NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of San Diego (the "County") conform to generally accepted accounting principles (GAAP) applicable to governmental units. The following is a summary of the more significant of such policies.

A. THE FINANCIAL REPORTING ENTITY

The County of San Diego is a political subdivision of the State of California (the "State") charged with general governmental powers and governed by an elected five-member Board of Supervisors (the "Board"). As required by generally accepted accounting principles, these financial statements present the County of San Diego (the primary government) and its component units. The component units, discussed in Note 1B are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

B. INDIVIDUAL COMPONENT UNIT DISCLOSURES

Blended component units are listed below. The first seven component units are legally separate entities which are governed by the San Diego County Board of Supervisors and are reported as if they were part of the primary government because they benefit the County exclusively. The San Diego County Capital Asset Leasing Corporation (SANCAL) is a non-profit corporation governed by a five-member Board of Directors which is appointed by the County Board of Supervisors. SANCAL is reported as if it was part of the primary government because its sole purpose is to finance the acquisition of County buildings and equipment. The San Diego County Employees Retirement Association (SDCERA) is governed by a nine-person Board of Directors of which four members are appointed by the County Board of Supervisors. SDCERA is a legally separate entity reported as if it were part of the primary government, because it exclusively benefits the County by providing pensions for retired County employees. Separate financial statements for the individual component units described above may be obtained from the County Chief Financial Officer/Auditor and Controller.

The first five entities listed below are included as special revenue funds, the sanitation districts as enterprise funds, and the Redevelopment Agency as a capital project fund and debt service fund. SANCAL is included as a special revenue fund, capital project fund and debt service fund. SDCERA is included as a pension trust fund.

County Service Areas
Flood Control Districts
Lighting Maintenance Districts
Air Pollution Control District
County of San Diego Housing Authority
Sanitation Districts
San Diego County Redevelopment Agency
San Diego County Capital Asset Leasing Corporation
San Diego County Employees' Retirement Association

C. BASIS OF PRESENTATION

The financial transactions of the County are recorded in individual funds and account groups. The various funds and account groups are reported by type in the financial statements. Amounts in the "Totals-Memorandum Only" columns in the financial statements represent a summation of the combined financial statement line-items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, and the caption "amount to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "Totals-Memorandum Only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the County.

The County uses the following fund categories, fund types, and account groups:

Governmental Fund Types

General Fund - To account for all financial resources except those required to be accounted for in another fund. The general fund is the County's operating fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Included in these funds are the general funds of various component entities as described in Note 1B.

Debt Service Fund - To account for the accumulation of resources for the payment of principal and interest on general long-term debt.

Capital Project Funds - To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types).

Proprietary Fund Types

Enterprise Funds - To account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - To account for the financing of goods or services provided by one department to other departments of the County, or to other governments, on a cost-reimbursement basis.

Fiduciary Fund Types

Trust and Agency Funds – To account for assets held by the County as a trustee or as an agent for individuals, private organizations, other governments and/or other funds. These include the pension trust fund (San Diego County Employees' Retirement Association), investment trust fund and agency funds.

Account Groups

General Fixed Assets Account Group - To account for all fixed assets of the County, except those accounted for in the proprietary-fund types.

General Long-Term Debt Account Group - To account for all long-term obligations of the County, except those accounted for in the proprietary-fund types.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Agency funds are custodial in nature and do not involve measurement of results of operations.

All proprietary funds, the pension trust fund and the investment trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity for the proprietary funds (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Financial Accounting Standards Board Statements issued after November 30, 1989, are not applied in reporting proprietary fund operations.

Governmental and Agency fund types are accounted for on the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Revenues which are accrued include property taxes, sales tax, interest, and state and federal grants and subventions.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt which is recognized when due; (2) prepaid expenses which are reported as current period expenditures, rather than allocated; and (3) accumulated unpaid vacation, sick leave, and other employee benefits which are reported in the period due and payable rather than in the period earned by employees.

Proprietary fund types, the pension trust fund and the investment trust fund are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There are no unbilled utility service receivables for the proprietary fund types.

E. PROPERTY TAXES

Real property taxes are levied on October 15 against owners of record at January 1. The taxes are due in two installments on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. At January 1 all property is subject to lien for unpaid taxes. Secured (real) property taxes which are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. Delinquent secured property taxes of all taxing jurisdictions and the subsequent collections of these delinquent taxes are held in an agency fund.

F. ASSETS, LIABILITIES, AND FUND EQUITY

Cash and Investments

Investments in County funds are stated at fair value. Securities which are traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments in the Pension Trust Fund are reported at cost, which approximates fair value. The fair value of Pension Trust Fund real estate investments is based on independent appraisals. Investments of the Pension Trust Fund that do not have an established market are reported at estimated fair value.

For purposes of reporting cash flows, all amounts reported as "Equity in Pooled Cash and Investments," "Collections in Transit," and "Imprest Cash" are considered cash equivalents. Pooled cash and investment carrying amounts represent monies deposited in the County Treasurer's cash management pool and are similar in nature to demand deposits, (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty). Allocations of assets and liabilities to individual funds related to reverse repurchase agreements are not considered cash equivalents for purposes of cash flow reporting.

Inventories

Inventories, which consist of expendable supplies, are stated at average cost. They are accounted for as expenditures at the time of purchase and reported in the balance sheet of the General Fund and the Special Revenue Funds of the County Library and Special Districts as an asset with an offsetting reserve. Inventory held by the Road Fund, a special revenue fund, and the proprietary fund types is carried at average cost and is expended when consumed.

Fixed Assets

General fixed assets are recorded as expenditures in the governmental fund types at time of purchase. These assets are capitalized at cost in the General Fixed Assets Account Group (GFAAG). The County has elected not to capitalize interest costs during the construction phase for assets capitalized in the GFAAG but does capitalize such interest, net of interest earned on invested proceeds over the same period, for assets capitalized in proprietary funds. In the case of acquisitions through gifts or contributions, such assets are recorded at fair market value at the time received. No depreciation has been provided on general fixed assets. Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems have not been capitalized. Such assets normally are immovable and of value only to the County; therefore, the purposes of stewardship and cumulative accountability for capital expenditures are satisfied without recording these assets. Proprietary fund type fixed assets are reported in those funds at cost or estimated fair market value at time of donation.

Depreciation is charged to operations of proprietary funds over the fixed assets' estimated useful lives using the straight-line method for structures and improvements, and the hours/miles-of-service method for equipment. The estimated useful lives are as follows:

Structure and Improvements	5-50 years
Equipment	4-20 years

Long-Term Liabilities

Long-term liabilities expected to be financed with resources from governmental fund types are accounted for in the General Long-Term Debt Account Group. Long-term liabilities of all proprietary fund types are accounted for in the respective funds.

Amounts recorded as accumulated leave benefits include an amount representing salary-related payments such as the employer's share of social security and medicare taxes associated with payments made for such compensated absences. Accumulated leave benefits including vacation, sick leave, and compensatory time worked in the amount of approximately $65.2 million for the governmental fund types as of June 30, 1999, is recorded in the General Long-Term Debt Account Group. These amounts would not be expected to be liquidated from expendable available financial resources but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

Reservation/Designation of Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Comparative Data/Totals-Memorandum Only

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the County's financial position and operations. Also, certain of the prior year amounts have been reclassified to conform with the current year financial statement presentations.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

General Budget Policies

An operating budget is adopted each fiscal year for the governmental funds. Annual budgets are not required to be adopted for SANCAL, a non-profit corporation. Accordingly, Special Revenue, Debt Service, and Capital Projects Funds for this entity are not included in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - (Budget and Actual) NonGAAP Budgetary Basis. Unencumbered appropriations for the governmental funds lapse at fiscal year-end. Encumbered appropriations are carried forward to the subsequent fiscal year. Budgets for the governmental funds are adopted on a basis of accounting which is different from generally accepted accounting principles.

The major areas of differences are as follows:

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are reported as budgeted expenditures in the year the commitment to purchase is incurred. For GAAP purposes, encumbrances outstanding at fiscal year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities, because the appropriations for these commitments will be carried forward and the commitments honored in the subsequent fiscal year.

Long-term capital lease obligations are not budgeted as an expenditure and source of funds in the year the asset is acquired. Under a GAAP basis, such obligations are included as an expenditure and source of funds in the year the asset is acquired.

Loans and deposits to other agencies, if any, and their subsequent repayments are budgeted as expenditures and revenues, respectively. Under a GAAP basis, these items are not recognized as expenditures and revenues.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Expenditures may not legally exceed budgeted appropriations at the expenditure object level within each department. Departmental intrafund expenditure transfers do not have the budgetary status of legal appropriations. Therefore, variances between estimated transfers and actual transfers are not displayed in the general purpose financial statements, but are displayed as a general fund schedule within the Comprehensive Annual Financial Report. All amendments to the adopted budget require Board approval and, as such, reported budget figures are as originally adopted or subsequently amended by the Board. Supplemental appropriations during the year ended June 30, 1999, amounted to $114.1 million in the general fund.

B. BUDGETARY TO GAAP BASIS RECONCILIATION

The following schedule is a reconciliation of the budgetary and GAAP fund balances (In Thousands):

BUDGETARY TO GAAP BASIS RECONCILIATION

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
Fund Balance-Budgetary Basis	$225,481	168,602	1,054	(211)
Encumbrances Outstanding at Year-End	56,092	24,938	0	49
Fair Value Change in Investments	(527)	(597)	(5)	(66)
Fund Balances-Non Budgeted Funds	0	440	28,013	11,807
Fund Balances - GAAP Basis	$281,046	193,383	29,062	11,579

C. FUND DEFICITS

The following funds have an accumulated deficit at June 30, 1999 (In Thousands):

Capital Projects Funds

San Diego County Redevelopment Agency (SDCRA)	$ 2,022

Enterprise Funds

Transit	$ 25

Internal Service Funds

Risk Financing	$25,794

The deficit within the SDCRA fund is due to the use of loan proceeds in advance of the receipt of benefit fees or incremental tax revenues. This deficit will be reduced in future years upon the receipt of the incremental tax revenues. The deficit within the Transit fund is due to inadequate cost recovery from user fees and the recognition of fair value changes in the value of investments. This deficit will be reduced in future years as securities mature and user fees are adjusted to cover costs. The deficit in the Risk Financing fund is due to the prior years' recognition of liabilities based on actuarial studies. This deficit is expected to be reduced over a 10 year period beginning July 1, 1997, through increased rates to County departments and reduced claim experience through increased risk management.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. EQUITY IN POOLED CASH AND INVESTMENTS, CASH, INVESTMENTS, AND OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS

The County maintains a cash and investment pool that is available for use by all funds of the County as well as the funds of other agencies for which the County Treasury is the depository. The San Diego County Treasurer issues a separate annual financial report on the County Investment Pool. This report may be obtained by writing to the San Diego County Treasurer, Room 112, County Administration Center, 1600 Pacific Highway, San Diego, California, 92101 or by calling (619) 531-5211.

Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments." Interest earned on the pooled funds is accrued in a pooled interest apportionment fund and is allocated based on the average daily cash balances of the participating funds. State law requires that interest income related to certain funds be considered income of the general fund of the County. Such interest has been recorded as revenue in the general fund.

"Cash with Fiscal Agents," represents amounts on deposit with trustees for the SANCAL, San Diego County Housing Authority, SDCERA, County revolving funds, and for repayment of General Fund Tax and Revenue Anticipation Notes.

"Investments," represents the Inactive Waste Site Management Fund investments, the Pension Trust Fund investments and bonds held for other agencies.

Deposits: At year-end the carrying amount of the County's deposits was $653,123,000 and the balance per various financial institutions was $653,027,000. Of the balance in financial institutions, $888,000 was covered by federal deposit insurance and $652,139,000 was collateralized according to State statutes which require depositories having public funds on deposit to maintain a pool of securities with the agent of the depository having a market value of at least 10% in excess of the total amount of all public funds on deposit. Of this amount $392,273,000 was held by the County or its agent in the County's name and $259,866,000 was held by the depository's trust department or agent in the County's name.

Investments: State statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase and reverse repurchase agreements, and negotiable certificates of deposit issued by national and state licensed or chartered banks or federal or state savings and loan associations. Pension Trust Fund investments are authorized by the County Employees' Retirement Law of 1937. Statutes authorize "Prudent Expert" guidelines as to the form and types of investments which may be purchased. The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. (In Thousands) Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by counterparty's trust department or agent in the County's name. There were no investments with a risk Category 2 at June 30, 1999. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

	CATEGORY 1	CATEGORY 3	FAIR VALUE
Investments - Categorized			
Bankers Acceptances	$	109,358	109,358
Repurchase Agreements	172,000	44,964	216,964
Commercial Paper	275,875		275,875
U.S. Government Securities	712,735	163,477	876,212
Negotiable certificates of deposit	622,859		622,859
Corporate notes	205,219		205,219
Corporate bonds	403,552		403,552
Common and preferred stock	2,296,221		2,296,221
Investments held by the County for other agencies:			
U.S. Government Securities	3,764		3,764
Corporate bonds	40		40
Common stock	1		1
Corporate Notes	7,738		7,738
Subtotal	4,700,004	317,799	5,017,803
Investments - Not Categorized			
Investments held by broker dealers under securities loans:			
U.S. Government securities			94,475
Corporate bonds			55,821
Common and preferred stock			159,841
Mutual Funds			154,838
Real Estate Equity			198,850
TOTAL INVESTMENTS			$5,681,628

Fair values and estimates of fair values are provided monthly by an independent pricing agency and such values are not supported by any guarantees on the part of the pool sponsor or the pricing agency. The County and certain school districts are involuntary pool participants in the County Treasurer's investment pool and represent 92.3 percent of the total pooled cash and investments on hand at June 30, 1999.

Reverse Repurchase Agreements: State statutes permit the County to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The County had no reverse repurchase agreements outstanding at June 30, 1999. Due to significantly higher cash flows and market conditions at certain times during the year, the County's investments in repurchase agreements increased significantly and were substantially higher at those times.

Securities Lending Transactions: Under the provisions of State statutes, the County Treasurer lends U.S. government obligations and SDCERA lends U.S. government obligations, domestic and international bonds and equities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The County's custodial bank manages the securities lending programs for the County Treasurer and receives cash and securities as collateral pledged at 102 percent of the market value of securities lent. Fiscal agents for SDCERA manage the securities lending programs and receive cash securities pledged at 102 percent of fair value for domestic securities lent and 105 percent of the fair value of international securities lent. Additional collateral has to be provided the next business day if its value falls to 100 percent or less of the market value of the securities lent. The collateral securities can not be pledged or sold by the County Treasurer or SDCERA unless the borrower defaults. No more than 20 percent of the Treasurer's pooled investment portfolio may be lent at one time. There is no restriction on the amount of SDCERA securities that may be lent at one time. Securities on loan at year-end are presented as unclassified in the preceding schedule of custodial credit risk and represent transactions of the SDCERA pension trust fund. At year-end, the pension trust fund has no credit risk exposure to borrowers because the amounts SDCERA owes the borrowers exceeds the amounts the borrowers owe SDCERA. The term to maturity of securities loans is generally matched with the term to maturity of the cash collateral. Such matching existed at fiscal year end.

B. RESTRICTED ASSETS-INVESTMENTS

Certain investments have been restricted by operation of law to fund post closure landfill costs over a 30-year period. These investments are recorded in the Inactive Waste Site Special Revenue Fund.

C. GENERAL FIXED ASSETS

The following is a summary of investments in general fixed assets by sources and a summary of changes in general fixed assets as of and for the year ended June 30, 1999.

Sources of Investments in General Fixed Assets
By Fund at June 30,1999
(In Thousands)

General Fund:	
General Fund Revenues	$1,194,856
Federal and State Grants	2,997
Special Revenue Funds:	
Special Revenue Fund Revenues	75,595
Special Revenue State & Federal Grants	81
Capital Projects Funds:	
Lease Revenue Bonds	174
Certificates of Participation	250
Total	$1,273,953

Summary of Changes in General Fixed Assets by Class
For the Year Ended June 30, 1999
(In Thousands)

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 191,969	19,657	17,337	194,289
Structures & Improvements	486,726	85,900	13,579	559,047
Equipment	108,112	9,823	15,631	102,304
Construction in Progress	452,436	40,326	74,449	418,313
Total	$ 1,239,243	155,706	120,996	1,273,953

D. PROPRIETARY FUND TYPE FIXED ASSETS

Following is a summary of Proprietary Fund Type Fixed Assets by class as of June 30, 1999 (In Thousands):

	Enterprise	Internal Service
Land	$ 7,480	
Structures & Improvements	88,870	
Equipment	9,988	56,003
Construction in Progress	5,359	
Total	111,697	56,003
Less Accumulated Depreciation	40,345	16,121
Net	$ 71,352	39,882

E. LEASE COMMITMENTS

The County has commitments under long-term property operating lease agreements for facilities used for operations. These leases do not meet the criteria for capitalization under FASB Statement 13. The County is the lessee under the terms of several noncancellable operating leases for real property used to house certain County facilities. The combined rental cost for which the County is obligated under these leases is as follows (In Thousands):

Fiscal Year	Minimum Payments
1999/2000	$5,125
2000/01	3,380
2001/02	2,358
2002/03	1,638
2003/04	1,250
Thereafter	9,003
Total	$22,754

Total rental expense for all real property operating leases for the year ended June 30, 1999, was approximately $15.7 million.

In addition to real property leases, the County has also entered into long-term operating leases for personal property, a large portion of which represents data processing and duplicating equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 1999, was approximately $11.8 million.

Certain buildings and equipment are being leased under capital leases as defined in FASB Statement 13. The present value of the minimum lease obligation has been capitalized in the General Fixed Asset Account Group and is reflected as a liability in the General Long-Term Debt Account Group. The County assumes responsibility for all maintenance, repair, and structural modifications under the terms of the lease agreements.

Capital Lease-Property Class	June 30,1999 (In Thousands)
Structures and Improvements	$47,678
Equipment	37,924
Total	$85,602

Future minimum lease payments under capital leases consisted of the following at June 30, 1999 (In Thousands):

Fiscal Year	Minimum Lease Payments
1999/00	$10,199
2000/01	10,015
2001/02	9,251
2002/03	9,065
2003/04	8,735
Thereafter	86,700
Total Minimum Lease Payments	133,965
Less: Amount Representing Interest	(48,363)
Net Lease Payments	$85,602

F. GENERAL LONG-TERM DEBT

General Long-Term Debt outstanding at June 30, 1999, consists of certificates of participation, capital lease obligations (See Note 3E), pension obligation bonds, revenue bonds, contracts/loans payable, accumulated unpaid employee leave benefits (See Note 1F) and landfill closure costs as follows (In Thousands):

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
San Diego County Capital Asset Leasing Corporation (SANCAL):				
1989 Certificates of Participation issued November, 1989	6.20 - 7.10%	2009	$24,433	$ 15,648
1991 Certificates of Participation issued September, 1991	4.80 - 6.50%	2007	38,045	24,765
1993 Certificates of Participation issued March, 1993	3.00 - 5.75%	2013	7,640	6,335
1993 Certificates of Participation issued March,1993	3.25 - 5.10%	2007	26,085	18,415
1993 Certificates of Participation issued May, 1993	2.50 - 5.625%	2012	203,400	147,675
1996 Certificates of Participation issued May, 1996	4.30 - 5.50%	2018	52,230	52,230
1996 Certificates of Participation issued December, 1996	4.00 - 6.00%	2019	37,690	37,690
1997 Certificates of Participation issued June, 1997	4.00 - 4.80%	2004	28,035	21,515
1997 Certificates of Participation issued July, 1997	4.00 - 5.00%	2025	80,675	79,105
1998 Certificates of Participation issued January, 1999	4.00 - 4.94%	2022	73,115	70,440
Total Certificates of Participation			571,348	473,818
Capitalized Leases:				
San Diego Regional Building Authority Lease beginning October, 1991	4.60 - 6.363%	2019	46,965	41,135
Third Party Financing Leases:				
Motorola Corporation Lease beginning December, 1995	5.65%	2011	39,772	34,069
Others various beginning dates from December, 1991 to the present	4.24 - 8.00%	1996 - 2007	17,324	10,398
Total Capitalized Leases			104,061	85,602

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
Other Long-Term Obligations:				
Calif. Integrated Waste Mgmt Board Loans beginning December, 1995	5.83- 5.87%	2016	$ 1,260	$ 1,190
Taxable Pension Obligation Bonds Series A	4.7 - 6.60%	2007	430,430	373,220
Revenue Bonds Redevelopment Agency Series 1995	4.75- 6.75%	2020	5,100	4,960
Total			1,112,199	938,790
Accumulated Unpaid Employee Leave Benefits				65,245
Landfill Closure				101,000
Total General Long-Term Debt				$1,105,035

The certificates of participation of the SANCAL non-profit corporation listed above are secured by annual base rental lease payments payable by the County for use of the facilities constructed or equipment purchased from debt proceeds. The capital leases between the County and SANCAL have been eliminated for financial reporting purposes and the related assets and debt (e.g. certificates of participation of SANCAL) are reported as San Diego County's assets and debt, respectively.

Changes in General Long-Term Debt for the year ended June 30, 1999, are summarized as follows (In Thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Lease Revenue Bonds/Certificates of Participation	$424,338	73,115	23,635	473,818
Capital Lease Obligations	153,772	3,856	72,026	85,602
Contracts/Loans Payable	1,260		70	1,190
Pension Obligation Bonds	395,475		22,255	373,220
Redevelopment Agency Revenue Bonds	5,035		75	4,960
Accumulated Unpaid Employee Leave Benefits	69,438		4,193	65,245
Inactive Landfill Closure	101,000			101,000
Total	$1,150,318	76,971	122,254	1,105,035

The following is a schedule of debt service requirements to maturity, including interest, for General Long-Term Debt outstanding at June 30, 1999 (In Thousands). Accumulated unpaid employee leave benefits and Landfill Closure are excluded since they are not estimable due to timing of payments.

Fiscal Years Ending June 30	Certificates Of Participation	Capital Leases	Other Long-Term Obligations	Pension Obligation Bonds	Redevelop-ment Agency	Total
2000	$52,555	10,200	140	48,756	406	112,057
2001	52,864	10,015	135	51,195	411	114,620
2002	53,107	9,251	131	53,753	420	116,662
2003	53,041	9,151	127	56,448	424	119,191
2004	51,283	8,648	124	59,270	422	119,747
2005-2009	207,487	40,224	555	222,271	2,137	472,674
2010-2014	112,233	25,487	453		2,167	140,340
2015-2019	65,394	17,491	152		2,202	85,239
2020-2024	39,093	3,498			887	43,478
2025-2026	10,119					10,119
Total	$ 697,176	133,965	1,817	491,693	9,476	1,334,127

Prior Year Defeasance of Debt

In prior years, the County defeased certain lease revenue bonds/certificates of participation (COPs) by placing the proceeds of the original issue plus additional County contributions in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the liability for the defeased obligations are not included in the County's financial statements. At June 30, 1999, $101 million of bonds/COPs outstanding are considered defeased.

Advance Refunding of Long-Term Debt

San Diego County Capital Asset Leasing Corporation (SANCAL)
On January 1, 1999, SANCAL issued $73.1 million in Certificates of Participation (COPs) with an average interest rate of 4.6 percent to advance refund $71.6 million in lease revenue bonds issued by the San Diego Regional Building Authority (the “Authority”). Lease revenue bonds issued by the Authority in July 1993 were secured by a long-term capital lease between the County and the Authority with an average interest rate of 5.3 percent. Net proceeds of $71.7 million (after payment of $1.4 million in bond discount, underwriting fees, insurance, and other issuance costs) plus $5.5 million held in trustee debt service reserve funds were used to purchase U.S. government securities and to fund required COPs reserves. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 lease revenue bonds of the Authority. As a result, the 1993 lease revenue bonds of the Authority, secured by a long-term capital lease between the Authority and the County, are considered defeased. The liability for the long-term capital lease has been removed from the general long-term debt account group. SANCAL advance refunded the 1993 lease revenue bonds to reduce the total debt service payments over the next 24 years by $2,138,137, obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $889,865 and eliminate certain restrictive covenents applicable to the lease revenue bonds.

Inactive Landfill Closure Costs

The County maintains 17 waste disposal sites that were closed prior to 1985. Consistent with State and Federal regulations pertaining to closed landfills, post closure costs for these landfills, to include facilities maintenance and groundwater monitoring over a 30 year period, are estimated at $101 million in current year costs. This amount has been recorded in the general long-term debt account group. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The County has funded this liability from cash reserves realized in prior years.

G. PROPRIETARY FUND TYPES LONG-TERM DEBT

Proprietary fund types long-term debt consists of revenue bonds, loans payable, contracts payable, capital leases, long-term claims payable and unpaid accumulated employee leave benefits. The revenue bonds are general obligations of the issuing district and as such, the district is empowered and obligated to levy ad valorem taxes upon all taxable property within the district without limit as to rate or amount for the purpose of paying the principal and interest. The bonds are also payable from restricted sewer service revenues of the issuing districts. A schedule of Proprietary Fund Types Long-Term Debt is as follows (In Thousands):

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding 6/30/1999
Revenue Bonds:				
Alpine Sanitation 1970A	6.70 - 7.00%	2001	$ 285	$65
Loans:				
Julian Sanitation	5.3%	2003	61	16
Capital Leases:				
Mail/Print/Records ISF:				
Koch Financial	4.73%	2002	166	127
Pitney Bowes	4.62%	2003	304	250
Fleet ISF:				
Koch Financial	4.88 - 5.63%	2002	5,803	2,586
Pitney Bowes	4.22 - 4.87%	2004	8,683	8,422
Total			15,302	11,466
Contract Payable Spring Valley Sanitation District				344
Long-Term Claims Payable - Risk Financing ISF				65,221
Unpaid Accumulated Employee Leave Benefits				315
Total Proprietary Fund Types Long-Term Debt				$77,346

The following is a schedule of debt service requirements to maturity, including interest, for Proprietary Fund Types Revenue Bonds, Loans and Capital Leases outstanding at June 30, 1999. Accumulated unpaid employee leave benefits are excluded because they are not estimable due to timing of payments. Long term claims payable are also excluded since they are based on estimates which are uncertain as to the probable date of payment (In Thousands):

Year Ending June 30	Revenue Bonds	Loans	Capital Leases	Total
2000	$24	4	3,701	3,729
2001	22	5	3,444	3,471
2002	26	4	2,588	2,618
2003		5	2,112	2,117
2004			497	497
Total	$72	18	12,342	12,432

H. SPECIAL ASSESSMENT DEBT

The County Treasurer/Tax Collector acts as an agent for property owners and bondholders in collecting and forwarding special assessment monies. The County is not obligated for repayment of any special assessment bonds and all special assessment debt is solely the obligation of various separate governmental agencies. The amount of special assessment debt outstanding for which the County is a fiduciary is $20.8 million at June 30, 1999.

I. INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund interfund balances at June 30, 1999 were (In Thousands):

	Due From Other Funds	Due To Other Funds
General Funds:	$90,084	14,106
Special Revenue Funds:		
Road Fund	1,789	1,204
Inactive Waste Site	40	102
Lighting District	31	37
Air Pollution District	178	105
County Library Fund	94	265
Asset Forfeiture Program Fund	35	3
Inmate Welfare Program	154	195
HCD	366	4,586
Cable TV Fund	15	49
Park Land Dedication Fund	69	149
County Service Area Funds	165	801
Flood Control District Funds	35	81
Housing Authority Fund	283	903
Other Special District Funds	5	150
Total Special Revenue Funds	3,259	8,630

I. INTERFUND RECEIVABLE AND PAYABLE BALANCES (Continued)

	Due From Other Funds	Due To Other Funds
Debt Service Funds:		
Pension	$197	
Nonprofit Corporation Funds	2	
Redevelopment Agency Funds	13	4
Total Debt Service Funds	212	4
Capital Projects Funds:		
Capital Outlay Funds	3,540	2,321
Edgemoor Development Fund	6	1
Nonprofit Corporation Funds	587	1,237
Redevelopment Agency Funds	33	23
Total Capital Projects Funds	4,166	3,582
Enterprise Funds:		
Airport Fund	167	118
Liquid Waste Fund	228	94
Transit Fund	63	6
Sanitation Districts	529	159
Total Enterprise Funds	987	377
Internal Service Funds:		
Road & Communication Funds	862	429
Purchasing Funds	4,846	4
Risk Financing	1,054	183
Fleet Services	2,430	673
Mail, Print, Records	167	148
Other Miscellaneous Funds	20	222
Total Internal Service Funds	9,379	1,659
Trust and Agency Funds:		
Pension Trust Fund	651	3
Property Tax Collection Funds	2,520	4,711
Investment Trust Fund	7,307	44,253
County Departmental Funds	2,276	20,725
Special Purpose Funds	2,424	25,215
Total Trust & Agency Funds	15,178	94,907
Total Due To - Due From	$ 123,265	123,265

I. INTERFUND RECEIVABLE AND PAYABLE BALANCES (Continued)

	Advances To Other Funds	Advances From Other Funds
General Fund:	$689	
Special Revenue Funds:		
County Service Area Funds		504
Flood Control District Funds	157	
Total Special Revenue Funds	157	504
Debt Service Funds:		
Nonprofit Corporation Funds	535	
Redevelopment Agency Funds		287
Total Debt Service Funds	535	287
Capital Projects Funds:		
Redevelopment Agency Funds		3,395
Total Capital Project Funds		3,395
Enterprise Funds:		
Airport Fund	2,701	
Sanitation Districts Fund	135	347
Total Enterprise Funds	2,836	347
Internal Service Funds:		
Special District Loans Funds	316	
Total Internal Services Funds	316	
Total Advances To - Advances From	$4,533	4,533

J. RESIDUAL EQUITY TRANSFERS

Residual equity transfers consisted primarily of transfers from the General Fund to the Fleet Internal Service Fund (ISF) in the amount of $9.29 million. Total residual equity transfers in do not equal total residual transfers out because the $9.29 million is recorded as an addition to contributed capital in the Fleet ISF.

K. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains three Enterprise Funds which provide airport, liquid waste, and transit services. Segment information for the year ended June 30, 1999, for those funds and six sanitation districts for which the Board of Supervisors has oversight responsibility was as follows (In Thousands):

	Airport	Liquid Waste	Transit	Sanitation Districts	Totals
Operating Revenue	$4,500	3,792	10,793	18,193	37,278
Depreciation	762	13	422	1,523	2,720
Operating Income (Loss)	(1,346)	(4)	(615)	1,176	(789)
Tax Revenue	-	-	-	27	27
Grant Revenue	1,006	43	-	-	1,049
Other Nonoperating Revenue	376	129	251	2,697	3,453
Nonoperating Expenses	-	-	-	395	395
Nonoperating Income or (Loss)	1,382	172	251	2,329	4,134
Net Income or (Loss)	(37)	44	(364)	3,480	3,123
Capital Contributions	-	-	1,320	496	1,816
Plant, Property and Equipment:					
Additions	2,629	-	1,320	1,212	5,161
Deletions	-	-	-	369	369
Net Working Capital	6,900	940	(25)	46,142	53,957
Total Assets	29,399	1,217	8,513	93,157	132,286
Total Equity	28,294	840	3,235	92,200	124,569
Long-Term Liabilities	112	203	-	425	740

L. CONTRIBUTED CAPITAL

During fiscal year 1998/99, contributed capital increased or decreased by the following amounts (In Thousands):

Enterprise Funds

SOURCE	Airport	Liquid Waste	Transit	Sanitation Districts
Capital Grants	$		1,320	
Developer's Contributions				496
Government's Contributions				
Total Additions (Reductions)			1,320	496
Accumulated Depreciation on Grant Funded Fixed Assets			(5,590)	
Contributed Capital, July 1	15,922	695	7,530	21,846
Contributed Capital, June 30	$15,922	695	3,260	22,342

Internal Service Funds

Source	Road And Communication Equipment	Purchasing	Special District Loans	Risk Financing	Other Misc.	Fleet	Mail/ Print Records	Total
Governments' Contributions								
Total Additions (Reductions)	$		6			10,035	1	10,042
Contributed Capital, July 1	9,541	1,171	896	-	4	13,580	574	25,766
Contributed Capital, June 30	$9,541	1,171	902	-	4	23,615	575	35,808

4. OTHER NOTE DISCLOSURES

A. COMMITMENTS AND CONTINGENCIES

(1) Litigation

In addition to the accrued liability for litigation and Workers Compensation claims described in Note 4C, the County has a potential liability of $67 million to $123 million that could result if unfavorable final decisions were rendered in numerous lawsuits to which the County is a named defendant. Appropriations are budgeted annually for those portions of obligations coming due that fiscal year. Estimates of potential liabilities described above include estimates of claims incurred but not reported at June 30, 1999.

Included in the above is the potential liability related to three petitions for writ of mandate filed against SDCERA (and the County of San Diego as real party in interest) seeking recalculation of retirement benefits. More specifically, the cases seek to expand and apply retroactively the California Supreme Court's decision in Ventura County Deputy Sheriffs' Assn. v. County of Ventura (1997) 16 Cal.4th 483 ("Ventura"). Petitioners in the lawsuits seek both prospective and retroactive relief. Some petitioners request relief retroactive to October 1, 1994; others seek relief retroactive to the date of retirement, regardless of retirement date. Petitioners seek a recalculation of "final compensation" (as defined in Government Code section 31462.1) and "compensation earnable" (as defined in Government Code section 31461), which will increase retirement benefits for retired and active members. Similar cases have been filed in several 1937 Act Counties, and have been coordinated before the Superior Court in the County of San Francisco. Petitioners in the San Diego (and most other cases) have been granted class action status. County Counsel expects that it will be at least one year before the Superior Court rules on the merits of the case.

The likelihood that petitioners will prevail on some of their requests to add items to the calculation of final compensation and compensation earnable is high. County management and SDCERA estimate that it is reasonably possible that the County's share of the unfunded liability will be in the range of $50-100 million.

(2) Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately $93.5 million in sick leave. These benefits are not payable to employees upon termination and are normally liquidated in future years as employees elect to use their benefits as prescribed by Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation has been recorded as current or long-term liabilities in the appropriate funds or General Long-Term Debt Account Group as described in Note 1F.

(3) Tax and Revenue Anticipation Notes

At June 30, 1999 $175 million of Tax and Revenue Anticipation Notes issued during fiscal year 1998/99 were still outstanding. Monies for complete redemption of these notes were fully segregated with an independent trustee at June 30, 1999, and subsequently used to redeem the notes on September 30, 1999. On July 1, 1999, the County issued $130 million of Tax and Revenue Anticipation notes to finance fiscal year 1999/00 General Fund cash flow requirements. The issues will be redeemed on September 30, 2000.

(4) Teeter Obligation Commercial Paper Notes

From November 1995 through June 1999, the County issued $51.0 million in taxable and $152.9 million in tax-exempt commercial paper notes (CP) to provide ongoing financing for tax apportionments to taxing jurisdictions within the County in the amount of delinquent secured property taxes due these districts. The notes are secured by delinquent secured property tax collections. No CP can be issued for a period longer than 270 days. At June 30, 1999, the outstanding balances of CP were $8.8 and $47.1 million for taxable and tax-exempt notes, respectively.

(5) Third Party Debt

Mortgage Revenue Bonds

Multi-family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the County to be partially occupied by persons of low or moderate income. Between December 1985 and December 1996, the County issued $43.5 million of Mortgage Revenue Bonds of which $37.9 million were still outstanding as of June 30, 1999.

Certificates of Participation

Beginning in April 1998, $112 million in Certificates of Participation have been issued to provide funding for construction of capital improvements and refunding of prior obligations for a hospital and medical center located within the County. Also, in December 1998, the County entered into a lease agreement with the San Diego Natural History Museum to issue $15 million of COPs to finance certain museum improvements. As of June 30, 1999, $127 million of such COPs are still outstanding.

Industrial Development Revenue Bonds

Industrial Development Revenue Bonds have been issued to provide financial assistance for the acquisition, construction, and installation of facilities for industrial, commercial, or business purposes to mutually benefit the citizens of the County. The County issued $3.5 million of Industrial Development Revenue Bonds in October 1987 of which $2.4 million were still outstanding as of June 30, 1999.

Mortgage Revenue Bonds, Certificates of Participation and Industrial Development Revenue Bonds as described above, together with interest thereon, are limited obligations of the County payable solely from bond proceeds, revenues and other amounts derived solely from home mortgage and health institutions, developer loans secured by first deeds of trust, irrevocable letters of credit, and irrevocable surety bonds. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability for these bonds have been recorded in the General Long-Term Debt Account Group.

(6) Federal Programs

The County participates in a number of federal financial assistance programs. Although these programs have been audited through June 30, 1998, in accordance with the provisions of the Single Audit Act of 1996, the resolution of previously identified questioned costs has not occurred. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

(7) SDCERA

SDCERA is party to managed future contracts, financial instruments with off-balance sheet risk, to generate earnings and to hedge the investments in fixed income securities and common stocks, thereby reducing its own exposure to fluctuations in market conditions. These contracts include, but are not limited to contracts for delayed delivery of securities, commodities or currencies in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Risks arise from the possible inability of counterparties to meet the terms of their contract. The risk of accounting loss from this off-balance sheet financial instrument includes credit risk and the possibility that future changes in market prices may make such a financial instrument less valuable (market risk).

Not reflected in the pension trust fund financial statements are commitments to acquire real estate totaling $54.9 million.

(8) Deposits for Other Agencies

The Treasurer is a named paying agent for various bonds issued by other agencies, e.g., school districts, pursuant to the bond resolutions. The proceeds from these issues are deposited with financial institutions as guaranteed investment contracts in accordance with the provisions of the bond resolution and contractual relationships between the Treasurer and these financial institutions. The amounts deposited belong to the specific agency which issued the bonds and are not assets of the County reporting entity and are not held in the County's external investment pool. The County has no liability with respect to these issues.

B. RISK MANAGEMENT

The County operates a Risk Management Program, whereby it is self-insured for premises liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, general liability, and workers' compensation. The County purchases insurance for property damage, certain casualty claims, and loss of money up to $10,000 per selected site locations. The amount and coverage remains the same as in the prior year. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. During fiscal year 1994/95, the County established an Internal Service Fund (ISF) to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. An actuarial evaluation was used to determine the outstanding liabilities at June 30, 1999. The actuarial estimate was based partially on the experience of similar governmental entities and included the effects of specific incremental claim adjustment expenses, salvage and subrogation if such factors could be estimated. This estimate may be modified in future years to reflect the historical accumulation of the County's actual claims experience. At June 30, 1999, the amount of these liabilities, including an estimate for claims incurred but not reported, was estimated at $65.2 million, including $17.7 million in public liability and $47.5 million in workers' compensation. The County began allocating the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll beginning fiscal year 1996/97. Changes in the balances of claim liabilities for fiscal year 1997/98 and 1998/99 were as follows (In Thousands):

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
1997/98	$76,410	$21,809	$(13,962)	$84,257
1998/99	84,257	(3,902)	(15,134)	65,221

C. JOINT VENTURE

The County is a participant with 16 incorporated cities in a joint venture to operate an emergency services organization for the purpose of providing regional planning and mutual assistance in the event of an emergency or disaster in the region including accidents involving hazardous waste. The organization is governed by the Unified Disaster Council composed of one voting member from each represented jurisdiction. A contractual agreement requires that the cities provide one half of the total required funding each year. The County, by agreement, also provides one half of the required yearly funding. Any participant may terminate participation in the agreement by giving 120 days notice prior to the beginning of the next fiscal year. Total participant contributions for the 1998/99 fiscal year were $396,332. The organization had a cumulative surplus of $32,005 at June 30, 1999. Separate financial statements for the joint venture may be obtained from the County Chief Financial Officer/Auditor and Controller.

D. JOINTLY GOVERNED ORGANIZATIONS

The County Board of Supervisors jointly governs two service authorities, the Service Authority for Abandoned Vehicles and the Service Authority for Freeway Emergencies. These Authorities are governed by two seven-member boards, consisting of representatives from the city councils of the incorporated cities within the County and two members of the County Board of Supervisors. The purpose of the authorities is to provide for the removal of abandoned vehicles on streets and highways and to provide for freeway emergency call boxes on major freeways within the County, respectively. Funding for the authorities is derived from vehicle license fee surcharges, which are collected by the State and deposited into the County Treasury. The County provides minimal administrative staff support for these authorities.

The County Board of Supervisors and the San Diego City Council jointly govern the San Diego Workforce Partnership (the "Partnership"). The Partnership's Board of Directors consists of two members of the County Board of Supervisors, two members from the San Diego City Council and one member of a charitable organization. The purpose of the Partnership is to provide employment training to area residents. Funding for such training is provided by State and Federal grants.

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

E. SAN DIEGO COUNTY EMPLOYEES' RETIREMENT SYSTEM

(1) Plan Description

The SDCERA administers a single-employer defined benefit pension plan which provides retirement, disability, and death benefits for plan members and beneficiaries pursuant to the County Retirement Law of 1937 enacted and amended by the State legislature. The plan is integrated with the Federal Social Security System. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the SDCERA Board of Retirement. SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. The financial report may be obtained by writing to the San Diego County Employees Retirement Association, 1495 Pacific Highway, Suite 400, San Diego, California 92101 or by calling (619) 515-6800.

(2) Basis of Accounting and Fair Value of Investments (See Notes 1D and 1F, respectively).

(3) Funding Policy

State statutes require member contributions to be actuarially determined to provide a specific statutory level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the County to pay a portion of the employees' contribution. Member contribution rates (weighted average) expressed as a percentage of salary are 5.33% for general members and 7.97% for safety members. The County is also required by State statutes to contribute at an actuarially determined rate; the 1998/99 rates, expressed as a percentage of covered payroll, are -.60% for general members and 2.28% for safety members.

(4) Annual Pension Cost

For Fiscal Year 1998/99, there was no annual pension cost for the SDCERA pension plan due to amortization of negative unfunded actuarial accrued liabilities. The County made no contributions to the SDCERA pension plan since none were required. The zero required contribution was determined as part of the June 30, 1997, actuarial evaluation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.2% investment rate of return; (b) projected salary increases of 4.5%. Both (a) and (b) included an inflation component of 4.0%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five year period. Any unfunded actuarially accrued liability would be funded as a level percentage of projected payroll over a closed five year period.

(5) Schedule of Funding Progress (In Millions):
Required Supplementary Information Unaudited

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
6/30/97	$2,370.5	2,340.7	0	101.3%	$561.7	0%
6/30/98	2,688.1	2,487.9	0	108.0%	581.4	0%
6/30/99	2,834.5	2,677.5	0	105.9%	599.8	0%

(6) Three-Year Trend Information (In Thousands):

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/97	$23,269	100%	0
6/30/98	24,320	100%	0
6/30/99	0	100%	0

(7) Postretirement Health Care Benefits:

Depending on the availability of fund earnings, SDCERA provides postretirement health care benefits on a pay as you go basis for retirees who have had at least ten years employment with the County. SDCERA contributes health insurance premiums for five sponsored health maintenance organizations of $210 per month for each retiree under the age of 65 with 20 or more years of service and $110 per month for each retiree over the age of 65 with 10 or more years of service plus a cost of living adjustment based on years since retirement. Premium amounts in excess of these amounts are paid by the retiree. SDCERA also reimburses a fixed amount of $43 per month for a Medicare supplement for each retiree over age 65. State statutes governing County retirement systems provide authority for SDCERA, with the consent of the SDCERA Board of Directors, to make such payments from interest earnings in excess of interest required to be credited to specific statutory reserves. SDCERA is not obligated to provide such benefits in future years and retired employees have no vested rights to receive such benefits. Accordingly, these postretirement health care benefits are not defined benefits as are pension plan benefits.

Approximately 8,200 retirees or surviving spouses are eligible to receive these benefits. SDCERA recognizes the cost of providing those benefits by expending annual insurance premiums, which approximated $8.2 million for fiscal year 1998/99. A reserve established by the SDCERA Board of Directors for the payment of postretirement health care benefits was approximately $132 million at June 30, 1999, a $1 million decrease from the previous fiscal year.

(8) Equity and Bond Swaps and Futures Contracts:

SDCERA utilizes various financial instruments such as equity and bond interest rate swap agreements and stock and bond futures contracts in order to synthetically create exposure to the equity and bond markets. These financial instruments are intended to be equivalent to the asset they are designed to emulate and SDCERA management believes such investments offer significant advantages over the direct investment in securities including lower transaction fees and custody costs. The SDCERA governing board of directors has adopted a policy whereby specified amounts of cash and certain securities equal the exposures resulting from these agreements.

The use of swap agreements does expose the pension trust fund to the risk of dealing with financial counterparties and their ability to meet the terms of the contracts. Forward contracts for the purchase of certain commodities are reported at fair value in the financial statements. Obligations to purchase the commodities are not recognized until the commodities are delivered.

F. NEW GOVERNMENTAL ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," which establishes accounting and reporting standards for deferred compensations plans established in accordance with section 457 of the Internal Revenue Code. The County has adopted the new standards for the current year and has determined that the County does not perform the duties of a fiduciary with respect to the deferred compensation plan assets held by third parties for employees of the County. Accordingly, such assets are no longer considered assets of the County and reported within an agency fund of the County. The adoption of this standard has resulted in a restatement of prior year financial statement amounts resulting in a reduction of agency fund assets and related liabilities of $275.4 million for the prior year.

The Government Accounting Standards Board issued Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," in December 1998 and June 1999, respectively. Statement 33 establishes accounting and financial reporting standards to guide state and local governments decisions about when to report the results of nonexchange transactions involving cash and other financial and capital resources. Statement 34 establishes new financial reporting requirements for state and local governments. The County has not adopted the new standards for the current year but must adopt these standards for the fiscal year beginning July 1, 2001. The County has not determined the effect on the financial statements in the year of adoption.