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, 2011.

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 2011 by $3.82 billion (net assets). Of this amount, $2.84 billion is invested in capital assets, net of related debt; $530 million is restricted for specific purposes (restricted net assets); and the remaining portion represents unrestricted net assets of $454 million.
- Total net assets increased by $193.2 million. For governmental activities, capital assets and current and other assets increased by $87.9 million and $99.8 million, respectively, while other liabilities increased by $36.9 million, offset by a $41.6 million decrease in long-term liabilities. For business-type activities, capital assets and current and other assets decreased by $1.8 million and $3.9 million, respectively, while long-term and other liabilities decreased by $6.5 million.
- General revenues for governmental activities were $1.05 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for $884 million or 84%; while other taxes, sales and uses taxes, investment earnings and other general revenues accounted for $165 million or 16%.
- Program revenues for governmental activities were $2.73 billion. Of this amount, $2.21 billion or 81% was attributable to operating grants and contributions while charges for services accounted for $488 million or 18%.
- The total expenses for governmental activities were $3.58 billion. Public assistance accounted for $1.19 billion or 33%, while public protection accounted for $1.13 billion or 32% of this amount. Additionally, health and sanitation accounted for $722 million or 20%.

Overview of the Financial Statements

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

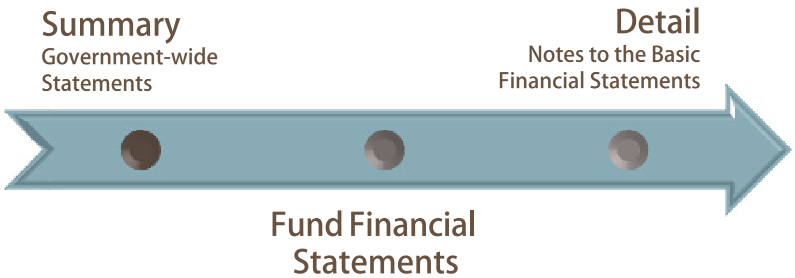
The Government-wide financial statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

Combining financial statements/schedules and supplementary information section of this report presents combining and individual fund statements and schedules referred to earlier that provide information for nonmajor governmental funds, enterprise funds, internal service funds and fiduciary funds and are presented immediately following the required supplementary information section of this report.

Government-wide Financial Analysis

Table 1

Net Assets

June 30, 2011 and 2010 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and other assets	$ 3,089,529	2,989,720	91,194	95,076	3,180,723	3,084,796
Capital assets	3,056,863	2,968,953	164,834	166,654	3,221,697	3,135,607
Total assets	6,146,392	5,958,673	256,028	261,730	6,402,420	6,220,403
LIABILITIES						
Long-term liabilities	2,073,708	2,115,347	1,994	2,269	2,075,702	2,117,616
Other liabilities	502,471	465,533	1,164	7,362	503,635	472,895
Total liabilities	2,576,179	2,580,880	3,158	9,631	2,579,337	2,590,511
NET ASSETS						
Invested in capital assets, net of related debt	2,675,240	2,595,105	163,268	164,845	2,838,508	2,759,950
Restricted	529,808	247,585			529,808	247,585
Unrestricted	365,165	535,103	89,602	87,254	454,767	622,357
Total net assets	$ 3,570,213	3,377,793	252,870	252,099	3,823,083	3,629,892

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 $3.82 billion at the close of fiscal year 2011 an increase of $193.2 million or 5.3% over fiscal year 2010. This included an increase of $115 million in the County's restricted and unrestricted net assets (a 13% increase over fiscal year 2010) and an increase of $79 million in capital assets, net of related debt (a 3% increase over fiscal year 2010).

The aforementioned increase of $193.2 million in net assets was composed of the following changes in total assets and liabilities:

- Total assets increased by $182 million. This included an increase of $96 million in current and other assets and an $86 million increase in capital assets. The $96 million increase in current and other assets was primarily attributable to an increase in cash and investments (including restricted and unrestricted cash and investments with fiscal agents) of $79 million, an increase of $66 million in receivables, net (excluding property taxes), a $46 million decrease in property taxes receivables, net, and a $3 million decrease in other assets. The $79 million increase in cash is principally due to the $66 million increase in receivables, net (excluding property taxes), a $46 million decrease in property taxes receivables, net, a $16 million decrease in accounts payable, a $3 million increase in accrued payroll, a $44 million increase in unearned revenue (explained below), all of which have the net effect of increasing cash; and also includes a $21 million increase due to a new highway user tax revenue source (streets and highways code section 2103), a $14 million increase in Proposition 172 monies; and, $33 million in other sundry cash related activities. The $66 million increase in receivables, net is principally due to an increase of $70 million in amounts due from other governments, coupled with a $4 million increase in loans receivable, offset by an $8 million decrease in other accounts receivables. The $46 million decrease in property taxes receivables, net was principally attributable to a decrease in delinquent secured taxes. The increase in capital assets was due in part to $51.6 million of construction costs for the County Operations Center Phase 1A and donated assets of $12 million.
- Total liabilities decreased by $11 million. This included an increase in other liabilities of $31 million and a decrease in long-term liabilities of $42 million. The increase in other liabilities of $31 million was primarily due to a $44 million increase in unearned revenue due to the result of delays in securing contracts related to the Mental Health Services Act, coupled with a $16 million decrease in accounts payable ($38 million vendors, offset by $22 million due to other government agencies), and a $3 million increase in accrued payroll. The decrease of $42 million in long-term liabilities was mainly due to a $57 million decrease in long-term debt (see Long-Term Liabilities discussion), coupled with a net $15 million increase in other long-term liabilities (including a $17 million increase in claims and judgments offset by a $2 million decrease in compensated absences).

The largest portion of the County's net assets (74%) reflects its investment of $2.84 billion in capital assets, net of related debt (which includes: land, infrastructure, buildings, software and equipment; less any related outstanding debt used to acquire those assets). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net assets, i.e. restricted net assets equaled $530 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 $454 million in unrestricted net assets.

Table 2

Changes in Net Assets

For the years ended June 30, 2011 and 2010 (In Thousands)

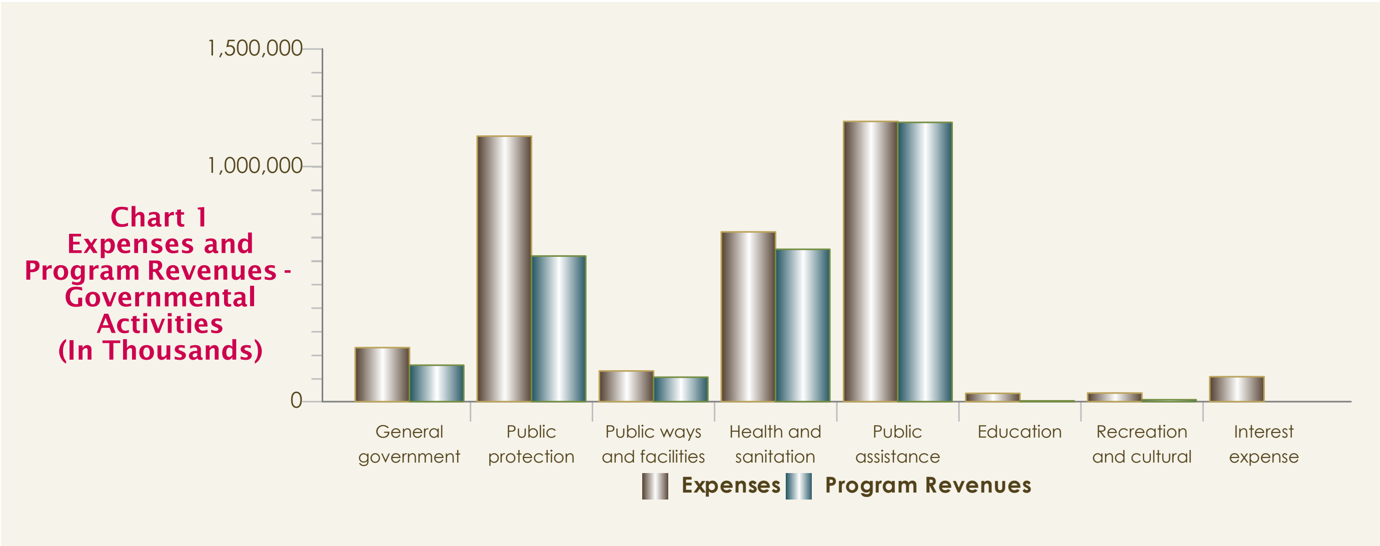
	Governmental Activities		Business-Type Activities		Total	
	2011	2010 (1)	2011	2010	2011	2010
Revenues:						
Program Revenues						
Charges for services	$ 488,065	475,190	38,241	35,738	526,306	510,928
Operating grants and contributions	2,211,946	2,162,770	1,544	15,330	2,213,490	2,178,100
Capital grants and contributions	25,329	33,246			25,329	33,246
General Revenues						
Property taxes	580,570	593,553			580,570	593,553
Other taxes	16,207	15,991			16,207	15,991
Property taxes in lieu of vehicle license fees	303,625	308,842			303,625	308,842
Sales and use taxes	22,457	20,576			22,457	20,576
Investment earnings	22,024	30,941	582	1,046	22,606	31,987
Other	104,260	85,693	7	18	104,267	85,711
Total revenues	3,774,483	3,726,802	40,374	52,132	3,814,857	3,778,934
Expenses:						
Governmental Activities:						
General government	229,767	304,305			229,767	304,305
Public protection	1,128,967	1,091,910			1,128,967	1,091,910
Public ways and facilities	130,239	131,982			130,239	131,982
Health and sanitation	721,939	681,448			721,939	681,448
Public assistance	1,191,559	1,171,603			1,191,559	1,171,603
Education	35,734	39,165			35,734	39,165
Recreation and cultural	36,699	33,629			36,699	33,629
Interest expense	106,381	111,942			106,381	111,942
Business-type Activities:						
Airport			12,876	12,389	12,876	12,389
Sanitation districts			21,699	18,831	21,699	18,831
Wastewater management			5,806	5,523	5,806	5,523
Total expenses	3,581,285	3,565,984	40,381	36,743	3,621,666	3,602,727
Changes in net assets before transfers	193,198	160,818	(7)	15,389	193,191	176,207
Transfers	(778)	345	778	(345)		
Change in net assets	192,420	161,163	771	15,044	193,191	176,207
Net assets at beginning of year	3,377,793	3,216,630	252,099	237,055	3,629,892	3,453,685
Net assets at end of year	$ 3,570,213	3,377,793	252,870	252,099	3,823,083	3,629,892

(1) Note: 2010 Adjustments for Comparative Purposes

Certain fiscal year 2010 balances were adjusted to conform to the proper current year presentation as a result of the reclassification of Sheriff law enforcement services provided to the courts. As a result, adjustments were made to **Table 2**, 2010 as follows: Charges for services were increased by $29.821 million coupled with a $29.821 million decrease to Operating grants and contributions.

Analysis of Changes in Net Assets

At June 30, 2011, changes in net assets before transfers (revenues minus expenses) equaled $193.2 million, a $17 million or 9.6% increase from the previous year. Principal revenue sources contributing to the change in net assets were operating grants and contributions of $2.21 billion and taxes of $884 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, $1.19 billion; public protection, $1.13 billion; and health and sanitation, $722 million. These expense categories accounted for 84% of total expenses.



Governmental activities

At the end of fiscal year 2011, total revenues for the governmental activities were $3.77 billion, while total expenses were $3.58 billion. Governmental activities increased the County's net assets by $192.4 million, accounting for 99% of the total increase in net assets (Business-type activities accounted for the remaining 1%, $.8 million).

Expenses:

Total expenses for governmental activities were $3.58 billion, an increase of $15 million or .4% ($21 million increase in functional expenses and $6 million decrease in interest expense). Public assistance was the largest functional expense (33%), followed by public protection (32%) and health and sanitation (20%).

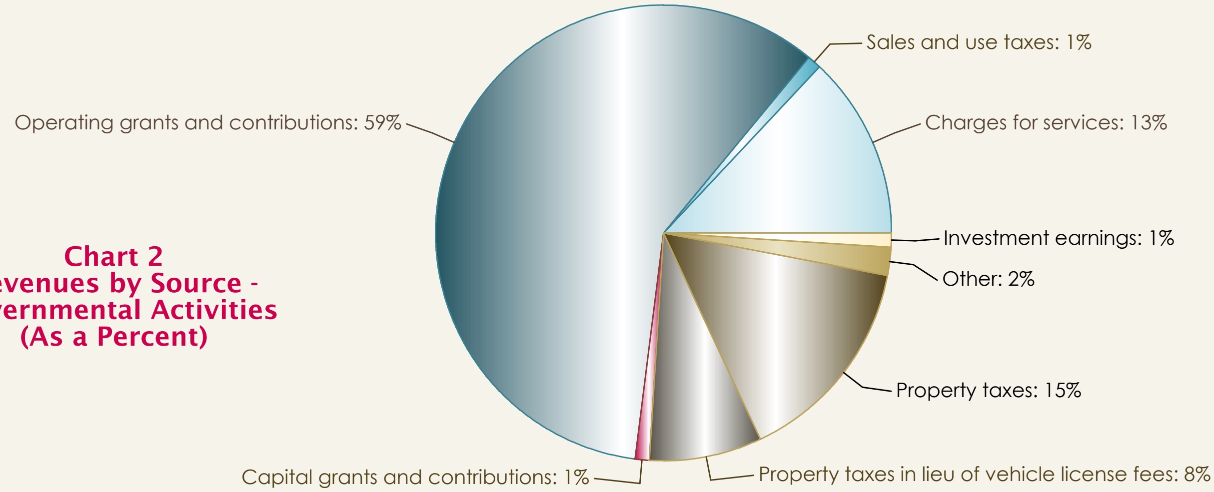
As noted below, the $21 million increase in functional expenses was made up of an $80 million decrease and $101 million in increases:

The $80 million decrease in functional expenses was mainly due to the decrease in the loss on disposal of assets as compared to fiscal year 2010, principally due to the fiscal year 2010 transfer of various court facilities from the County to the State. Senate Bill 1732, Court Facilities Legislation, the Trial Court Facility Act, and Assembly Bill 1491, Court Facilities Transfer Deadline Extension, provided for the transfer of the responsibility and in some instances, the title deed, from the County to the State to provide necessary and suitable court facilities. This transfer resulted in the removal of these buildings from the County's financial records. County financial responsibility for facility maintenance costs for courts' space will continue as a statutorily required County facility payment.

The $101 million increase in functional expenses consisted of:

- $29 million in overall salaries and benefit costs due to a two percent negotiated wage increase for most employees in fiscal year 2010-11;
- $60 million in contracted services increases of $18 million in various health related contracts, $16 million for the implementation of the Oracle Financial system and related consulting services, $10 million in fire protection services contracts, $9 million in CalWorks contracts providing temporary financial assistance and employment focused services to families with minor children who have income and property below the State maximum limits for their family size, $9 million in mental health related contracts, $2 million in services for inmate welfare service contracts; offset by a $4 million decrease in contracted services for housing and community development;
- $4 million in other operating expenses for institutional services;
- $4 million in materials; and
- $4 million in utilities expenses.

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



Revenues:

Total revenues for governmental activities were $3.77 billion, an increase of 1.3% or $48 million from the previous year. This increase consisted of increases in program revenue of $54 million coupled with a $6 million decrease in general revenues as follows:

The $54 million increase in program revenue was chiefly due to increases of $121 million and decreases of $67 million noted below:

Increases in program revenues of $121 million were principally composed of the following:

- $24 million in operating grants and contributions resulting from an increase in federal case counts for the CalWORKs program;
- $18 million in operating grants and contributions for Proposition 63 Mental Health Services Act state aid;
- $16 million in operating grants and contributions from the following federal programs: $7 million in Special Education Grants to States, (passed through to the County), $5 million in Homeland Security Grant Program, $2 million in Immunization Grants, and, $2 million in Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers;
- $16 million increase in operating grants and contributions from federal health and human services substance abuse prevention and treatment revenue;
- $14 million in operating grants and contributions for state Proposition 172 revenues;
- $11 million in operating grants and contributions as a result of Southwest Border Prosecution Initiative federal funding;
- $11 million in operating grants and contributions resulting from federal health care coverage initiative revenue;
- $9 million in operating grants and contributions as a result of state aid reimbursement senate bill 90 revenues; and,
- $2 million in charges for services consisting of reimbursements to the County for Sheriff's law enforcement services provided to the courts.

Decreases in program revenue of $67 million were attributable to:

- $31 million in operating grants and contributions for State Proposition 1B revenues;
- $14 million in operating grants and contributions for federal Short Doyle Medi-cal revenues due to lower client enrollment;
- $12 million in operating grants and contributions from State transportation 1/2% sales taxes; and,
- $10 million in capital grants and contributions primarily consisting of donated assets.

General revenues decreased overall by approximately $6 million. This decrease was the result of increases of $21 million and decreases of $27 million noted below.

Increases in general revenues of $21 million were mainly due to the following:

- $19 million increase in other revenue primarily due to: $6 million for additional treatment costs not funded by the Federal Individuals with Disabilities Education Act (IDEA), paid directly by the San Diego County Office of Education, $5 million of Firestorm 2007 insurance proceeds used to reimburse costs associated with the capital renewal of San Pasqual Academy following the fires in 2007. (This money helped to fund 30 buildings on the campus including residence facilities and administrative facilities and related infrastructure such as roads), $5 million of new funding for the defense of indigent criminal cases administered by County Counsel, and $3 million in donations for the renovation of the San Diego Downtown Law Library, and,
- $2 million increase in sales and use taxes.

Decreases in general revenues of $27 million were primarily due to the following:

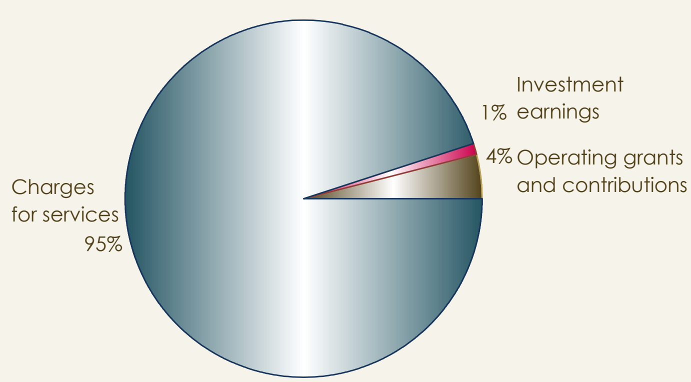
- $13 million decrease in property taxes due in part to a 1.7% decrease in secured assessed values;
- $9 million decrease in investment earnings due to the 37% decrease in annualized interest rates earned by the County Treasury Pool; and,
- $5 million in decrease in property taxes in lieu of vehicle license fees.

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 $2.21 billion accounted for 59%, the largest share of this revenue. These monies are received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating grants and contributions include State and Federal revenue for public assistance programs and health and sanitation programs.

Property taxes and property taxes in lieu of vehicle license fees are not shown by program, but are effectively used to support program activities county-wide. Combined, these general revenues equaled $884 million and accounted for 23% of governmental activities. Additionally, charges for services were $488 million and accounted for 13% of revenues applicable to governmental activities.

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

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



Business-type Activities:

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in **Chart 3**, charges for services represent $38 million or 95%, while operating grants and contributions ($1.5 million) and investment earnings ($0.5 million) represent 4% and 1% of total revenues respectively.

Net assets of business-type activities increased by $.8 million or 0.3%. This net increase primarily included the following:

- $1.8 million decrease in capital assets principally due to the completion of various airport projects and improvements, resulting in a corresponding increase in accumulated depreciation;
- $3.9 million decrease in current and other assets due to: i) a $7 million decrease in airport receivables, chiefly as a result of aid received from the Federal Aviation Administration for improvements to the McClellan-Palomar airport; and, ii) a $4 million increase in pooled cash and investments; and
- $6.5 million decrease in long-term and other liabilities, principally due to decreases 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the County include the General Fund, the Public Safety Special Revenue Fund and the Tobacco Endowment Special Revenue Fund. Nonmajor governmental funds include special revenue funds, debt service funds, and capital projects funds.

At June 30, 2011, the County's governmental funds had combined ending fund balances of $2.24 billion, an increase of $48.8 million in comparison to the prior fiscal year. Of the total June 30, 2011 amount, $612.81 million constituted unassigned fund balance, which is available for spending at the County's discretion. $40.6 million of fund balance is assigned, $982.7 million is committed, $587.7 is restricted, and $16.4 million is nonspendable. (Please refer to Note 1 in the notes to the financial statements for more details regarding fund balance classifications.)

Governmental revenues overall totaled $3.74 billion representing a 1% increase. Governmental expenditures totaled $3.69 billion, a 1.3% decrease from the fiscal year ended June 30, 2010.

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2011, its unassigned fund balance was $612.81 million, while total fund balance was $1.39 billion, an increase of $174 million from fiscal year 2010.

This $174 million increase in fund balance was composed of $265 million in increases and $91 million in decreases as follows:

Increases to fund balance of $265 million were composed of:

- $55 million decrease in pension obligation bond payments charged to departments attributable to a decrease in pension obligation bond required debt service payments;
- $50 million one-time transfer to the General Fund to close out the remaining activities of the Housing and Community Development Fund. (The Housing and Community Development Fund is no longer in operation);
- $25 million increase in federal grant revenues as follows: $7 million in Special Education Grants to States (passed through to the County), $5 million in Home Investment Partnerships Program, $5 million in Special Programs for the Aging Title III, Part C Nutrition Services, $5 million in Homeland Security Grant Program, and, $3 million in Community Development Block Grants/Entitlement Grants;
- $24 million decrease in transfers out attributable to one-time fiscal year 2010 pay down of 2008B variable rate Pension Obligation Bonds;
- $24 million increase in CalWorks program revenues;
- $18 million increase in Proposition 63 Mental Health Services Act state aid;
- $16 million increase in federal health and human services substance abuse prevention and treatment revenue;
- $11 million increase in federal health care coverage initiative revenue;
- $11 million increase in federal Southwest Border Prosecution Initiative program revenues;
- $9 million increase in state aid reimbursement senate bill 90 revenues;
- $6 million increase in other revenue is related to the additional mental treatment cost reimbursement paid by the San Diego County Office of Education;
- $6 million increase in Medi-Cal reimbursements due to an increase in Medi-Cal eligible patients along with an increase in Supplemental Plan Amendment revenue accruals;
- $5 million increase in recording fees; and,
- $5 million decrease in capital outlay expenditures.

Decreases to fund balance of $91 million were composed of:

- $62 million increase in contracted services expenditures made up of: $18 million increase in various health related contracts, $16 million for the implementation of the Oracle Financial system and related consulting services, $10 million in fire protection services contracts, $9 million in mental health related contracts, and, $9 million in CalWorks contracts providing temporary financial assistance and employment focused services to families with minor children who have income and property below State maximum limits for their family size; and
- $29 million increase in overall salaries and benefits due to a two percent negotiated wage increase for most employees in fiscal year 2010-11.

Public Safety Special Revenue Fund:

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

As of June 30, 2011, the total (restricted) fund balance in the Public Safety Special Revenue Fund was $21.7 million, a $16.9 million increase from the previous fiscal year. This increase was mainly due to a $13.4 million increase in Prop 172 revenues due to improvements in the local economy; offset by a $2.3 million decrease in transfers of these monies to the General Fund in fiscal year 2011.

Tobacco Endowment Special Revenue Fund:

This special revenue fund is used to account for the $411 million the County received from the Tobacco Asset Securitization Corporation (Corporation) related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002; and an additional $123 million the County received from the Corporation resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds in fiscal year 2006. At the end of fiscal year 2011, fund balance was $393 million, a decrease of $19.7 million from fiscal year 2010, principally due to investment income of $4.7 million offset by $24.2 million in transfers out to the General Fund for the support of health related program expenditures.

Other Governmental Funds:

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

As of the end of fiscal year 2011, the fund balances of the other governmental funds totaled $432 million, a net decrease of $123 million from the prior year. This $123 million net decrease consisted of $9.5 million in increases, offset by decreases of $132.5 million as follows:

$9.5 million increase to Other Governmental Funds' fund balance:

- $5.5 million increase in the Capital Outlay Fund's fund balance chiefly attributable to a $13 million net increase in monies transferred in from the General Fund to fund various capital projects consisting of a $10 million increase in various capital outlay projects' funding, a $7 million increase in multiple species conservation program funding offset by $3 million and $1 million decreases in justice facility project and library project funding, respectively; coupled with an overall $8 million increase in capital project capital outlay expenditures.

- $4 million increase to the Road Fund's fund balance due to the introduction of a new $21 million highway user tax revenue source (streets and highways code section 2103), the decrease of $11 million in capital outlay expenditures due to the project close out of Valley Center North and major Right of Way acquisitions for South Santa Fe during fiscal year 2010, a decrease of $2 million in operating transfers out attributable to a decline in charges to departments for pension obligation bond payments due to a reduction in pension obligation bond required debt service payments, an increase of $2 million on sale of capital assets, offset by the decrease of $32 million in Proposition 1B monies.

$132.5 million decrease to Other Governmental Funds' fund balance:

- $50 million decrease to the Housing and Community Development Special Revenue Fund's fund balance due to the one-time $50 million transfer to the General Fund to close out the remaining activities of the Housing and Community Development Fund. The Housing and Community Development Fund is no longer in operation.
- $10 million decrease to the Edgemoor Development Fund's fund balance principally attributable to a $9 million transfer out to reimburse the General Fund for annual Edgemoor facility debt service payments.
- $64 million decrease to the San Diego Regional Building Authority Capital Projects Fund's fund balance mainly due to $54.5 million incurred in capital outlay expenditures related to the ongoing construction of the County Operations Center; coupled with a $9.5 million incurred in minor equipment expenditures.
- $8.5 million decrease to the San Diego Regional Building Authority Debt Service Fund's fund balance chiefly due to activities associated with the issuance of the 2011 Metropolitan Transit System Towers Refunding Certificates of Participation including a $22 million payment to the refunded bond escrow agent, offset by a $19.3 million in refunding bonds issued, and a $1.2 million issuance premium; coupled with a $7 million payment of debt related interest.

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 $103 million, a net decrease of $10 million from the prior year. This $10 million net decrease consisted of $7 million in increases, offset by decreases of $17 million as follows:

$7 million increases to internal service funds' net assets:

- $3 million increase in Facilities Management Fund's net assets mainly attributable to a $7.4 million decrease in operating revenue coupled with a decrease in operating expenses offset by a $1.15 increase in grants, a $400 thousand increase in capital contributions and an $800 thousand increase in transfers out.
- $3 million increase in Information Technology Fund's net assets chiefly due to transfers in from the General Fund for various information technology activities.
- $1 million increase in Fleet Services Fund's net assets chiefly due to transfers in from the General Fund for various fleet services activities.

$17 million decreases to internal service funds' net assets:

- $9 million decrease Employee Benefits Fund's net assets due to a $6 million increase in claims and judgments coupled with a $3 million decrease in charges for services.
- $8 million decrease in Public Liability Fund's net assets mainly due to a $10 million increase in claims and judgments offset by a $1 million decrease in operating revenues.

Fiduciary Funds:

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

Investment Trust Funds:

These funds were established for the purpose of reporting pooled and specific investments. The Investment Trust Funds' net assets totaled $3.43 billion, an increase of $285 million, from the previous year. This increase was substantially due to contributions to investments of $6.123 billion coupled with investment earnings of $19 million, offset by distributions from investments of $5.857 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, 2011 net expenditure appropriations increased by $36.3 million and appropriations for transfers-out decreased by $2.3 million for a net increase of $34 million.

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

- $12.4 million appropriation increase in the Housing and Community Development General Fund Department. The functions of the Housing and Community Development (HCD) Special Revenue Fund were transferred to the HCD General Fund department resulting in the dissolution of the HCD Special Revenue fund.
- $9.7 million of appropriations were cancelled in the Office of the Public Defender due to the loss of funding from the State of California Administrative Office of the Courts to provide Dependency Representation services.
- $9.1 million in various departments including Office of Emergency Services, Sheriff Department, Health and Human Services Agency, Department of Planning and Land Use, Department of General Services for emergency planning, the continued development of a disaster preparedness exercise program, equipment purchases, regional projects and grant administration due to the award of a Homeland Security Grant.
- $8.8 million in the Sheriff Department to increase coordination and enhance local law enforcement presence along the border based on grant funds from the federal Department of Homeland Security.
- $3.5 million for the Sheriff's Rancho San Diego Station capital project based on Public Safety Group's Fund Balance available. The new Rancho Sand Diego Sheriff Station will be located on a vacant County owned parcel and will be approximately 20,000- 25,000 square feet.

Actual revenues fell short of the final budgeted amounts by $113.7 million, while actual expenditures were less than the budgeted amount by $472.0 million. The combination of the revenue and expenditure shortfalls resulted in a revenue/ expenditure operating variance of $358.3 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of $345.5 million and there was no variance in the increase to the nonspendable inventories. These combined amounts resulted in a variance in the net change in fund balance of $703.8 million.

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

Salaries and Benefits:

The final budget over expenditure variance across all functions in this category was $62.7 million. A significant portion of these savings were in the Public Safety Group and the Health and Human Services Agency but also in the Land Use and Environment Group, Community Services Group and Finance and General Government Group from lower than budgeted salaries and employee benefit costs due to staff turnover and department management of vacancies.

Health and Human Services Agency Programs:

Funded by a combination of State, federal, and County revenues, most Health and Human Services Agency programs are carried out in the functional areas of health and sanitation and public assistance, with final budget over expenditure variances of $60.1 million and $79.6 million, respectively. Overall, these expenditure variances primarily resulted from a lower demand for services than budgeted levels in the following areas:

- Un-awarded Mental Health Services Act and Alcohol and Drug Services contracts;
- Lower than anticipated growth trends in In-Home Supportive Services Individual Provider costs;
- Lower than anticipated service levels in Early Periodic Screening, Diagnosis and Treatment and MediCal;
- State funding reductions in contracts for Immunization services; and,
- Bio-terrorism emergency appropriation savings.

Delayed expenditures:

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

- A positive expenditure variance of approximately $41.3 million due to delays in the Integrated Property Tax System procurement process.
- Department of Public Works rebudgeted $5.4 million of one-time funding for the Woodside Avenue Drainage project in the community of Lakeside. These funds will be used for construction costs for culvert installation.

Management and Contingency Appropriations:

The County annually sets up management and contingency appropriations based on both ongoing general purpose revenues and prior years' fund balance for a variety of one-time capital and operating expenditures as well as potential emergencies. Unexpended Management and Contingency Reserve appropriations resulted in budget over actual variances of $29.2 million and $20 million, respectively. Note that the Management Reserves are included within various functional activities.

Capital Assets and Commitments

Capital Assets

At June 30, 2011, the County's capital assets for both governmental and business-type activities were $3.06 billion and $165 million, respectively, net of accumulated depreciation/ amortization. Investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure (including roads, bridges, flood channels, and traffic signals), equipment, software and easements. Significant increases to capital assets in fiscal year 2011 included:

Governmental Activities:

- $51.6 million towards construction at the County Operations Center Phase 1A. Total project costs are estimated at $179.5 million.
- $40.2 million towards the construction and improvement of County maintained roads, bridges and other road related infrastructure.
- $19.8 million towards construction at the County Operations Center Phase 1B. Total project costs are estimated at $119.8 million
- 17.9 million towards the construction of various miscellaneous capital outlay fund projects
- $9.2 million towards various land acquisitions.
- $9.1 million in land donations
- $6.1 million towards the construction of the Medical Examiner Building at the County Operation Center in Kearny Mesa. Total project costs are estimated at $68.7 million.
- $5.9 million towards park improvements
- $5.8 million towards the construction of the Ramona Branch Library. Total project costs are estimated at $12.1 million
- $4.4 million towards construction of the San Pasqual Academy Residences. Total project costs are estimated at $9.1 million.
- $3.9 million towards development of various software applications.
- $3.4 million towards the construction of the Fallbrook Branch Library. Total project costs are estimated at $10.6 million.
- $2.4 million towards purchase of software licenses.
- $2 million in infrastructure donated by developers.

Business-type Activities:

- $2.6 million towards improvements at various Sanitation Districts.

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, 2011, capital commitments included the following:

Governmental Activities:

- $100.6 million for the construction of: the County Operations Center, South Santa Fe Ave., roadway assets replacements, San Pasqual Academy Housing, Women's Detention Facility, Spring Valley traffic Signal, Jamacha Boulevard, and purchase of license agreements and upgrade of Oracle Enterprise Resources.

Business-type Activities:

- $750 thousand for construction of Rancho Del Campo Wastewater.

(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, 2011, the County's governmental activities had outstanding long-term liabilities of $2.07 billion.

Of this amount, approximately $1.82 billion pertained to long-term debt outstanding. Principal debt issuances included: $841 million in taxable pension obligation bonds; $575 million in Tobacco Settlement Asset-Backed Bonds; and $392 million in certificates of participation (COPs) and lease revenue bonds (LRBs).

Other long-term liabilities included $136 million in claims and judgments; $98 million in compensated absences; $20 million for landfill closure and postclosure costs and $212 thousand in capital leases.

During fiscal year 2011, the County's total principal amount of COPs and lease revenue bonds, other bonds, and loans for governmental activities decreased by $56.631 million.

The $56.631 million decrease was due to the following increases and decreases:

Increases to debt were $33.631 million and included:

- $19.260 million of fixed rate serial certificates of participation issued by the San Diego Regional Building Authority to advance refund $22.115 million of outstanding 2001 Metropolitan Transit System Towers Refunding Certificates of Participation;
- $655 thousand of California Energy Conservation loans;
- $4.320 million of principal was accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal balances outstanding;
- $3.591 million of principal was accreted (added) to the outstanding Taxable Pension Obligation Bonds' principal balances outstanding; and,
- $5.805 million due to the effects of arbitrage, unamortized issuance premiums, unamortized issuance discounts, and unamortized deferred amounts on refundings.

Decreases to debt were $90.262 million and included:

- $22.115 to advance refund the outstanding 2001 Metropolitan Transit System Towers Refunding Certificates of Participation referred to above; and,
- $68.147 million in principal debt service payments.

Business-type Activities:

Long-term liabilities for business-type activities totaled $1.994 million and consisted of $1.566 million for capital loans and $428 thousand for compensated absences.

Long-term liabilities for business-type activities decreased by $275 thousand. This was due to a combination of $243 thousand in debt service payments on capital loans and a net decrease of $32 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	Aa1	AAA	AAA
Certificates of Participation San Diego Capital Asset Leasing Corporation (SANCAL)	Aa3	AA+	AA+
Certificates of Participation San Diego Regional Building Authority (SDRBA) Metropolitan Transit System Towers	Aa3	AA+	AA+
Lease Revenue Bonds SDRBA County Operations Center 1A	Aa3	AA+	AA+
Refunding Lease Revenue Bonds SDRBA San Miguel	A1	not rated	not rated
Pension Obligation Bonds	Aa2	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	BB-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006C (Second Subordinate)	not rated	B+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006D (Third Subordinate)	not rated	B-	not rated
County Redevelopment Agency Bonds	not rated	not rated	not rated

The County's ratings on its lease financings and its pension obligation bonds were reaffirmed in 2011. While Standard and Poor's affirmed its ratings on the County's remaining outstanding debt, and AAA County issuer credit rating, it lowered its ratings on the outstanding subordinate obligations of the Tobacco Securitization Authority of Southern California: Tobacco Settlement Asset-Backed Bonds (TSAB) - Series 2006B First Subordinate (BBB- to BB-), TSAB Series C Second Subordinate (BB+ to B+) and TSAB Series 2006D Third Subordinate (BB- to B-).

In reaffirming the County's ratings, all three rating agencies referenced the County's strong financial management practices in the face of economic challenges. In its analysis dated July 19, 2011, Moody's Investors Service states, "the County's long-term ratings are based on its sizable tax base and resident socioeconomic profile. The County's economy has experienced challenges in the recent recession but nonetheless remains large and diverse. The County's ratings also incorporate its sound financial position and strong, conservative financial management."

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2012 General Fund adopted budget utilizes as funding sources for one-time expenditures $210.1 million out of $612.814 million in unassigned fund balance and $5.9 million out of $514.739 million committed fund balance.
- The fiscal year 2012 General Fund adopted budget contains total appropriations of $3.74 billion. This is an increase of $3.8 million or 0.1% from the fiscal year 2011 General Fund adopted budget. A number of risk factors continue to be tracked closely: the state of the economy, which is suffering from high unemployment, a struggling real estate market and consumer spending weakness, and the State of California's projected budget imbalances for fiscal years 2013, 2014 and beyond.
- The U.S. economy's revised Gross Domestic Product (GDP) for 2010 showed an increase of 3.0% compared to a decline of 3.5% in 2009, a 0.3% decline in 2008 after a 1.9% gain in 2007. GDP is expected to grow in 2011, with a current growth projection of 1.5%, and GDP growth for 2012 is forecasted to be 1.4%.
- California's economy has been negatively impacted by the same financial market, housing and real estate, employment and personal income trends experienced at the national level. In 2010, key indicators of California's economy showed mixed results. Payroll employment declined by 1.4%, real personal income improved by 1.7%, and adjusted taxable sales is estimated to have grown by 1.8%. California's 2011 economy is expected to show continued gradual improvement with payroll employment expected to improve by 1.1%, real personal income is expected to increase by 2.3%, and taxable sales is expected to increase by 1.7%.
- The State's budget outlook continues to be strained, with the slow pace of economic recovery contributing significantly to the ongoing structural imbalance between revenues and expenditures. In fiscal year 2012, the State of California's adopted budget also realigned various criminal justice, mental health and social service programs, representing a long term change in state and county responsibilities.
- San Diego certainly shared the pain of the recession along with the rest of Southern California. 2011 continues to be another unsettled year for our region's economy with unemployment still above 10%. San Diego's index of leading economic indicators has trended higher since April 2009, despite recent weakness, indicating gradual economic

improvement overall. While the pace of the economic recovery has remained slow, 2012 should see continued signs of improvement for the region.

- 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. There continues to be an increased demand for public assistance, while at the same time the State and local resources available to fund those services are not able to keep pace with the demand. The real estate market slump has continued to impact the County's general purpose revenue (GPR), although GPR is expected to increase marginally in fiscal year 2012 from fiscal year 2011. GPR is relied upon to fund local discretionary services, as well as to fund the County's share of costs for services that are provided in partnership with the State and federal government.

As discussed below, the County's GPR is projected to increase by 1.1% (with budgeted revenue of $964.4 million in fiscal year 2012 compared to $954.4 million budgeted in fiscal year 2011).

- The largest source of general purpose revenue is property taxes ($505.8 million budgeted in fiscal year 2012), representing 52.4% of the total. For the last eleven years, property tax growth has been high (6.1% average annual growth) due to the County's overall stable economy and healthy real estate market. In 2012, property taxes are budgeted to increase by $8.2 million, or 1.7%, from the 2011 budget. The budgeted property tax revenue factors in the current soft commercial and residential real estate conditions as evidenced by the continued low but improving level of building permits; marginally declining median price of homes; the continued relatively high level of foreclosures; and the gradual improvement 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 ($487.1 million) assumes a net local assessed secured property value decline of 0.5% from the actual local assessed secured property value figure for 2011, and makes certain assumptions regarding the County's share of countywide property tax revenues, the delinquency rate, and the amount of tax roll corrections and refunds on prior year assessments. The actual change in the net local assessed secured property value was better than assumed for the fiscal year 2012 budget, increasing by 0.5%. Consequently, the actual current secured property tax revenues in fiscal year 2012 will likely come in higher than budget. In fiscal year 2013, the projected amount of revenues from current secured property taxes assumes no growth in local assessed secured property values.
- Current supplemental property taxes ($1.9 million budgeted in fiscal year 2012) 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 have been acutely felt in supplemental property tax revenues. In many change of ownership transactions, instead of a property owner being billed for an additional amount of property tax because the value of the property after the transaction is higher than the value as of the lien date, the property owner receives a refund because the value is lower than it was on the lien date. In fiscal year 2006, supplemental refunds countywide totaled $4.0 million. They increased to $6.2 million in fiscal year 2007, increased to $15.0 million in 2008, and increased again to $38.3 million in 2009. Supplemental refunds exceeded $21.6 million in fiscal year 2010 and dropped to $15.3 million in 2011. They are anticipated to decline gradually in fiscal year 2012. Current supplemental property tax revenues were $29.5 million in fiscal year 2006. They dropped to $23.4 million in fiscal year 2007, to $14.0 million in fiscal year 2008, to $2.4 million in 2009, and to $1.9 million in 2010. In fiscal year 2011, current supplemental property tax revenues were $3.9 million. The Adopted Operational Plan assumes that this weakness will continue through the next two fiscal years.
- Current unsecured property tax revenues ($16.8 million budgeted in fiscal year 2012) are forecasted based on trends and available information at the time the budget is developed. A decline of 3.2% is budgeted for fiscal year 2012 over the fiscal year 2011 adopted budget.
- Property taxes in lieu of vehicle license fees (VLF) comprises 31.3% (an estimated $302.2 million) of budgeted general purpose revenue in fiscal year 2012. 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 increase for 2012 is 0.33%. Similar to current secured property tax revenue, no growth is expected for fiscal year 2013.
- Teeter revenues represent 3.4% (an estimated $32.9 million) of budgeted general purpose revenue. In fiscal year 1994, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the "Teeter Plan"). Under this plan, the County advances funds to these entities to cover the unpaid (delinquent) taxes (the "Teetered Taxes"). The County's general fund benefits from this plan by being entitled to future collections of penalties and interest that are also due once the delinquent taxes are paid. A legal requirement of the Teeter Plan requires the County to maintain a tax loss reserve fund to cover losses that may occur if delinquent taxes are not paid and the property goes into default and is sold for less than the outstanding taxes and assessments. Throughout the year, all interest and penalties collected on Teetered secured and supplemental property taxes are first deposited into the Teeter Tax Loss Reserve Fund. Any excess amounts above 25% of the total delinquent secured taxes and assessments may be transferred to the general fund. For fiscal year 2012,

collections from previous years' receivables are budgeted to decrease by $4.8 million based on the size of the outstanding annual receivables and based on anticipated collection trends and market conditions. In fiscal year 2012, excess amounts from the Teeter Tax Loss Reserve Fund decrease from the $21.5 million that was budgeted in fiscal year 2011 to $19.0 million budgeted in fiscal year 2012, based on the change in the expected level of Teetered taxes. These revenues are expected to decrease by $1.2 million in fiscal year 2013.

- Sales and use tax revenue and in lieu local sales and use tax ($21.7 million in fiscal year 2012) represents about 2.3% of budgeted general purpose revenue. These revenues are derived from taxable sales by retailers who sell or rent tangible personal property in unincorporated areas of the county or from use taxes from consumers who purchase tangible personal property from out of state. Use taxes are also imposed on the storage, use, lease or other consumption of tangible personal property at any time a sales tax has not been paid by the retailer. The growth in this funding source is generally impacted by population growth, new retail business formation and consumer spending trends. The in lieu local sales and use tax revenue replaces regular sales and use tax revenue with monies transferred from the Educational Revenue Augmentation Fund (ERAF) under the provisions of AB7 X1, one of the 2004 State budget bills. This legislation enabled the State to redirect one-quarter cent of the local sales and use tax to the state to repay up to $15 billion in bonds authorized by Proposition 57 (March 2004) to help the State refinance its past debt. In turn, the redirected local sales and use tax revenues are replaced on a dollar-for-dollar basis with countywide property tax revenues shifted back from the ERAF. This funding mechanism is known as the "triple flip."
- Sales and Use Tax revenue grew moderately from fiscal year 2006 through fiscal year 2008 in concert with population growth and new retail business formation in the unincorporated area. However, the recent economic volatility, housing market declines, and unemployment trends have impacted retail sales at the statewide, southern California and San Diego regional levels. Sales tax revenues improved in all four quarters of 2010 compared to 2009 and this trend has continued into 2011. The amount of budgeted revenue in fiscal year 2012 is approximately $1.7 million (8.5%) above the fiscal year 2011 budgeted revenue. Growth of $0.4 million or 2.0% is projected for fiscal year 2013.
- Intergovernmental Revenue ($40.8 million budgeted in fiscal year 2012) is approximately 4.2% of the total GPR in fiscal year 2012 and represents funding the County receives from various intergovernmental sources including Redevelopment Agencies, the City of San Diego (pursuant to a Memorandum Of Understanding related to the County's Central Jail), the federal government (Payments in Lieu of Taxes (PILT) for tax-exempt federal lands administered by the Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service), and the State of California (reimbursement to the County for the Homeowner's Property Tax Relief (HOPTR) program). The largest portion of this funding is from redevelopment agencies based on the provisions of Article 16, Section 16 of the California Constitution, and Health and Safety Code Section 33670 which provides for the division of certain portions of property tax revenues between redevelopment projects and other taxing agencies. The amount of budgeted revenue in fiscal year 2012 is approximately $5.2 million (14.6%) above the fiscal year 2011 budgeted revenue. The anticipated increase in Aid from Redevelopment Agencies is primarily associated with additional funding from the Redevelopment Agency of the City of San Diego, Centre City Redevelopment Project. Pursuant to an agreement, the County will receive a percentage increase of total tax increment generated in the project are upon meeting certain tax increment thresholds. Growth of $0.2 million or 0.4% is projected for fiscal year 2013.
- Other revenues budgeted for fiscal year 2012 total $61.0 million, and comprise 6.3% of budgeted general purpose revenue. The fiscal year 2012 amount represents a 3.2% or $1.9 million increase over the fiscal year 2011 Adopted Budget total. Various revenue sources make up this category including Real Property Transfer Tax (RPTT), interest on deposits, fines, fees and forfeitures, prior year property taxes, penalty and cost delinquency taxes, franchise revenue, cable and video licenses and other miscellaneous revenues.

The County's Operational Plan for fiscal year 2012 and for fiscal year 2013 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.