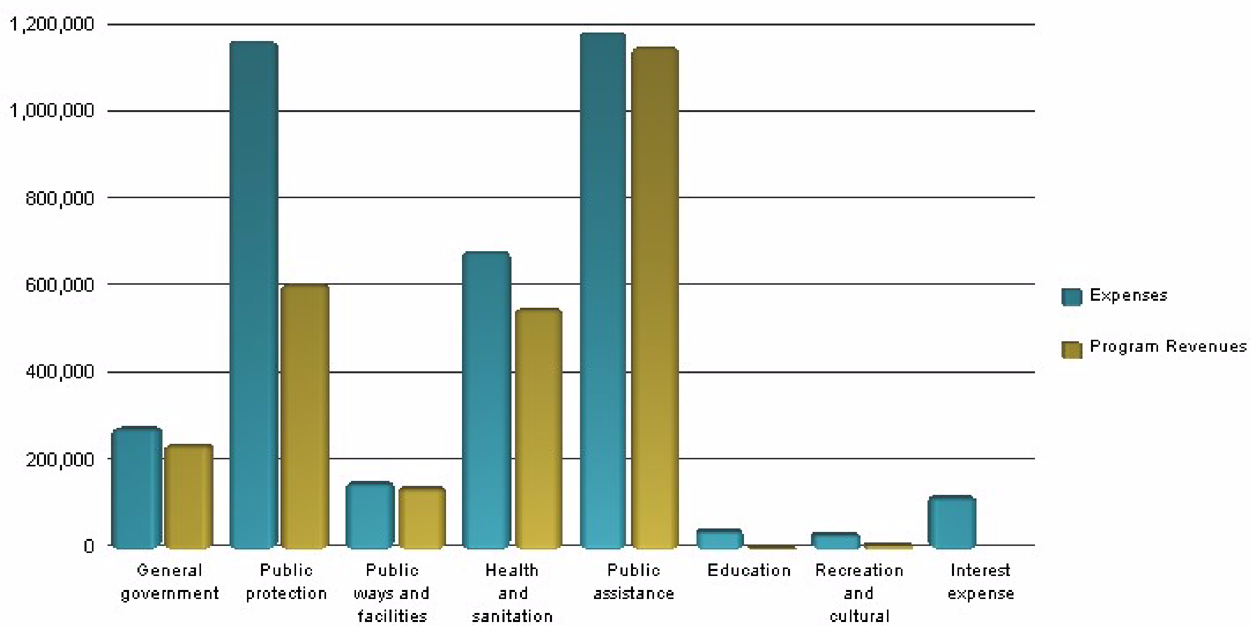
(1) Note: 2008 Adjustments for Comparative Purposes

Certain fiscal year 2008 balances were adjusted (including the 2008 beginning net asset balance) to conform to the proper current year presentation as a result of the addition of the San Diego Regional Building Authority as a blended component unit in 2009 and the 2009 addition of a capital sublease between the County and the Metropolitan Transit Development Board related to the Metropolitan Transit System Towers refunding project. As a result, adjustments were made to Table 2, 2008 as follows: Charges for services were increased by $3.159 coupled with increases to Investment Income and Other revenue of $200 thousand and $7 thousand respectively; while General government expenses were increased by $1.128 million coupled with an increase to Interest expense of $1.785 million, resulting in an increase to change in net assets of $453 thousand (for further information see Note 26 to the Financial Statements).

Analysis of Changes in Net Assets

At June 30, 2009, changes in net assets before transfers (revenues minus expenses) equaled $217 million, a $56 million or 20% decrease from the previous year. Principal revenue sources contributing to the change in net assets were operating grants and contributions of $2.19 billion and taxes of $935 million (including: property taxes and property taxes in lieu of vehicle license fees.) These revenue categories accounted for 81% of total revenues. Principal expenses were in the following areas: public assistance, $1.18 billion; public protection, $1.16 billion; and health and sanitation, $678 million. These expense categories accounted for 82% of total expenses.

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



Governmental activities

At the end of fiscal year 2009, total revenues for the governmental activities were $3.83 billion, while total expenses for were $3.64 billion. Governmental activities increased the County's net assets by $198 million, accounting for 92% of the total increase in net assets (Business-type activities accounted for the remaining 8%, $18 million).

Expenses:

- Total expenses for governmental activities were $3.64 billion, an increase of $67 million or 2% ($69 million increase in functional expenses and $2 million decrease in interest expense (due to decreased debt issuance related costs and interest accrued on outstanding debt) over the prior year. Public assistance was the largest functional expense (32%), followed by public protection (32%) and health and sanitation (19%).

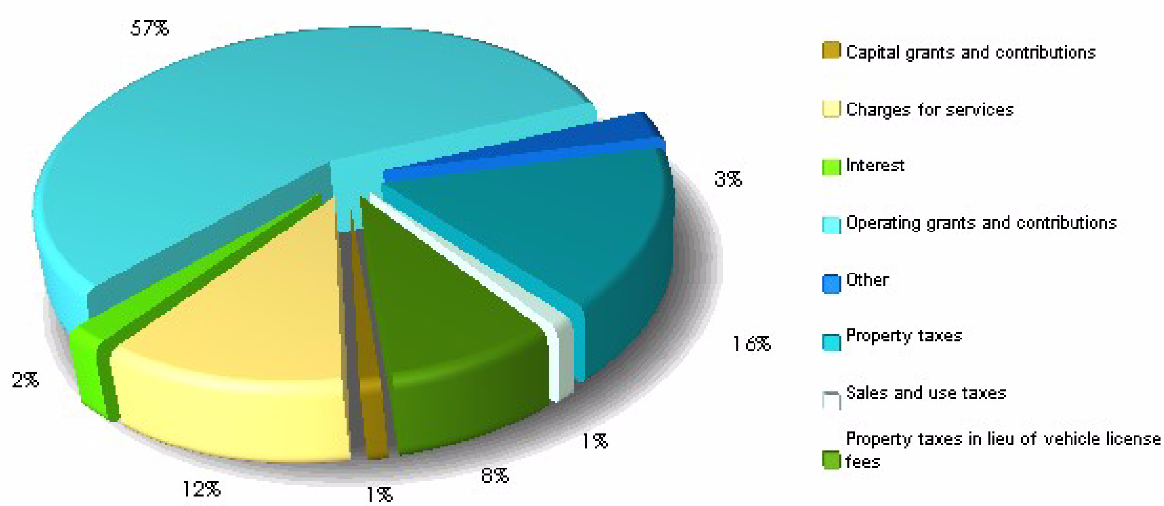
As noted below, the $69 million increase in functional expenses was made up of $114 million in increases and a $45 million decrease:

The $114 million increases in functional expenses were composed of:

- $54 million in contracted services as follows: 1) $16 million - HHSA AFDC Family Group; 2) $15 million - HHSA Mental Health Administration; 3) $6 million - support and care of persons; 4) $6 million - participation benefits; 5) $5 million - aid for adopted children; 6) $3 million - temporary contract help; and, 7) $3 million - various other contracted services.
- $17 million paid to terminate two interest rate swap agreements relating to the advance refunding of the County of San Diego 2002 Series B Taxable Pension Obligation Bonds.
- $15 million in salaries and benefit costs. As a service delivery entity, the County's major cost component is salaries and benefits, which accounts for approximately 42% of the total expenses. The County's overall strategy of deleting, freezing and temporarily funding positions minimized the impact of salary increases and benefit costs.
- $10 million in loss on disposal of assets
- $8 million in Housing Authority tenant assistance.
- $5 million in various other County program activities
- $3 million in depreciation due to an overall increase in depreciable capital assets.
- $1 million in maintenance expenses
- $1 million utilities expenses

The $45 million decrease in functional expenses was due to the elimination of lease activity between the County and its SANCAL component unit.

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



Revenues:

Total revenues for governmental activities were $3.83 billion, an increase of .4% or $15 million from the previous year. This increase consisted of increases in program revenue of $20 million offset by a $5 million decrease in general revenues as follows:

The $20 million increase in program revenue was primarily due to increases of $103 million and decreases of $83 million noted below:

Increases in program revenues of $103 million were composed of the following:

- $36 million in capital grants and contributions attributable to a $25 million increase in donated assets and approximately $11 million in other capital contributions.
- $38 million in operating grants and contributions resulting from a change in classification of property tax increment revenue received from non-county redevelopment agencies previously reported as property tax revenue;
- $16 million in operating grants and contributions attributable to Welfare to Work contracts and reimbursements for the costs incurred for CALWORKs Assistance payments;

- $8 million in operating grants and contributions due to aid from various other governmental agencies; and
- $5 million in charges for services (booking fees).

Decreases in program revenue of $83 million were attributable to:

- $45 million in charges for services due to the elimination of lease revenue between the County and its SANCAL component unit; and
- $38 million in operating grants and contributions for State Aid Realignment tied to sales tax and vehicle license fees which have been declining statewide.

General revenues decreased overall by approximately $5 million. This decrease was due to increases of $64 million and decreases $69 million as noted below:

The $64 million in increases were attributable to:

- a $22 million increase due to a settlement agreement reached with a vendor;
- a $19 million increase in current and delinquent property taxes;
- a $14 million increase in property taxes in lieu of vehicle license fees; and
- a $9 million increase in recovered expenditures associated with the County Operations Center construction project.

The $69 million decrease in general revenues was due to the following:

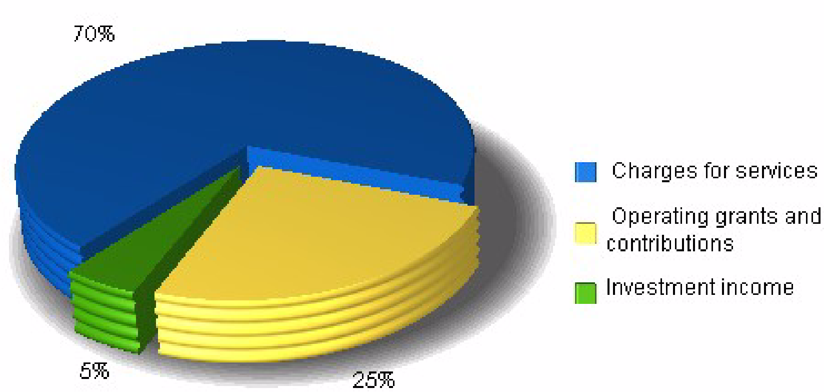
- $38 million as a result of a change in classification of property tax increment revenue received from non-County redevelopment agencies previously reported as property tax revenue, now reported as operating grants and contributions;
- $29 million in pooled investment income due to an approximately 50% (2008 4.6% vs. 2009 2.36%) drop in the annualized interest rate earned on investments in the County Treasury Pool; and
- $2 million decrease in other taxes primarily attributable to a decrease in property transfer taxes.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in **Chart 2**, operating grants and contributions of $2.18 billion accounted for 57%, the largest share of this revenue. These monies are received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating grants and contributions include State and Federal revenue for public assistance programs and health and sanitation programs.

Property taxes and property taxes in lieu of vehicle license fees are not shown by program, but are effectively used to support program activities county-wide. Combined, these general revenues equaled $935 million and accounted for 24% of governmental activities. Additionally, charges for services were approximately $444 million and accounted for 12% of revenues applicable to governmental activities.

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

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



Business-type Activities:

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in Chart 3, charges for services represent $36 million or 70% while grants ($13 million) and investment income ($2 million) represent 25% and 5% of total revenues respectively.

Net assets of business-type activities increased by $18 million or 8%. This increase primarily included the following:

- a $22 million increase in capital assets principally due to various airport improvements and construction of a new terminal building at McClellan-Palomar Airport;
- a $7 million decrease in current and other assets due to: i) a $3 million decrease in airport receivables, chiefly as a result of decrease in accrual related to the aid from Federal Aviation Administration ii) a $4 million decrease in pooled cash and investments; and a
- a $3 million decrease in other liabilities, due to decreases primarily in accounts payable.

Financial Analysis of County Funds

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

Governmental Funds:

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, 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, the Public Safety Special Revenue Fund and the Tobacco Endowment Special Revenue Fund. Nonmajor governmental funds include special revenue funds, debt service funds, and capital project funds.

At June 30, 2009, the County's governmental funds had combined ending fund balances of $2.23 billion, an increase of $103 million in comparison to the prior fiscal year. Of the total June 30, 2009 amount, $1.749 billion constituted unreserved fund balance, which is available for spending at the County's discretion. The remaining $479 million of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. These reservations of fund balances include: (1) $226 million reserved for other purposes; (2) $108 million reserved for debt service; (3) $75 million reserved for Realignment health, mental health and social services; (4) $59 million reserved for loans, due from other funds and prepaids; and (5) $11 million reserved for inventories ($10 million) and landfill closure costs ($1 million).

Governmental revenues overall totaled $3.75 billion representing a .4% decrease. Governmental expenditures totaled $3.78 billion, a .5% increase from the fiscal year ended June 30, 2008.

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2009, its unreserved fund balance was $924 million, while total fund balance was $1.19 billion, a decrease of $30 million from fiscal year 2008.

This $30 million decrease in fund balance was composed of $111 million in decreases and $81 million in increases as follows:

Decreases to fund balance of $111 million were composed of:

- a $48 million increase in contracted services expenditures made up of: $18 million in home support services; $15 million mental health; $8 million child care; and $7 million in family resources contracts.
- $20 million in pooled investment income;
- $38 million in State Aid Realignment tied to sales tax and vehicle license fees; and
- $5 million in other taxes.

Increases to fund balance of $81 million were composed of:

- a $22 million due to a settlement agreement reached with a vendor;
- $16 million due to Welfare to Work contracts and reimbursements for the costs incurred for CALWORKs Assistance payments
- $15 million in current and delinquent property taxes;
- $14 million in property taxes in lieu of vehicle license fees;
- $9 million increase in recovered expenditures associated with the County Operations Center construction project; and
- $5 million in booking fees.

Public Safety Special Revenue Fund:

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

As of June 30, 2009, the total (unreserved) fund balance in the Public Safety Special Revenue Fund was $3.6 million, a $454 thousand decrease from the previous fiscal year. However, Prop 172 revenues (one-half sales and use tax), the primary revenue source for this fund, decreased by $32 million or 14% in fiscal year 2009 due to the ongoing economic recession.

Tobacco Endowment Special Revenue Fund:

This special revenue fund is used to account for the $411 million the County received from the Tobacco Asset Securitization Corporation (Corporation) related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002; and an additional $123 million the County received from Corporation resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds in fiscal year 2006. At the end of fiscal year 2009, fund balance was $427 million, a decrease of $1 million from fiscal year 2008. The decrease was attributable to investment income of $23 million; offset by transfers out of $24 million to support health related program expenditures.

Other Governmental Funds:

Other governmental funds consist of nonmajor funds, which include special revenue funds, debt service funds, and capital project funds. Individual fund data for each of these nonmajor governmental funds is provided in the combining financial statements/schedules and supplemental information section of this report.

As of the end of fiscal year 2009, the fund balances of the other governmental funds totaled $609 million, a net increase of $135 million over the prior year. This $135 million increase consisted of $259 million in increases, offset by decreases of $124 million as follows:

$259 million increase to Other Governmental Funds' fund balance:

- $203 million including $137 million proceeds from the San Diego Regional Building Authority's (SDRBA) (a blended component unit of the County) issuance of fixed rate serial and term lease revenue bonds and a $67 million transfer from the General Fund to finance the acquisition, construction and improvement of certain County facilities, including facilities to be used as an operations center located in the Kearny Mesa community of San Diego, the County Operations Center (COC) project;
- $45 million elimination of debt service incurred in the governmental funds' component units funded by lease revenue from the County's General Fund;
- $11 million increase to the Housing and Community Development Special Revenue Fund's fund balance principally attributable to a $6 million increase in Federal Housing Urban Development revenue and a $5 million increase to transfers in from the General Fund to provide working capital.

$124 million decrease to Other Governmental Funds' fund balance:

- $45 elimination of lease revenue paid from the County's General Fund to the governmental funds' component units;
- $23 million increase in Capital Outlay expenditures (other than SANCAL referred to below) chiefly due to the construction expenditures incurred in relation to the aforementioned COC project;
- $20 million reduction in the Road Special Revenue fund balance including a $11 million reduction in revenue in the Road Fund attributable to a $6 million reduction in road and street services revenue and $5 million in road improvement revenue coupled with an $8 million increase in construction contract expenditures and $1 million in other road project costs;
- $11 million decrease to total SANCAL funds' fund balance principally due to a $7 million net increase in interest expenditures after giving effect to the elimination of effects of eliminating the lease revenue and expenditures between the County and the SANCAL coupled with a $4 million increase in capital outlay expenditures;
- $9 million reduction in Housing Authority Special Revenue Fund's fund attributable to a $1 million reduction in investment income due to a 50% drop in the County Pool rate earned for the fiscal year, coupled with an $8 million increase in housing voucher program project expenditures;
- $6 million decrease to the Air Pollution Special Revenue Fund's fund balance attributable to a $4 million decrease in State Aid from the Air Resources Board and a $1 million decrease in federal grants coupled with a $1 million decrease in transfers in from the General Fund to support air pollution activities;
- $6 million decrease to the Edgemoor Fund's fund balance attributable to approximately $1 million decrease in investment income and other revenue coupled with $5 million increase in transfers out to the General Fund ($2 million) and other governmental funds ($3 million);
- $1 million decrease to the Cable TV Special Revenue Fund's fund balance attributable to approximately a $5 million increase in transfers out to the General Fund offset by an increase in cable television licenses and permits revenue of $4 million; and
- $3 million of various other decreases to fund balance.

Proprietary Funds:

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

Enterprise Funds:

See previous discussion above regarding Business-type activities.

Internal Service Funds:

Net Assets of the internal service funds (ISF) totaled $102 million, a net decrease of $1.5 million from the prior year. This change was primarily accounted for by the following decreases and increases to Net Assets:

- a decrease of $18.4 million in the Information Technology Fund primarily due to a net operating loss of $20.2 million offset by a transfer in of $1.8 million.
- an increase of $16.4 million as a result of: 1) Employee Benefits Fund - $5.3 million in operating income and $2.4 million non-operating revenue for a total change in net assets of $8 million; 2) Fleet Services ISF - capital contributions of $7.5 million and transfers in of $.9 million for a total of $8 million.

Fiduciary Funds:

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

Investment Trust Fund:

This Fund was established for the purpose of reporting pooled and specific investments. The Investment Trust Fund's net assets totaled $3.77 billion, an increase of $156 million, of the previous year. This increase was substantially due to contributions to investments of $5.9 billion offset by distributions from investments of $5.77 billion.

Agency Funds*:*

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

General Fund Budgetary Highlights

The County's final budget differs from the original budget (see Notes to required supplementary information) in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as transfers of appropriations, budget corrections, re-budgets, and account reclassifications. For the fiscal year ended June 30, 2009 net expenditure appropriations increased by $75.0 million and appropriations for transfers-out and payment to escrow agent refunded bond increased by $442.8 million for a net increase of $517.8 million.

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

- $443.5 million in Refunding bonds issued to record the issuance of the 2008 Taxable Pension Obligation Bonds and its associated costs, based on bond proceeds. The proceeds of these bonds were used to refinance the County's 202B Taxable Pension Obligation Bonds in order to exit the auction rate securities market, take advantage of lower interest rates, obtain debt service savings and level out aggregate pension obligation bond debt service.
- $5.0 million in the Department of Planning and Land Use for hazardous fuels reduction activities funded by federal grants and fire fighting equipment for the rural fire agencies funded by a grant from the Micromini Foundation.
- $6.0 million in the Registrar of Voters for the May 19 Statewide Election, funded by fund balance and revenues from partial reimbursement of precinct ballot costs and other participating agencies. The Governor signed Senate Bill 19 which called for the special election, with the understanding that the Legislature will reimburse counties for the election costs. Any reimbursement received will be used to restore fund balance.
- $7.9 million for Homeland Security in various departments including the Office of Emergency Services, Department of Planning and Land Use, Department of Environmental Health, Probation Department, Sheriff and Health and Human Services for emergency planning, continued development of an exercise program, equipment purchases, regional projects and grant administration, funded by revenue from the California Office of Homeland Security.
- $1.9 million in the Community Services Group Executive Office for an upgrade to the Documentum enterprise content management application, used to manage and store records electronically, funded by fund balance.
- $22.5 million for salaries and benefits for incentives earned through the County's Fiscal Year 2007-08 Quality First program, funded by fund balance.
- $3.0 million in the Sheriff to be used for regional communications training and for mutual aid public safety communications equipment, funded by a Federal Department of Homeland Security Public Safety Interoperable Communications grant passed through the City of San Diego.
- $4.5 million in the Community Services Group Executive Office to reclassify a General Fund working capital loan to an operating transfer out to the Housing and Community Development Special Revenue Fund.
- $5.6 million in the Sheriff to provide funding to designated agencies working within the San Diego County region to enhance cooperation and coordination between law enforcement agencies in a joint mission to reduce border related crimes and assist in securing the United States land borders, funded by the Governor's office of Homeland Security Operation Stonegarden grant funds.
- $1.7 million in the Contributions to County Library for the cumulative amount owed to the County Library as a taxing agency affected by the establishment of the San Marcos Redevelopment Agency, for fiscal year 1998 through fiscal year 2008, funded by fund balance.

Actual revenues fell short of the final budgeted amounts by $106.81 million, while actual expenditures were less than the budgeted amount by $455.17 million. The combination of the revenue and expenditure shortfalls resulted in a revenue/ expenditure operating variance of $348.36 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of $157.97 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 $506.33 million.

Highlights of actuals compared to budgeted amounts are discussed below:

Health and Human Services Agency Programs:

Funded by a combination of State, federal, and County revenues, most Health and Human Services Agency programs are carried out in the functional areas of health and sanitation and public assistance, with budget over expenditure variances of $86.2 million and $41.3 million, respectively. Overall, these expenditure variances primarily resulted from a lower demand for services than budgeted levels in the following areas.

- Aid payment expenditures for the Severely Emotionally Disturbed; Foster Care; Aid to Adoptive Parents; and KinGap in Child Welfare Services
- Contracted services (e.g., in Behavioral Health Services and un-awarded Mental Health Services Act contracts).
- Early Periodic Screening; and Diagnosis and Treatment (EPSDT) services contractor expenditures;
- Aligning costs to State allocations which included cuts by the State to Proposition 36 and the Offender Treatment program
- Lower than expected retroactive CMS payments for prior year claims;
- Lower Welfare Case Data Information System expenditures.

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

Salaries and Benefits:

With the economic recession and the continuing uncertainty over State and federal funding, many County functions have significantly reduced spending for salaries and benefits in an effort to mitigate revenue shortfalls. The total budget over expenditures variance across all functions in this category was $51.7 million. A significant portion of these savings were in the Public Safety Group due to a $32 million reduction in Prop 172 revenues (See previous discussion of Public Safety Special Revenue Fund). The economic downturn and continued decline in the housing market resulted in reduced consumer spending and reduced sales tax revenues which are the basis for Prop 172 revenues. The total budget over expenditures variance across Public Safety for salaries and benefits was $28.8 million, of which $12.1 million is attributable to the Sheriff's department.

Delayed expenditures:

Many County projects, such as maintenance and information technology, take place over more than one fiscal year. However, at inception they are budgeted at full expected cost, resulting in budgeted over expenditure variances that are rebudgeted in the new fiscal year. For example:

- The Department of Planning and Land Use rebudgeted $5.1 million of one-time funding for the Business Case Management System; Service First Initiative; General Plan Update including Zoning Ordinance revisions; and the Fire Prevention Program to continue to supplement fire services in the unincorporated area of the county.
- The Community Services Group rebudgeted $1.8 million for upgrades to the Documentum enterprise content management application and environment.
- The Sheriff rebudgeted $10.2 million for various law enforcement grants, including 1) $6.8 million for Homeland Security grants that include Operation Stonegarden, the Urban Area Security Initiative and Law Enforcement Terrorism Prevention Program, 2) $2.8 million for public safety communications equipment based on a Public Safety Interoperable Communications grant; and 3) $.7 million for Driving Under the Influence grants.
- The Department of Public Works rebudgeted $6.0 million for the Woodside Drainage Project to alleviate flooding near Woodside Ave in the Lakeside Area and $0.4 million for the Cartographic Services GIS Project.

Management and Contingency Appropriations:

The County annually sets up management and contingency appropriations based on both ongoing general purpose revenues and prior years' fund balance for a variety of one-time capital and operating expenditures as well as potential emergencies. Unexpended appropriations in this area resulted in a budget over actual variance of $53.2 million.

Additionally, in Fiscal Year 2009, the County appropriated $73.2 million for economic uncertainty with the intent that it not be spent unless unusual needs arose; of that amount, $68.1 million was unexpended at year end.

Capital Assets and Commitments

Capital Assets

At June 30, 2009, the County's capital assets for both governmental and business-type activities was $2.93 billion and $150 million, respectively, net of accumulated depreciation. Investment in capital assets includes land, construction in progress, structures and improvements and infrastructure (including roads, bridges, flood channels, and traffic signals). Significant capital asset expenditure activity in fiscal year 2009 included:

Governmental Activities:

- $45.1 million towards the construction and improvement of County maintained roads, bridges and other road related infrastructure.
- $32.4 million towards the construction of the Medical Examiner Building at the County Operation Center in Kearny Mesa. Total project costs are estimated at $85.4 million.
- $30.9 million towards construction at the County Operations Center. Total project costs are estimated at $181.5 million.
- $23.3 million towards various land acquisitions.
- $15.8 million towards the construction of various miscellaneous capital outlay fund projects.
- $15.3 million towards purchase of the Central Public Health Clinic. Total project costs are estimated at $15.5 million.
- $10.9 million in infrastructure donated by developers.
- $10.1 million towards the construction of the Edgemoor Skilled Nursing Facility in Santee. Total project costs are estimated at $123.5 million.
- $5.2 million towards the construction of Lakeside Baseball Park. Total project costs are estimated at $10.6 million.
- $4.3 million in donated structures.
- $3.8 million towards the construction of flood control drainage channels.
- $3.4 million towards the San Elijo Nature Center Expansion. Total project costs are estimated at $5.7 million.

Business-type Activities:

- $17 million towards improvements at the Palomar Airport Terminal, parking lot, access roads and drainage. Total project costs are estimated at $27 million.
- $1.5 million towards improvements at the Gillespie Field Airport runways, transient ramp and taxiway. Total project costs are estimated at $1.8 million.

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

Capital Commitments:

As of June 30, 2009, capital commitments included the following:

Governmental Activities:

- $52 million for the construction of: the County Operations Center, Ramona and Fallbrook Libraries, Medical Examiner building, Valley Center Road Bridge, Black Canyon Road Bridge, Route 54/94, Viejas Blvd. Bridge and Valley Center Road.

Business-type Activities:

- $3.5 million for the construction of improvements at Gillespie Field Airport runway, transient ramp, taxiway, and Sewer Improvements and the Flow Monitoring Systems at Lakeside and Spring Valley Sanitation Districts.

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

Long-Term Liabilities

Governmental Activities:

At June 30, 2009, the County's governmental activities had outstanding long-term liabilities of $2.28 billion

Of this amount, approximately $2.04 billion pertained to long-term debt. Principal debt issuances included: $1.01 billion in taxable pension obligation bonds; $575 million in Tobacco Settlement Asset-Backed Bonds; and $470 million in certificates of participation (COPs) and lease revenue bonds (LRBs).

Other long-term liabilities included $109 million in claims and judgments; $101 million in compensated absences; and $21 million for landfill closure and postclosure costs.

During fiscal year 2009, the County's total principal amount of COPs and lease revenue bonds, other bonds, and loans for governmental activities increased by $39.334 million.

The $39.334 million increase was due to the following increases and decreases:

Increases to debt were $593.236 million and included:

- The County's issuance of $443.515 million Series 2008 Taxable Pension Obligation Bonds to advance refund $441.125 million of outstanding County of San Diego Taxable Pension Obligation Bonds 2002 Series B (the "2002B bonds") Subseries B-1 and B2-4 Auction Rate Securities;
- The San Diego Regional Building Authority's issuance of $136.885 million of fixed rate serial and term lease revenue bonds titled, "San Diego Regional Building Authority (SDRBA) Lease Revenue Bonds - County Operations Center and Annex Redevelopment Project Series 2009 A";
- The addition of $882 thousand of California Energy Conservation loans.
- Additionally, $8.055 million of principal was accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal balances outstanding.
- Also, debt increased by $3.899 million due to the effects of arbitrage, unamortized issuance premiums, unamortized issue discounts and unamortized deferred amounts on refundings.

Decreases to debt were $553.902 million and included:

- An advance refunding of $441.125 million of outstanding 2002B bonds Subseries B-1 and B2-4 Auction Rate Securities referred to above; and $112.777 million in principal debt service payments, including $44 million for the partial prepayment of the 2002B bonds' Subseries B-1 Auction Rate Securities prior to the refunding of the 2002B bonds.

Business-type Activities:

Long-term liabilities for business-type activities totaled $2.49 million and consisted of $2.04 million for capital loans and $448 thousand for compensated absences.

Long-term liabilities for business-type activities decreased by $159 thousand. This was due to a combination of $217 thousand in reduced debt service payments on capital loans and a net increase of $58 thousand in compensated absences.

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

Credit Ratings

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

Table 3

Credit Ratings

	Moody's	Standard & Poor's	Fitch
Issuer Rating	Aa2	AAA	AA+
Certificates of Participation San Diego Capital Asset Leasing Corporation (SANCAL)	A1	AA+	AA
Certificates of Participation San Diego Regional Building Authority (SDRBA) Metropolitan Transit System Towers	A1	AA+	AA
Lease Revenue Bonds SDRBA County Operations Center 1A	A1	AA+	AA
Refunding Lease Revenue Bonds SDRBA San Miguel	A2	not rated	not rated
Pension Obligation Bonds	Aa3	AA+	AA
Tobacco Settlement Asset-Backed Bonds - Series 2006A (Senior)	Baa3	BBB	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006B (First Subordinate)	not rated	BBB	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006C (Second Subordinate)	not rated	BBB-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006D (Third Subordinate)	not rated	BB	not rated
County Redevelopment Agency Bonds	not rated	not rated	not rated

There were no changes to the previous year's credit ratings issued by Moody's and Fitch, while the credit ratings issued by Standard and Poor's increased in each category as compared to the previous fiscal year. In September 2008, Standard & Poor's upgraded the County's ratings on its outstanding Certificates of Participation and Pension Obligation Bonds from AA to AA+ and raised the County's issuer rating to AAA. According to Standard & Poor's RatingsDirect report issued in September 2008, "the stable outlook reflects the County's deep and diverse economic base, strong reserve levels, formalized policies, manageable debt burden and long track record of conservative budgeting where actual results typically exceed initial projections."

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2010 General Fund adopted budget utilizes as funding sources for one-time expenditures $336.6 million out of $576 million in unreserved undesignated fund balance and $7.2 million out of $347.6 million unreserved designated fund balance.
- The fiscal year 2010 General Fund adopted budget contains total appropriations of $3.790 billion. This is an increase of $110.5 million or 3.0% from the fiscal year 2009 General Fund adopted budget. The 3.0% increase for fiscal year 2010 includes the one-time use of fund balance to establish a designation for economic uncertainty of $100.0 million. Excluding this entry, the General Fund Budget increases by $10.5 million or 0.3% from fiscal year 2009. A number of risk factors continue to be tracked closely: the U.S. economy, the State of California's ability to operate within its 2010 budget and its projected budget imbalances for fiscal year 2011, 2012 and beyond; the continued loss of jobs, high unemployment, consumer spending weakness from declining employment, low wage increase or wage cuts, and high debt burden
- The U.S. economy's Gross Domestic Product (GDP) for 2008 showed an increase of 0.4% versus an adjusted growth rate of 2.1% in 2007. GDP is expected to decline for 2009, with projections ranging from -2.7% to -2.5% and GDP growth for 2010 is forecasted to be in the range of 1.7% to 2.0%.
- California's economy has been impacted by the same financial markets, housing and real estate, employment and personal income trends experienced at the national level. In 2008, key indicators of California's economy showed weak results. Payroll employment declined by 1.2%, real personal income declined by 0.1%, and adjusted taxable sales declined by 5.7%. California's 2009 economy is expected to remain weak with payroll employment expected to decline by 4.0%, real personal income expected to decline by 1.5%, and taxable sales expected to decline by 3.3%.
- The State's budget outlook continues to be strained by the recession as well as the ongoing structural imbalance between revenues and expenditures.

- San Diego was one of the first areas in California and the nation to experience the housing price meltdown, feel the financial impacts from the credit crisis, and experience a jump in loss of jobs. 2009 continues to be one of the most unsettled years for our region's economy. Although, the University of San Diego's Index of Leading Economic Indicators rose 0.6% in August 2009, building permits, initial unemployment insurance claims and help wanted advertising indicators were weak in that month.
- The state of the economy plays a significant role in the County's ability to provide core services and the mix of other services sought by the public. Building permit services, are down making it difficult to maintain core services for these fee-based programs. The real estate market slump affects the County's general purpose revenues, which are expected to decline in fiscal year 2010 from fiscal year 2009. General Purpose Revenues are relied upon to fund local discretionary services, as well as to fund the County's share of costs for services that are provided in partnership with the State and federal government. Additionally, the State's budget, severely impacted by the recession, has cut funding to local governments in many program areas, including grants for certain public safety services.

As discussed below, the County's general purpose revenues are projected to decline by 6.3% (with budgeted revenue of $950.7 million in fiscal year 2010).

- The largest source of general purpose revenues is property taxes ($496.3 million budgeted in fiscal year 2010), representing 52.2% of the total. For the last nine years, property tax growth has been high (8.5% average annual growth) due to the County's strong overall economy and healthy real estate market. In 2010, property taxes are budgeted to decline by $46.8 million from the 2009 budget. The decline in property tax revenue is due to the current soft commercial and residential real estate conditions as evidenced by the continued low level of building permits; the year over year decline in the median price of homes; the sustained high level of notices of default and foreclosures; and a continued slowing in total deeds recorded. Current property taxes consist of three components: current secured property taxes, current supplemental property taxes, and current unsecured property taxes.
- The budgeted amount of current secured property tax revenues ($479.1 million) assumes a net local assessed secured property value decline of 2.5% from the actual local assessed secured property value figure for 2009, and factors in an allowance for tax increment allocations to redevelopment agencies and an allowance for delinquent property tax payments. Actual net local assessed secured property value decline exceeded the assumed net local assessed secured property value decline coming in at 2.7%. The actual current secured property tax revenues in fiscal year 2010 will likely come in lower than budget. The fiscal year 2011 current secured property tax revenues assumed no growth in local assessed secured property values.
- Current supplemental property taxes ($0.3 million budgeted in fiscal year 2010) are derived from net increases to the tax roll from either new construction or changes in ownership that occur subsequent to the January 1 lien date and are, therefore, more difficult to predict. The slowdown in new construction and the decline in real estate prices are being acutely felt in supplemental property tax revenues. In many change of ownership transactions, instead of a property owner being billed for an additional amount of property tax because the value of the property after the transaction is higher than the value as of the lien date, the property owner receives a refund because the value is lower than it was on the lien date. In fiscal year 2006, refunds countywide totaled $4.0 million. They increased to $6.2 million in fiscal year 2007, and increased again to $15.0 million in 2008. Supplemental refunds exceeded $38 million in fiscal year 2009 and are anticipated to remain high in fiscal year 2010. Current supplemental property tax revenues were $29.5 million in fiscal year 2006. They dropped to $23.4 million in fiscal year 2007, and to $14.0 million in fiscal year 2008. In fiscal year 2009, current supplemental property tax revenues were $2.4 million. The Adopted Operational Plan assumes that this weakness will continue through the next two fiscal years.
- The current unsecured property taxes ($16.8 million budgeted in fiscal year 2010) roll is forecasted based on trends and available information at the time the budget is developed. Growth of 4.0% is budgeted for fiscal year 2010 over the fiscal year 2009 adopted budget.
- Property taxes in lieu of vehicle license fees (VLF) comprises 32.5% (an estimated $309.3 million) of budgeted general purpose revenues in fiscal year 2010. This revenue source was established by the State in fiscal year 2005 to replace the previous distribution of vehicle license fees to local governments. Growth in this revenue source is based on the growth in the County's gross taxable assessed value. The certified rate of decline for 2010 is 2.55%. Similar to current secured property tax revenue, no growth is expected for fiscal year 2011.
- Real Property Transfer Tax Revenue (RPTT) for fiscal year 2010 is budgeted at $5.9 million, which is 0.6% of general purpose revenues. RPTT is paid when any lands, tenements, or other realty exceeding $100 in value are sold, granted, assigned, transferred or conveyed. The tax rate set by the State is $1.10 per $1,000 of assessed valuation. The County is entitled to 100% of the revenues from all transactions in the unincorporated area and 50% of the revenues from transactions in the incorporated areas.
- Sales and use tax revenue and in lieu local sales and use tax ($23.4 million in fiscal year 2010) represents about 2.5% of budgeted general purpose 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 and 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 revenue has been growing moderately over the past few years in concert with population growth and new retail business formation in the unincorporated area. Currently, however, retail sales at the statewide, southern California and San Diego regional level all experienced declines in the third quarter and fourth quarters of 2008 attributed to the ongoing economic volatility and housing market declines. These trends are expected to continue through 2009. The amount of budgeted revenue in fiscal year 2010 is approximately $1.3 million (5.4%) below the fiscal year 2009 budgeted revenue.
- Other revenues budgeted for fiscal year 2010 total $115.9 million, and it comprises 12.2% of budgeted general purpose revenues. The fiscal year 2010 amount represents a 7.1% or $7.7 million increase over the fiscal year 2009 Adopted Budget total. Various revenue sources make up this category including investment income on deposits, fines, fees and forfeitures, redevelopment agency tax increment, prior year adjustments on property taxes including collections on Teetered taxes, franchise revenue, payment from the City of San Diego in lieu of booking fees, cable and video licenses and other miscellaneous revenues. The decrease in revenues is primarily due to anticipated lower investment income on deposits as a result of a decline in interest rates that is partially offset by growth in redevelopment agency tax increment.

The County's Operational Plan for fiscal year 2010 and for fiscal year 2011 can be found on the internet at http://www.sdcounty.ca.gov/ auditor/budinfo.html.

Requests for Information

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