ALAMEDA COUNTY
AUDITOR-CONTROLLER AGENCY
PATRICK O'CONNELL
AUDITOR-CONTROLLER/CLERK-RECORDER

March 31, 2009

Federal Audit Clearing House
1201 E. 10th Street
Jeffersonville, IN 47132

RE: Single Audit Reporting

Enclosed is the Single Audit reporting package from the County of Alameda, California for the fiscal year 2007-08.

The reporting package includes the following:

A) Transmittal Letter

B) A copy of the single audit report which contains the following:

1. Financial Statements §_.310(a)
2. Schedule of Expenditures of Federal Awards §_.310(b)
3. Summary Schedule of Prior Audit Findings §_.315(b)
4. Opinion on Financial Statements and Schedule of Federal Awards §_.505(a)
5. GAS Report on Internal Control and on Compliance §_.505(b) & (c) (financial statements)
6. A-133 Report on Compliance and on Internal Control§_.505 (b) & (c) (major programs)
7. Schedule of Findings and Questioned Costs §_.505(d)

C) Corrective Action Plan §_.315(c)

D) Required Communications and Recommendations (Management Letter)

Please copy a reporting package to the Department of Labor which provided a federal award directly to the County of Alameda that is included in Summary Schedule of Prior Audit Findings.

Please contact me if you have any questions, my contact information is provided below.

Sincerely,

Ricky Lau, CPA, CIA
Internal Audit Manager

Contact Information
Ricky Lau, Internal Audit Manager
Address: Alameda County Auditor-Controller Agency, 1106 Madison Street, Room 431, Oakland, CA 94607
Telephone Number: 510.272.6570
Fax Number: 510.208.9963
Email: ricky.lau@acgov.org

COUNTY OF ALAMEDA

Single Audit Reports

Basic Financial Statements with
Federal Compliance Section

For the Fiscal Year Ended June 30, 2008

COUNTY OF ALAMEDA
Single Audit Reports
For the Fiscal Year Ended June 30, 2008

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COUNTY OF ALAMEDA
Single Audit Reports
For the Fiscal Year Ended June 30, 2008

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MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

The Grand Jury and Honorable Members
of the Board of Supervisors
County of Alameda, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alameda, California (County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alameda County Employees' Retirement Association (ACERA), which represents 73.8%, 77.6%, and 7.4% respectively, of the assets, net assets/fund balances, and revenue/additions of the aggregate remaining fund information as of and for the year ended June 30, 2008. We also did not audit the Alameda County Medical Center (ACMC) and the Zone 7 Water Facilities Enterprise Fund (Zone 7), whose financial activities are included in the County's basic financial statements as the discretely presented component unit. The ACERA, ACMC and Zone 7 financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Zone 7 were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 12, 13 and 14 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedules of funding progress, and the budgetary comparison schedules for the general fund, property development fund and flood control fund listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macias Gini & O'Connell LLP

Certified Public Accountants

Walnut Creek, California
January 29, 2009

Management's Discussion and Analysis

This section of the County of Alameda's (the County) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $1,783,592 (net assets). Of this amount, $531,744 is restricted for specified purposes and is not available to meet the government's ongoing obligations to citizens and creditors, $669,155 is invested in capital assets (net of related debt), and $582,693 is available to meet the County's ongoing obligations to citizens and creditors.

- The government's total net assets increased by $125,149 during the fiscal year. Revenues in the governmental activities exceeded expenses by $114,971. Approximately $10 million of the increase in the County's net assets is attributable to profits in the business-type activities. Water revenues in business-type activities decreased $4,036 or 8 percent during the year due to a decrease in licenses and permits due to lower construction activity and decreased sales of water partially offset by an increase of 8.4% in treated water rates. The cost for water increased by $3,200 or 8 percent.

- As of June 30, 2008, the County's governmental funds reported a combined ending fund balance of $1,667,762, an increase of $68,875 in comparison with the prior year. Approximately three-fourths of this total amount, $1,230,949, is available for spending at the government's discretion (unreserved fund balance).

- At the end of the current fiscal year, unreserved fund balance for the general fund was $573,336 or 33 percent of total general fund expenditures of $1,726,805.

- The County's gross long-term debt (excluding unamortized premiums, discounts and refunding losses) increased by $69,306 or 5 percent during the fiscal year ended June 30, 2008.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County of Alameda's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

The statement of net assets presents information on all of the County's 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods, such as revenues related to uncollected taxes and earned but unused vacation and compensating time off.

Both of the government-wide 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 assistance, health and sanitation, public ways and facilities, recreation and cultural services, and education. The business-type activities of the County include the Zone 7 Water Enterprise.

The government-wide financial statements include not only the County of Alameda itself (known as the primary government), but also a legally separate hospital authority for which the County appoints the Board of Trustees. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements

The fund financial statements are designed to report information about groupings of related accounts, which 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.

<u>Governmental funds</u>

Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. The County reports most of its basic services in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) year-end balances that are available for spending. Such information may be useful in evaluating the 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 fund balance sheet and the governmental fund 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 several individual governmental funds organized according to their type (special revenue, capital projects, debt service, and general fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, property development special revenue fund, flood control special revenue fund, capital projects fund, and debt service fund, all of which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 21-24 of this report.

Proprietary funds

Proprietary funds are generally used to account for services for a government's business-type activities (activities supported by fees or charges). The County maintains two different types of proprietary funds:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The County of Alameda uses an enterprise fund to account for the operations of the Zone 7 Water Enterprise. This entity is considered to be a major fund of the County.

- Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles, maintenance of buildings, risk management services, printing services, communications services and information technology services. 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 internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary funds

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 statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The County reports unapportioned taxes, as well as the external portion of the Treasurer's investment pool, the pension and other employee benefit trust funds and other agency funds under the fiduciary funds.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-79 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information other than this discussion and analysis concerning the County's progress in its obligation to provide pension benefits to its employees and budget-to-actual information for the County's general and major special revenue funds. Required supplementary information can be found on pages 81-85 of this report.

(Amounts in tables expressed in thousands)

Other supplementary information

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 88-115 of this report. Budgetary comparisons for the County's capital projects fund and non-major special revenue funds are also presented.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Alameda County, assets exceeded liabilities by $1,783,592 at June 30, 2008.

The largest portion of the County's net assets, $669,155 or 38 percent, reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure), less 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 its 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 used to liquidate these liabilities.

County of Alameda
Net Assets
June 30, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	$ 2,191,607	$ 1,969,167	$ 145,791	$ 147,660	$ 2,337,398	$ 2,116,827
Capital assets	1,020,790	1,026,364	169,922	153,569	1,190,712	1,179,933
Total assets	3,212,397	2,995,531	315,713	301,229	3,528,110	3,296,760
Liabilities:						
Current liabilities	342,385	303,020	7,052	4,113	349,437	307,133
Long-term liabilities	1,377,211	1,314,681	17,870	16,503	1,395,081	1,331,184
Total liabilities	1,719,596	1,617,701	24,922	20,616	1,744,518	1,638,317
Net assets:						
Invested in capital assets net of related debt	508,533	551,198	160,622	144,269	669,155	695,467
Restricted	531,744	473,468	-	-	531,744	473,468
Unrestricted (deficit)	452,524	353,164	130,169	136,344	582,693	489,508
Total net assets	$ 1,492,801	$ 1,377,830	$ 290,791	$ 280,613	$ 1,783,592	$ 1,658,443

An additional portion of the County's net assets, $531,744, represents resources that are subject to external restrictions as to how they may be used. The remaining balance of unrestricted net assets, $582,693, may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, $130,169 is in business-type activities and $452,524 relates to the County's governmental activities.

(Amounts in tables expressed in thousands)

There was an increase of $58,276 in restricted net assets reported in connection with the County's governmental activities. This was primarily due to a reclassification of Housing and Community Development within public assistance.

The County's net assets increased by $125,149 during the fiscal year ended June 30, 2008. About 11.06 percent of this increase represents increases in property tax revenue for which there were no offsetting expenses during the year. Increases in both operating and capital grants and contributions were totally offset by a decrease in revenue from charges for services. Six percent of the increase in the County's net assets is reflected in the fact that there was an extraordinary loss in the prior fiscal year. The remainder of the growth represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

County of Alameda
Changes in Net Assets
June 30, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Revenues:						
Program revenues:						
Charges for services	$ 470,615	$ 488,047	$ 46,457	$ 50,493	$ 517,072	$ 538,540
Operating grants and contributions	1,087,171	1,078,909	-	311	1,087,171	1,079,220
Capital grants and contributions	7,070	202	-	-	7,070	202
General revenues:						
Property taxes	412,767	398,922	-	-	412,767	398,922
Sales taxes	174,984	171,876	-	-	174,984	171,876
Other taxes	26,173	30,957	-	-	26,173	30,957
Interest and investment income	46,746	52,556	5,978	7,011	52,724	59,567
Other	41,289	42,701	-	2	41,289	42,703
Total Revenues	2,266,815	2,264,170	52,435	57,817	2,319,250	2,321,987
Expenses:						
General government	137,490	124,448	-	-	137,490	124,448
Public protection	720,939	647,036	-	-	720,939	647,036
Public assistance	620,978	582,568	-	-	620,978	582,568
Health and sanitation	524,225	470,668	-	-	524,225	470,668
Public ways and facilities	48,620	50,650	-	-	48,620	50,650
Recreation and cultural services	523	502	-	-	523	502
Education	21,358	19,350	-	-	21,358	19,350
Interest and long-term debt	77,708	78,236	-	-	77,708	78,236
Water	-	-	42,260	38,722	42,260	38,722
Total expenses	2,151,841	1,973,458	42,260	38,722	2,194,101	2,012,180
Increase/(decrease) in net assets before transfers	114,974	290,712	10,175	19,095	125,149	309,807
Transfers	(3)	(7)	3	7	-	-
Extraordinary item	-	(8,757)	-	-	-	(8,757)
Change in net assets	114,971	281,948	10,178	19,102	125,149	301,050
Net assets - beginning	1,377,830	1,095,882	280,613	261,511	1,658,443	1,357,393
Net assets - ending	$ 1,492,801	$1,377,830	$290,791	$ 280,613	$ 1,783,592	$ 1,658,443

Governmental activities

Governmental activities increased the County's net assets by $114,971, thereby accounting for 92 percent of the total growth in net assets of the County. Essential elements of the increase in net assets are as follows:

- Operating grants and contributions increased $8,262 or almost 1 percent during the year. Various state funding programs for health care were replaced with federally funded programs; the net result was a decrease of $3,232 in health care operating grants. There was also a decrease in SB90 and miscellaneous state and federal grants in general government totaling over $13,773 due in part to the Registrar of Voters receiving one-time grant funds of $8,709 for voting machinery in 2007. The decreases were offset with increases in state funding for roads and bridges of $12,469 and an increase in the shift of revenue from the educational revenue augmentation fund to the Motor Vehicle–ERAF of $11,015 due to an increase in the assessed values on local taxable properties.

- Charges for services decreased $17,432 or 4 percent from the previous year. General government reflected a decrease of $33,353 due primarily to the reclassification of the pension obligation bonds. This was partially offset by increases in public protection amounting to $18,631 as follows: the Fire Department had increases of $8,975, law enforcement's ETS-Contracts increased $5,425, and detention and corrections increased charges for services by $4,231.

- Capital grants and contributions increased $6,868 over the prior year primarily the result of a payment from the federal government for the final retention related to construction of the Juvenile Justice Facility.

- General revenues increased by $4,947 or 1 percent overall in the year ended June 30, 2008. An increase in property taxes of $13,845 or 3 percent reflects assessments made as of January 2007. Sales tax increased $3,108 or 2 percent. Those increases were offset by decreases in interest and investment revenue ($5,810) other taxes ($4,784) and other general income ($1,412).

    - Property tax revenues increased by $13,845 or 3 percent during the year primarily due to 7.9% growth in the value of County assessed property between January 2006 and January 2007. The increase was limited by a decrease in supplemental tax revenues of $6,142 caused by a downturn in the housing market.

    - Sales tax revenue increased by $3,108 or 2 percent during the year. All of the increase was due to increased funding of $4,314 from Measure B for right-of-way acquisition costs for the Lewelling Widening. This increase was partially offset by a $1.8 million decrease in Proposition 172 Sales Taxes (one-half percent for public protection).

    - Other taxes decreased $4,784 or 15 percent, primarily in property tax transfer, where collections were $5,194 less that the prior year due to slower home sales and a softer economy.

    - Interest and investment income decreased by $5,810 or 11 percent. The average daily balance of funds invested increased during fiscal year 2008; however, interest income decreased because the average interest rate on the Treasurer's pooled investments decreased 6%, from 4.45 percent to 4.18 percent. The rate for the last quarter of fiscal year 2008 was only 3.17 percent.

- Other revenue decreased $1,412 or over 3 percent due primarily to a reduction in the revenues from the tobacco securitization ($5,879) and the prior year gain on the sale of voting equipment of ($1,094). Those reductions were partially offset by recognizing funds from unclaimed property and from the cost report settlement.

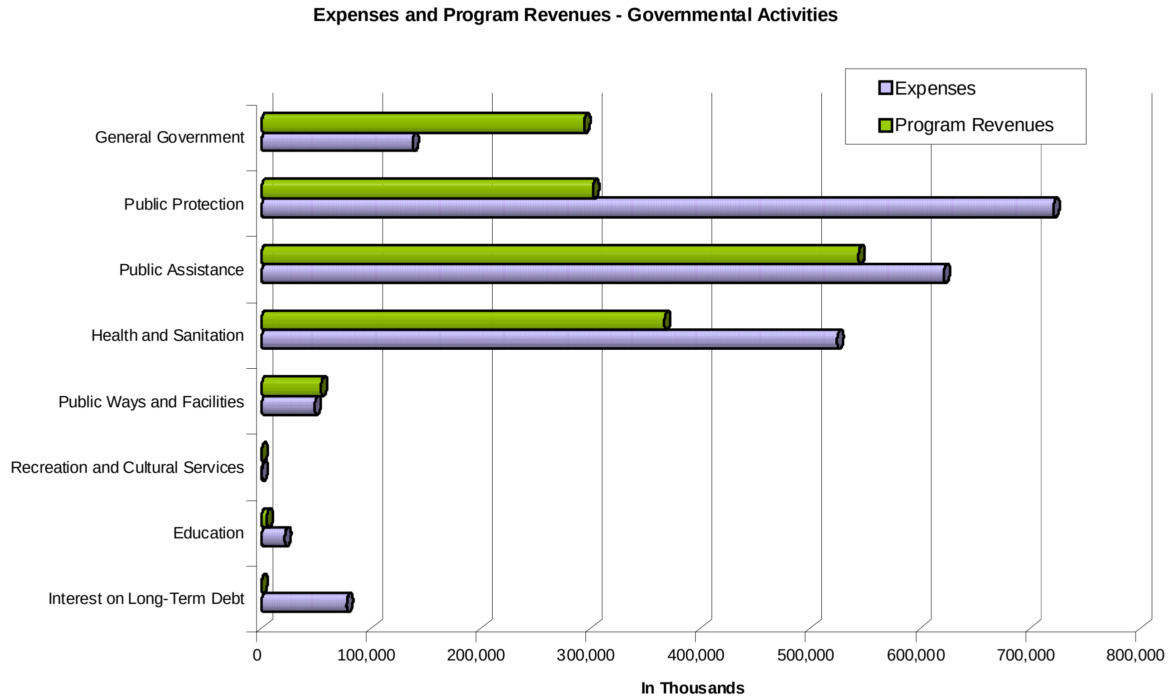
Expenses related to governmental activity increased $178,383 or 9 percent during the fiscal year ended June 30, 2008; governmental revenues increased $2,645 or 0.1 percent. The net impact of these two factors created a decrease of $175,738 in the change in net assets when compared to the change in net assets for the fiscal year 2007.

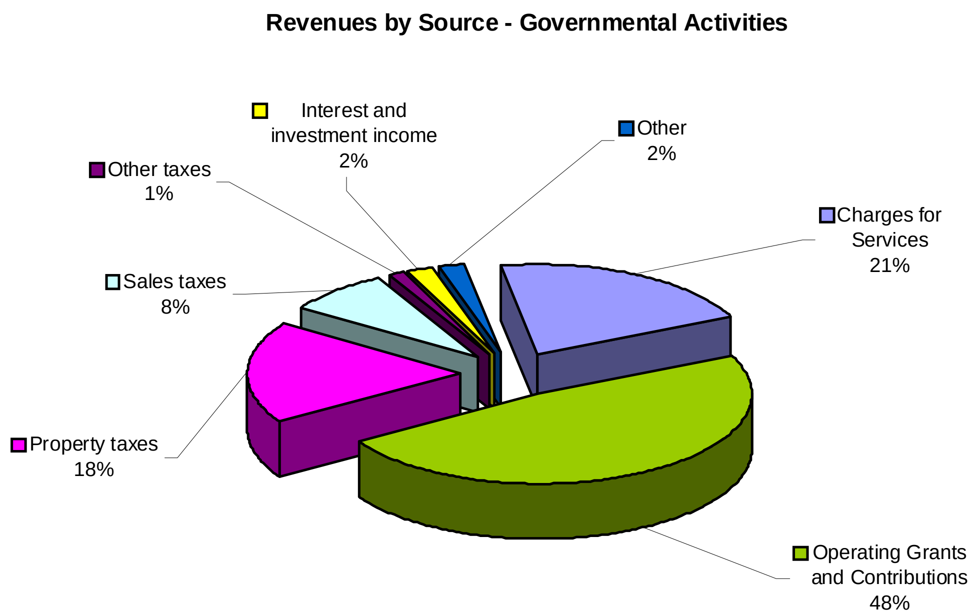
Public protection expenses increased by $73,903 and public assistance increased $38,410. Health and sanitation increased by $53,557 and general government expenses increased by $13,042 from the previous year.

Public protection accounted for 41 percent of the increase in governmental activity expenses in FY 2008. The $73,903 increase was mainly generated in the Sheriff's Detention and Correction ($16,812) and ETS Contracts ($12,757) departments and in the Fire Department ($12,307). A cost of living increase (COLA) of 7.79% in fiscal year 2007 for sworn officers, and COLA's of 3% and 2% for managers and clerical staff, respectively, created salary and benefit increases in a number of the Sheriff's departments. In addition, the Sheriff added 18 positions to take over airside operations at the Oakland Airport. The Alameda County Fire Department consolidated with the Lawrence Livermore Laboratory, adding 41 full time positions at a fiscal year 2008 cost of $5.5 million. Fire safety personnel received a COLA of 4.95%. Salary and benefit increases of $3,258 for the District Attorney and $6,166 in Probation accounted for part of the overall increase. Finally, $6 million of the public protection increase is the result of the Fire Department using up amounts in fiscal 2007 for salaries and benefits that had accumulated from transfers to their bank account over prior years. This gave the appearance of a $6 million increase in 2008.

Public assistance expenses increased $38,410. Welfare administration added 115 positions during the year. The increase in staffing, along with cost of living adjustments and $1.4 million in overtime created an increase of $7,351 in salaries and employee benefits. Contracts with community based organizations increased $6,950 in support of the Children and Family Services program. Assistance payments increased $6,152 mainly attributable to an increase in home support services caseload. Average paid cases increased from $14,567 per month in fiscal year 2007 to $15,878 in fiscal 2008, an increase of 9 percent. The increase also reflects prior year pass through payment of $9,220 for the Eden Area and San Leandro redevelopment projects.

Behavioral Health Care Services accounted for $33,996 of the $53,557 increase in health and sanitation, primarily due to expansion of service related to the Mental Health Services Act of 2004, including the reopening of the youth treatment facility in Willow Rock. The facility created a need for additional staffing and, along with cost of living increases to community based organizations (CBO's), accounted for $29,605 of the increase in behavioral health services. Agency indigent health care services increased $5,895 due primarily to a 3% cost of living adjustment for the CBO's. Adult detention and corrections expenses increased $1,751 due to a higher average daily prisoner count, and expenses in the Health Protection County Service Area increased $2,031. Services associated with Measure A added another $2,220 increase in health care expenses.


Expenses and Program Revenues - Governmental Activities
Expenses
Program Revenues
General Government
Public Protection
Public Assistance
Health and Sanitation
Public Ways and Facilities
Recreation and Cultural Services
Education
Interest on Long-Term Debt
0
100,000
200,000
300,000
400,000
500,000
600,000
700,000
800,000
In Thousands

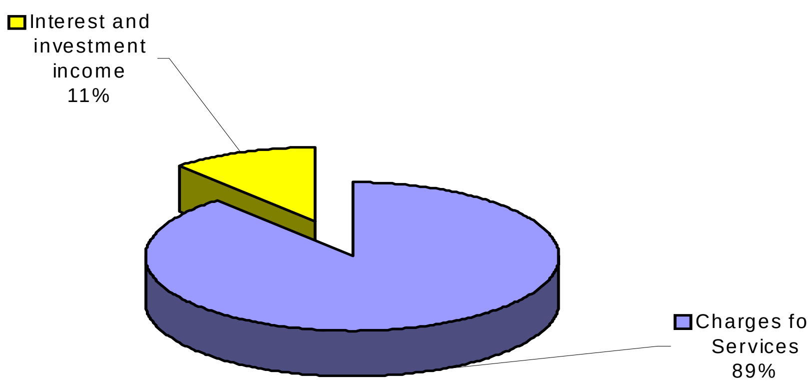

Revenues by Source - Governmental Activities
Interest and investment income 2%
Other 2%
Other taxes 1%
Charges for Services 21%
Sales taxes 8%
Property taxes 18%
Operating Grants and Contributions 48%

Business-type activities

As depicted in the charts below, the County's only business-type activity, the Zone 7 water enterprise, had total revenues of $52,435 and expenses of $42,260 in fiscal year 2008. For this fiscal year, total enterprise revenues plus transfers of $3 million exceeded expenses by $10,178.

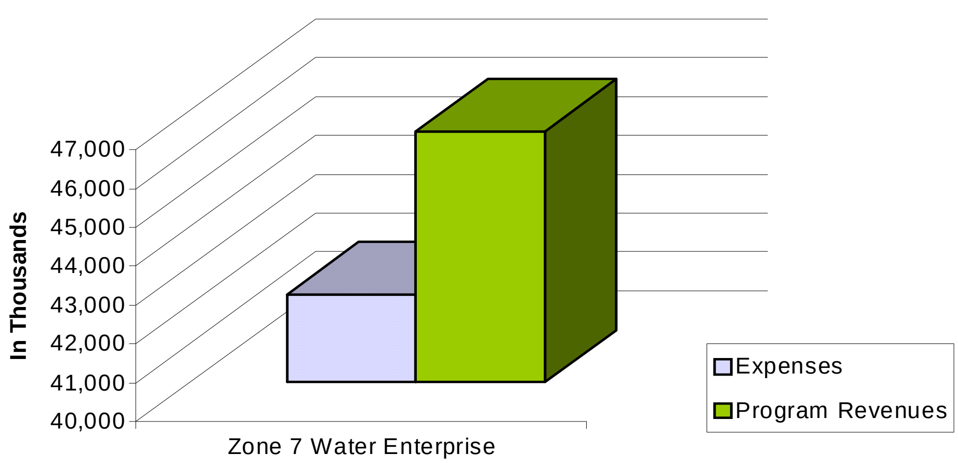
Charges for services decreased $4,036 or 8 percent from the prior year. This reflects decreased water connection fees due to a slowdown in development in the Zone 7 service area. Sales of treated water decreased from the previous year; however, the decrease in volume was offset by an 8.4% rate increase effective January 1, 2008. Other revenue decreased because of a one-time transfer of $2,400 from trust in fiscal year 2007 to comply with the Dougherty Valley Service Area agreement.

Revenues by Source - Business-type Activities



The increase in expenses is primarily the result of professional services in connection with the construction of the demineralization plant, the chain of lakes wells and the Altamont pipeline, partially offset by decreases attributable to the completion of the design phase of the Altamont water treatment plant and an increase in the cost of procuring water from the State Department of Water Resources.

Expenses & Program Revenues - Business Type Activities



Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Types of governmental funds reported by the County include the general fund, special revenue funds, debt service funds, and a capital projects fund.

As of the end of the fiscal year ended June 30, 2008, the County's governmental funds reported combined ending fund balances of $1,667,762, an increase of $68,875 or 4 percent as compared to the prior year. Approximately 74 percent of this total amount ($1,230,949) constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders ($126,593); (2) to pay debt service ($119,498); (3) to provide for legal restrictions ($178,840); and (4) for a variety of other restricted purposes ($11,882).

Revenues for governmental funds overall totaled approximately $2.226 billion for the fiscal year ended June 30, 2008, which represents a decrease of $17,941 or 1 percent from the fiscal year ended June 30, 2007. Expenditures for governmental funds, totaling $2.179 billion, increased by $115,199 or almost 6 percent from the fiscal year ended June 30, 2007. In the fiscal year ended June 30, 2008, revenues for governmental funds exceeded expenditures by $47,635, or almost 2 percent.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the general fund was $573,336, while total fund balance was $819,882. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33 percent of total general fund expenditures of $1,726,805, while total fund balance represents 47 percent of that same amount. The prior year comparisons for unreserved and total fund balance to total general fund expenditures are 35 percent and 49 percent, respectively.

General fund revenues were down 1 percent and expenditures were up 5 percent for the year, however, the fund balance in the County's general fund increased by $18,280 during the fiscal year because revenues exceeded expenditures. This is due to several factors:

- Increased assessed values on homes accounted for $9.4 million more in property taxes than the previous year. That increase, however, was partially offset by a decrease of $5.5 million in supplemental taxes due to a decline in home sales.
- Motor vehicle ERAF revenue increased $11 million due to increase in the locally assessed values on taxable properties.
- Penalties on delinquent taxes increased $6 million due to increase of property tax delinquency rates and diminished ability to pay due to economic conditions.
- CalWORKs revenue increased approximately $5.6 million from the prior fiscal year.

- The County received federal funding of $6.8 million for the Health Care Coverage Initiative/Alameda County Excellence (ACE) program.

Overall, the general fund's performance resulted in revenues exceeding expenditures in the fiscal year ended June 30, 2008, by $56,809. In the prior year, general fund expenditures exceeded revenues by $165,370.

The property development fund has a total fund balance of $304,311. This fund accounts for activities related to the development and sale of County surplus land. The net increase in the fund balance during the current year was $15,227, primarily due to $18.2 million in investment interest revenue.

The fund balance in the flood control fund increased 8 percent in 2008 or a total of $11.6 million, from $147,251 to $158,819. Although there was an increase in the fund balance, overall revenues decreased by 2 percent ($1,582). Property taxes increased $3 million due to increase in assessed values. This increase was offset by a decrease in charges for engineering services due to decrease in new developments. Overall flood control expenditures increased by 16 percent due primarily to financing of major flood control improvements.

The capital projects fund has a total fund balance of $110,954, an increase of $1,635 from last year. During the year, the County received $6.6 million reimbursement from the federal government for the juvenile justice facility project and $5.3 million in interest revenue. The increase was partially offset by construction cost of the medical center acute tower project for $6.2 million and $3.1 million for the sobering station and detoxification center.

The fund balance in the debt service fund increased $877 from $96,451 to $97,328. Revenues decreased $34.9 million primarily due to the change in presentation of the pension obligation bond contribution from the general fund. In the past, the contribution was reported as revenue in the debt service fund. In the fiscal year ended June 30, 2008, the $35 million pension obligation bond contribution is reported as an operating transfer in.

Proprietary funds

The County's proprietary fund statements provide the same type of information as is found in the government-wide financial statements.

The net assets for the enterprise and internal service funds increased by $10,178 and $11,645, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the County's business-type activities.

Fiduciary funds

The County maintains fiduciary funds for the assets of the Alameda County Employee's Retirement Association (ACERA) and funds held in trust for employees for before-tax reimbursement of health care expenses. As of December 31, 2007, the end of ACERA's fiscal year, the net assets of ACERA and the other employee benefits trust totaled approximately $5.6 billion, representing an increase of $364,224 in net assets from the prior year's net assets. The increase in the pension and other employee trust funds was primarily due to a general increase in the fair value of investments and increased interest and dividend revenues.

As of June 30, 2008, the investment trust fund's net assets totaled $1,379,721, a $34,376 decrease in net assets during the fiscal year. The decrease in net assets of the investment trust fund was due to withdrawals exceeding contributions to the fund by $97,696. That decrease was partially offset by net investment income of $63,320.

General fund budgetary highlights

The County's final budget of the general fund differs from the original budget in that it contains supplemental appropriations approved during the fiscal year. The difference of $212,320 between the original budget and the final amended budget represents increased appropriations, the most significant of which are briefly summarized as follows:

- General government increased appropriations by $12,717. This included $9 million for encumbrances rolled forward from prior years, $4 million for salary and benefit increases.

- The public protection departments increased appropriations by $52,561. Encumbrances rolled forward from prior years accounted for $10 million of this amount. Another $32.8 million was due to mid-year salary and benefit increases approved by the Board of Supervisors. Appropriation for the Office of Emergency Services also increased by $3 million for the Urban Area Security Initiative (UASI) communication interoperability project.

- The public assistance function increased appropriations by $30,492. This included $9.3 million for encumbrances rolled forward from prior years and $11 million for mid-year salary and benefit increases. There was also a mid-year adjustment of $2.4 million for CalWORKs employment services and $1.9 million for the transitional housing program. In addition, appropriation for IHSS benefits also increased by $4 million due to an increase in medical benefit rate and increasing number of IHSS providers.

- Appropriations for health and sanitation increased by $108,558. Encumbrances rolled forward from prior years totaled $59.6 million, and $5.4 million was due to salary and benefit increases. Measure A funding for health care accounted for $16.8 million. Another increase of $6.8 million was for the implementation of the Health Care Coverage Initiative program. Health care also made a mid-year adjustment of $13 million using Fiscal Management Reward savings from prior years.

Overall, the County's actual general fund revenues under-realized its budgeted fiscal year 2008 revenues by $71,166 or 4 percent. Revenues that had significant variances include the following:

- The County under-realized approximately $36.4 million in taxes budgeted for fiscal year 2008. Current secured property taxes realized was less than the amount budgeted by $20.2 million and property transfer tax was lower by $6 million due to the decline in property values and less change of ownership. Sales taxes for public protection were under budget by $8 million due to decline of pro-rata share of revenues for the County.

- Fines, forfeitures and penalties revenue exceeded the budget by $22,353 or 185 percent. The major variance from budget ($15.9 million) was due to increase in property tax delinquencies. The delinquency rate for the regular secured roll was 2.20% for fiscal year 05-06, 3.48% for fiscal year 06-07, and 4.59% for fiscal year 07-08. With the increased delinquencies, the penalties on delinquent taxes went up as the delinquencies were paid. Finally, an increase of $6.2 million was due to increased collection of court fines.

- Use of money and property exceeded budget by $24,139 or 219 percent. Interest earnings were $22.5 million over budget due to a conservative budget and an increase of 22.8 percent in the average daily balance invested.

- State aid revenue under-realized the budgeted amount by $28,178 or 4 percent. Mental health revenue was less than budget by $19.7 due to a lower Medi-Cal allocation than budgeted and delays in receipt of state funding. Approximately $8.4 million of the shortfall was due to inpatient fees for service (FFS) utilization being lower than anticipated. Also, there was a delay in receipt of Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program revenue due to State budgetary shortfall, plus a loss of revenue due to under-utilization of EPSDT and Mental Health Services Act (MHSA) contracts.

- Approximately $6,886 or 2 percent of the budget for federal aid was under-realized. Revenue for public assistance programs was under-realized by $5.2 million primarily due to decrease in CalWORK revenue.

- Charges for current services under-realized budget by $45,252 or over 16 percent. Under-utilization of EPSDT and MHSA contracts and a partial year Medi-Cal rate reduction resulted in a decrease of $13.2 million in Medi-Cal revenue. Medi-Cal revenue of $21.7 was not received by the 180 day time frame and had to be deferred to future periods. In addition, $10.8 million of law enforcement services was deferred because the revenue was not collected within 60 days.

- Other revenue was less than budget by $4,126 or 12 percent. $6.6 million was under-realization of the Tobacco Tax Settlement funds. This was offset by $1.2 million increase in unclaimed money and $1 million in cost report settlement.

Variations between budget and actual expenditures in the general fund reflect overall expenditures less than the adjusted budget by $159,245 or 8 percent. In general, this represents savings from the major governmental functions, primarily due to vacancies, delays in start-up of new programs or projects, cost-containment measures and contingency appropriations that did not have to be spent. Significant savings came from the following County functions:

- Health and sanitation spent $85,927 or 14 percent less than budget. The county included in its 2008 budget an amount of $20 million of matching funds to the state for disproportionate share hospitals (DSH). During the fiscal year, it was determined that the County can no longer make the matching funds payment thus creating a favorable variance in the health care budget. Vacant positions caused an under expenditure in salaries and benefits of $11.3 million. Measure A expenditures were under budget by $13.5 million resulting from the carry-forward of obligated but not encumbered funds. Approximately $37.4 million under expenditure is due to the liquidation of prior year encumbrances for CBO contracts underutilized and delays in cost settlements.

- Public assistance spent $28,956 or 5 percent less than budget. Vacant positions caused an under expenditure in salaries and benefits of $9.8 million. Discretionary charges for the Children & Family Services (CFS) were under spent by approximately $5 million primarily in the waiver surplus account. CalWORKs costs were $4.9 million under budget due to a lower than anticipated average grant amount. Space rental was $4.2 million under budget due to an erroneous charge that occurred in 06-07 and was corrected in 07-08.

- General government spent $22,008 or 14 percent less than budget. Salaries and employee benefits were under budget by $7.3 million due to vacant positions. Services and supplies charges were below budget by $12.2 million as most departments curtailed spending wherever possible. Savings in non program expenses amount to $2.9 million and was primarily attributed to a smaller subsidy required for the Oakland-Alameda County Coliseum Authority.

(Amounts in tables expressed in thousands)

- Public protection spent $20,253 or 3 percent less than budget. Departments in public protection under spent services and supplies budget by a combined $11.6 million primarily due to the departments curtailing expenditures ($6.8m in services and supplies and $3.4m in space rental). Vacant positions and salary savings accounted for $8.9 million of the variance. For example, retirements of senior staff in the Public Defender Department created $2.1 variance. County Wide Court Security saved $1.5 million and Child Support Services saved $2,620 in salaries and fringe benefits due to unfilled vacancies. The remainder of the savings was from cutbacks in spending for capital equipment and other charges.

Capital assets and debt administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to $1,190,712 (net of accumulated depreciation), as shown in the table below. This investment in capital assets includes land, buildings and improvements, machinery and equipment, roads, bridges, flood control canals and other infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was 1 percent (this represents a 1 percent decrease for governmental activities and a 11 percent increase for business-type activities).

Capital Assets Net of Accumulated Depreciation
June 30, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and other assets not being depreciated	$ 81,294	$ 62,788	$ 90,821	$ 80,288	$ 172,115	$ 143,076
Structures and improvements, machinery and equipment, and infrastructure, net of depreciation	939,496	963,576	79,101	73,281	1,018,597	1,036,857
Total	$ 1,020,790	$ 1,026,364	$169,922	$153,569	$ 1,190,712	$ 1,179,933

Major capital asset events during the current fiscal year included the following:

- $3,304 was moved from construction in progress to structures and improvements for the juvenile justice facility, Santa Rita jail, and Highland critical care building.

- Additional construction on the Alameda County Medical Center's critical care building and acute tower resulted in an increase in construction costs of $6,172.

- Several infrastructure projects in the road and flood control funds added $11,304 to construction in progress during the year. $16,932 was moved from construction in progress to infrastructure.

- The Zone 7 enterprise incurred additional construction costs of $14 million for the Mocho groundwater demineralization plant, $5.5 million for the Altamont water treatment plant, and $3.6 million for the new municipal water supply wells. During the fiscal year, $12,775 was moved from construction in progress to infrastructure for the dissolved air flotation system at the Del Valle water treatment plant.

(Amounts in tables expressed in thousands)

For government-wide statement of net assets presentation, all depreciable capital assets are depreciated from the date they are placed into service through the end of the current fiscal year.

Governmental fund financial statements record capital asset purchases as expenditures.

Additional information about the County's capital assets can be found in Note 4 (page 50) to the financial statements.

Debt Administration

At the end of the current fiscal year, the County had long-term obligations outstanding of $1.5 billion, excluding unamortized premiums and refunding losses of $8,761. Of this amount, $185,202 is certificates of participation bonds, $273,245 is tobacco securitization bonds, $526,069 is pension obligation bonds, $148,765 is lease revenue bonds, $33,840 is tax allocation bonds and $27,730 is capital leases. The remainder, $321,033, includes special assessment debt with government commitment and other long-term obligations of the County.

Outstanding Long-term Obligations
June 30, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Certificates of participation	$ 185,202	$ 191,548	$ -	$ -	$ 185,202	$ 191,548
Tobacco securitization bonds	273,245	273,383	-	-	273,245	273,383
Special assessment debt with governmental commitment	680	815	-	-	680	815
Pension obligation bonds	526,069	544,156	-	-	526,069	544,156
Lease revenue bonds	148,765	140,885	-	-	148,765	140,885
Tax allocation bonds	33,840	34,440	-	-	33,840	34,440
Capital leases	27,730	27,324	9,300	9,300	37,030	36,624
Net pension obligation	80,606	-	1,294	-	81,900	-
Other long-term obligations	239,747	235,393	1,134	1,062	240,881	236,455
Total	$ 1,515,884	$ 1,447,944	$ 11,728	$ 10,362	$ 1,527,612	$ 1,458,306

The County's total debt increased by $69,306 due to the implementation of GASB statement 45 which resulted in a net pension obligation of $81,900. This increase was offset by pay down of existing debts during the fiscal year.

During the year, the Alameda County Joint Powers Authority issued $120.1 million Juvenile Justice Refunding 2008 Series A bonds to refund the 2004 Series A and Series B Juvenile Justice Facility bonds with outstanding principal amount in the aggregate of $108.7 million.

Alameda County's legal debt limit is 1.25 percent of total assessed value. As of June 30, 2008, the legal limit was $2.44 billion; however, the County did not have any general obligation bonds and therefore, has not used any of its debt limitation. Although Alameda County has no general obligation debt it has general obligation equivalent ratings of Aa3 and AA from Moody's and Standard & Poor's. In addition, the

County's lease-based financings are rated A2/AA-/A by Moody's Standard & Poor's and Fitch, and were affirmed at these levels in March 2008.

Additional information on the County of Alameda's long-term obligations can be found in note 6 (page 55) of the notes to the basic financial statements.

Economic factors and next year's budget and rates

- According to the U. S. Department of Labor, the unemployment rate for Alameda County was 6.2 percent in June 2008, compared to the revised rate of 4.8 percent in June 2007. The State's average unemployment rate was 7.0 percent in June 2008.

- The rate of growth in the increase in the value of County assessed property decreased from 7.9 percent to 4.7 percent as of the January 1 lien dates for 2007 and 2008, respectively.

- The County experienced a small increase in sales tax revenue during fiscal year 2008; however, the cooling of the general economy and the downturn in the housing market will likely impact future revenues and may also cause a need for an increase in the need to provide more public assistance.

- The failure of sub-prime housing loans caused the failure of some California mortgage lending institutions and may cause further decline in the county's supplemental tax revenue.

- An increase in the cost of foreign-produced oil has impacted the cost of transportation throughout the country.

All of the above factors were considered in preparing the County's budget for fiscal year 2009.

The County adopted its fiscal year 2009 budget before the State of California finalized its own budget. The State anticipated a budget shortfall of $15 billion or more and it is not known what impact in the state's budget will have on the County of Alameda's budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Below is the contact information for questions about this report or requests for additional financial information.

Alameda County
Office of the Auditor-Controller
1221 Oak Street, Room 249
Oakland, CA 94612

COUNTY OF ALAMEDA, CALIFORNIA

STATEMENT OF NET ASSETS
JUNE 30, 2008
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Alameda County Medical Center
ASSETS				
Current assets:				
Cash and investments with County Treasurer	$ 1,280,334	$ 136,164	$ 1,416,498	$ -
Cash and investments with fiscal agents	293,243	-	293,243	-
Restricted cash	-	-	-	1,002
Deposits with others	3,013	-	3,013	8,947
Receivables, net of allowance for uncollectible accounts	344,799	8,581	353,380	106,718
Due from component unit	4,845	-	4,845	-
Due from primary government	-	-	-	7,945
Advance to component unit	769	-	769	-
Inventory of supplies	352	-	352	5,008
Prepaid expenses	999	90	1,089	1,047
Total current assets	1,928,354	144,835	2,073,189	130,667
Noncurrent assets:				
Restricted assets - cash and investments with fiscal agents	109,390	-	109,390	-
Deferred charges	59,540	956	60,496	8,186
Unamortized bond issuance cost	20,267	-	20,267	-
Properties held for resale	1,085	-	1,085	-
Due from component unit, net of allowance	58,519	-	58,519	-
Advance to component unit	7,576	-	7,576	-
Loans receivable	6,876	-	6,876	-
Capital assets:				
Land and other assets not being depreciated	81,294	90,821	172,115	1,220
Structures and improvements, machinery and equipment, infrastructure, net of depreciation	939,496	79,101	1,018,597	36,004
Total capital assets, net	1,020,790	169,922	1,190,712	37,224
Total noncurrent assets	1,284,043	170,878	1,454,921	45,410
Total assets	3,212,397	315,713	3,528,110	176,077
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	161,460	5,765	167,225	61,805
Due to component unit	7,945	-	7,945	-
Due to primary government	-	-	-	4,845
Compensated employee absences payable	31,252	613	31,865	8,608
Estimated liability for claims and contingencies	22,748	-	22,748	8,740
Certificates of participation and bonds payable	74,815	-	74,815	-
Lease obligations	332	-	332	-
Loans payable	765	-	765	-
Accrued interest payable	3,408	674	4,082	-
Unearned revenue	39,660	-	39,660	-
Advance from primary government	-	-	-	769
Total current liabilities	342,385	7,052	349,437	84,767
Noncurrent liabilities:				
Net pension obligation	80,606	1,294	81,900	-
Compensated employee absences payable	25,083	521	25,604	5,614
Estimated liability for claims and contingencies	69,930	-	69,930	18,231
Certificates of participation and bonds payable	1,084,225	-	1,084,225	-
Lease obligations	27,398	9,300	36,698	-
Loans payable	7,519	-	7,519	-
Unearned revenue	-	6,755	6,755	-
Due to primary government	-	-	-	146,519
Advance from primary government	-	-	-	7,576
Obligation to fund Coliseum Authority deficit	82,450	-	82,450	-
Total noncurrent liabilities	1,377,211	17,870	1,395,081	177,940
Total liabilities	1,719,596	24,922	1,744,518	262,707
Net Assets				
Invested in capital assets, net of related debt	508,533	160,622	669,155	28,880
Restricted:				
Public protection	297,086	-	297,086	-
Public assistance	61,472	-	61,472	-
Health and sanitation	103,173	-	103,173	-
Public ways and facilities	46,598	-	46,598	-
Education	8,259	-	8,259	-
Other purposes	15,156	-	15,156	3,838
Unrestricted (deficit)	452,524	130,169	582,693	(119,348)
Total net assets (deficit)	$ 1,492,801	$ 290,791	$ 1,783,592	$ (86,630)

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

COUNTY OF ALAMEDA, CALIFORNIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			Component Unit
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Alameda County Medical Center**
Primary government:								
Governmental activities:								
General government	$ 137,490	$ 125,532	$ 168,158	$ -	$ 156,200	$ -	$ 156,200	$ -
Public protection	720,939	210,362	84,630	6,623	(419,324)	-	(419,324)	-
Public assistance	620,978	1,411	542,109	-	(77,458)	-	(77,458)	-
Health and sanitation	524,225	119,509	247,249	-	(157,467)	-	(157,467)	-
Public ways and facilities	48,620	10,690	43,551	-	5,621	-	5,621	-
Recreation and cultural services	523	110	-	-	(413)	-	(413)	-
Education	21,358	3,001	1,474	447	(16,436)	-	(16,436)	-
Interest on long-term debt	77,708	-	-	-	(77,708)	-	(77,708)	-
Total governmental activities	2,151,841	470,615	1,087,171	7,070	(586,985)	-	(586,985)	-
Business-type activities								
Water	42,260	46,457	-	-	-	4,197	4,197	-
Total primary government	$ 2,194,101	$ 517,072	$ 1,087,171	$ 7,070	(586,985)	4,197	(582,788)	-
Component unit								
Alameda County Medical Center	$ 468,613	$ 374,074	$ 113	$ -	-	-	-	(94,426)
General revenues:								
Property taxes					412,767	-	412,767	-
Sales taxes					174,984	-	174,984	86,354
Other taxes					26,173	-	26,173	-
Interest and investment income					46,746	5,978	52,724	19,913
Other					41,289	-	41,289	7,947
Transfers					(3)	3	-	-
Total general revenues, transfers, and extraordinary item					701,956	5,981	707,937	114,214
Change in net assets					114,971	10,178	125,149	19,788
Net assets (deficit) - beginning of period, as previously reported					1,377,830	280,613	1,658,443	(87,474)
Restatement of capital assets					-	-	-	(18,944)
Net assets (deficit) - beginning of period, as restated					1,377,830	280,613	1,658,443	(106,418)
Net assets (deficit) - end of period					$ 1,492,801	$ 290,791	$ 1,783,592	$ (86,630)

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

COUNTY OF ALAMEDA, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008
(amounts expressed in thousands)

	General	Property Development	Flood Control	Capital Projects	County Debt Service	Non-major Governmental Funds	Total Governmental Funds
Assets:							
Cash and investments							
with County Treasurer	$ 717,941	$ 4,195	$159,243	$ 51,656	$ 72,507	$ 152,124	$ 1,157,666
Cash and investments with fiscal agents	48	293,243	-	63,547	23,625	22,170	402,633
Deposits with others	434	2,250	-	-	-	329	3,013
Receivables, net of							
allowance for uncollectible accounts	282,031	13	2,791	317	320	57,202	342,674
Due from other funds	15,866	-	-	-	-	-	15,866
Due from component unit	61,748	-	-	-	910	-	62,658
Advance to component unit	-	-	-	-	8,345	-	8,345
Inventory of supplies	-	-	-	-	-	128	128
Properties held for resale	255	829	-	-	-	-	1,084
Prepaid expenses	23	-	-	-	-	901	924
Loans receivable	2,134	3,856	-	-	-	886	6,876
Total assets	$1,080,480	$ 304,386	$162,034	$115,520	$ 105,707	$ 233,740	$ 2,001,867
Liabilities:							
Accounts payable and accrued expenditures	$ 124,011	$ 75	$ 2,979	$ 4,566	$ -	$ 21,122	$ 152,753
Due to other funds	-	-	-	-	34	15,336	15,370
Due to component unit	7,482	-	-	-	-	440	7,922
Deferred revenue	93,582	-	236	-	8,345	16,237	118,400
Unearned revenue	35,523	-	-	-	-	4,137	39,660
Total liabilities	260,598	75	3,215	4,566	8,379	57,272	334,105
Fund balances:							
Reserved for:							
Encumbrances	64,338	61	11,003	38,282	-	12,909	126,593
Inventories	-	-	-	-	-	128	128
Debt service	-	-	-	-	97,328	22,170	119,498
Legal restrictions	178,840	-	-	-	-	-	178,840
Assets not available for appropriation	3,368	6,935	5	-	-	1,446	11,754
Unreserved, reported in:							
General fund	573,336	-	-	-	-	-	573,336
Special revenue funds	-	297,315	147,811	-	-	139,815	584,941
Capital projects fund	-	-	-	72,672	-	-	72,672
Total fund balances	819,882	304,311	158,819	110,954	97,328	176,468	1,667,762
Total liabilities and fund balances	$1,080,480	$ 304,386	$162,034	$115,520	$ 105,707	$ 233,740	$ 2,001,867

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

COUNTY OF ALAMEDA, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

Fund balances – total governmental funds	$	1,667,762
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,008,615
Bond issuance costs are not financial resources and, therefore, are not reported in the funds.		20,267
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities (except those reported in the internal service funds) are as follows:		
Certificates of participation and bonds payable		(1,159,040)
Compensated employee absences payable		(53,091)
Lease obligations		(27,730)
Loans payable		(8,284)
Other liabilities		(82,450)
Total long-term liabilities		(1,330,595)
Net OPEB asset resulting from contributions in excess of the annual required contributions are not financial resources and therefore not reported in the funds.		59,540
The net pension obligation pertaining to governmental fund types is not recorded in governmental fund statements.		(80,606)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental funds and thus not included in fund balance.		118,400
Interest on long-term debt is not accrued in the funds, but is recognized as an expenditure when due.		(3,408)
Internal service funds are used by management to charge the costs of fleet management, building maintenance, communications, information technology, printing services and risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		32,826
Net assets of governmental activities	$	1,492,801

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

COUNTY OF ALAMEDA, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

	General	Property Development	Flood Control	Capital Projects	Debt Service	Non-major Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	$ 484,867	$ -	$ 35,800	$ -	$ 2,023	$ 91,707	$ 614,397
Licenses and permits	7,640	-	56	-	-	1,442	9,138
Fines, forfeitures, and penalties	34,440	-	-	140	-	41	34,621
Use of money and property	35,140	18,242	6,901	5,393	3,242	8,735	77,653
State aid	637,563	-	651	447	-	60,511	699,172
Federal aid	302,163	-	136	6,623	-	56,036	364,958
Other aid	14,819	-	2,774	-	-	2,752	20,345
Charges for services	237,943	-	12,065	-	21,269	64,340	335,617
Other revenue	29,039	5,359	3,388	439	1,079	31,189	70,493
Total revenues	1,783,614	23,601	61,771	13,042	27,613	316,753	2,226,394
Expenditures:							
Current							
General government	117,110	1,291	-	-	262	50	118,713
Public protection	545,569	-	50,758	-	-	112,036	708,363
Public assistance	579,463	-	-	-	-	39,646	619,109
Health and sanitation	465,557	-	-	-	-	56,563	522,120
Public ways and facilities	1,744	-	-	-	-	49,460	51,204
Recreation and cultural services	562	-	-	-	-	-	562
Education	200	-	-	-	-	20,837	21,037
Debt service							
Principal	-	-	-	-	69,090	5,145	74,235
Interest	-	-	-	-	15,420	11,359	26,779
Bond issuance costs and termination fees	9,817	-	-	-	2,431	-	12,248
Capital outlay	6,783	-	-	17,606	-	-	24,389
Total expenditures	1,726,805	1,291	50,758	17,606	87,203	295,096	2,178,759
Excess (deficiency) of revenues over expenditures	56,809	22,310	11,013	(4,564)	(59,590)	21,657	47,635
Other financing sources (uses):							
Capital leases issued	-	-	-	-	-	697	697
Refunding bonds issued	-	-	-	-	120,145	-	120,145
Premium on refunding bonds	-	-	-	-	1,265	-	1,265
Payment to refunded bond escrow agent	-	-	-	-	(108,815)	-	(108,815)
Transfers-in	18,052	-	575	6,226	57,713	2,170	84,736
Transfers-out	(56,581)	(7,083)	(20)	(27)	(9,841)	(3,236)	(76,788)
Total other financing sources (uses)	(38,529)	(7,083)	555	6,199	60,467	(369)	21,240
Net change in fund balances	18,280	15,227	11,568	1,635	877	21,288	68,875
Fund balance - beginning of period	801,602	289,084	147,251	109,319	96,451	155,180	1,598,887
Fund balance - end of period	$ 819,882	$ 304,311	$ 158,819	$ 110,954	$ 97,328	$ 176,468	$ 1,667,762

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

COUNTY OF ALAMEDA, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

(amounts expressed in thousands)

Net change in fund balances – total governmental funds	$ 68,875
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	35,333
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This change reflects an increase in compensated absences and a decrease in the County's obligation to fund the deficit of the Oakland-Alameda County Coliseum Authority that occurred during the year.	673
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The statement of activities reports the loss on disposal of capital assets but the governmental funds do not report any loss.	
Capital outlay	47,087
Depreciation expense	(53,547)
Net loss on disposal of capital assets	(343)
Capital contributions from general government	(1,116)
Total	(7,919)
Governmental funds report prefunding of OPEB as expenditures, but the statement of net assets reports such as a net OPEB asset	(21,066)
The net income of certain activities of internal service funds is reported with governmental activities.	11,645
Capital leases issued are reported as financing sources in governmental funds, but increase liabilities in the statement of net assets.	(697)
Lease and loan payments (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the County as a whole, however, the principal portion of the payments reduces the liability in the statement of net assets, while the net increase in accrued interest increases the liability in the statement of net assets and results in additional expenses in the statement of activities.	
Principal payments	993
Net decrease in accrued interest	72
Total	1,065
Bond issuance costs and termination fees are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which current year bond issuance costs exceeded amortization expense in the current period.	11,779
Bond premiums are recognized in the governmental funds when the bonds are issued, and are deferred and amortized in the statement of net assets. This is the amount capitalized in the current period.	(1,265)
The repayment of the principal of long-term debt and the advance refunding of debt consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets.	
Principal payments	74,235
Payment to escrow for refunded debt	108,815
Total	183,050
Additional accrued and accreted interest calculated on bonds and certificates payable.	(45,688)
Amortization of bond premiums, bond discounts and refunding loss.	(669)
The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets	(120,145)
Changes in net assets of governmental activities	$ 114,971

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

COUNTY OF ALAMEDA, CALIFORNIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Fund Zone 7 Water Facilities	Governmental Activities - Internal Service Funds
Assets:		
Current assets:		
Cash and investments with County Treasurer	$ 136,164	$ 122,668
Other receivables	8,581	2,125
Due from component unit	-	706
Inventory of supplies	-	224
Deferred charges	956	-
Prepaid expenses	90	76
Total current assets	145,791	125,799
Noncurrent assets:		
Capital assets:		
Land and other assets not being depreciated	90,821	-
Structures and improvements, machinery and equipment, infrastructure, net of depreciation	79,101	12,175
Total capital assets	169,922	12,175
Total noncurrent assets	169,922	12,175
Total assets	315,713	137,974
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	5,765	8,707
Compensated employee absences payable	613	1,754
Estimated liability for claims and contingencies	-	22,748
Accrued interest payable	674	-
Due to other funds	-	496
Due to component unit	-	23
Total current liabilities	7,052	33,728
Noncurrent liabilities:		
Net pension obligation	1,294	-
Compensated employee absences payable	521	1,490
Estimated liability for claims and contingencies	-	69,930
Unearned revenue	6,755	-
Lease obligations	9,300	-
Total noncurrent liabilities	17,870	71,420
Total liabilities	24,922	105,148
Net assets		
Invested in capital assets, net of related debt	160,622	12,175
Unrestricted	130,169	20,651
Total net assets	$ 290,791	$ 32,826

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

COUNTY OF ALAMEDA, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Fund Zone 7 Water Facilities	Governmental Activities - Internal Service Funds
Operating revenues:		
Water	$ 29,764	$ -
Water connection fees	16,662	-
Charges for services	-	199,621
Total operating revenues	46,426	199,621
Operating expenses:		
Salaries and benefits	9,763	53,370
Supplies - water	9,569	-
Supplies - chemical	2,263	-
Contractual services	2,852	8,256
Utilities	1,167	10,847
Repairs and maintenance	2,648	4,401
Other supplies and expenses	2,501	58,820
Insurance claims and expenses	-	25,259
Depreciation	9,348	3,788
Telephone	-	4,293
County indirect costs	725	7,319
Dental claims	-	9,040
Other	408	333
Total operating expenses	41,244	185,726
Operating income	5,182	13,895
Non-operating revenues (expenses):		
Interest and investment income	5,978	4,576
Interest expense	(1,002)	-
Rent and royalties	31	-
Gain on sale of capital assets	-	11
Loss on sale of capital assets	(14)	(2)
Total non-operating revenues (expenses)	4,993	4,585
Income before capital contributions and transfers	10,175	18,480
Capital contributions	-	1,116
Transfers-in	3	296
Transfers-out	-	(8,247)
Change in net assets	10,178	11,645
Total net assets - beginning of period	280,613	21,181
Total net assets - end of period	$ 290,791	$ 32,826

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

COUNTY OF ALAMEDA, CALIFORNIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Fund Zone 7 Water Facilities	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers (including other funds)	$ 46,685	$ 199,458
Payment to suppliers	(18,552)	(84,910)
Payments to employees	(9,353)	(53,311)
Internal activity - payments to other funds	(725)	(7,319)
Claims paid	-	(28,629)
Other receipts (payments)	(408)	(333)
Net cash provided by operating activities	17,647	24,956
Cash flows from noncapital financing activities		
Transfers-in	3	296
Transfers-out	-	(8,247)
Net cash provided by (used in) noncapital financing activities	3	(7,951)
Cash flows from capital and related financing activities		
Acquisition of capital assets	(25,455)	(5,023)
Interest paid on leases	(804)	-
Rent and royalties	31	-
Proceeds from sale of capital assets	9	14
Net cash used in capital and related financing activities	(26,219)	(5,009)
Cash flows from investing activities:		
Interest on investments	5,978	4,576
Net cash provided by investing activities	5,978	4,576
Net increase (decrease) in cash and cash equivalents	(2,591)	16,572
Cash and cash equivalents - beginning of period	138,755	106,096
Cash and cash equivalents - end of period	$ 136,164	$ 122,668
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 5,182	$ 13,895
Adjustments for non-cash activities:		
Depreciation	9,348	3,788
Claims	-	5,670
Changes in assets and liabilities:		
Other receivables	234	(172)
Inventory of supplies	-	(124)
Deferred charges	(956)	-
Prepaid expenses	-	377
Accounts payable and accrued expenses	2,448	1,038
Compensated employee absences payable	72	59
Net pension obligation	1,294	-
Due to other funds	-	416
Due to component unit	-	9
Unearned revenue	25	-
Total adjustments	12,465	11,061
Net cash provided by operating activities	$ 17,647	$ 24,956
Non-cash capital activities:		
Contribution of capital assets	$ -	$ 1,116

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

COUNTY OF ALAMEDA, CALIFORNIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008
(amounts expressed in thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Fund	Agency Funds
Assets:				
Cash and investments with County Treasurer	$ 8,637	$ 1,442,314	$ 16,741	$ 119,613
Cash and investments with fiscal agents	5,529,379	-	-	-
Investment of securities lending collateral	754,202	-	-	-
Deposits with others	513	-	-	-
Taxes receivable	-	-	-	328,115
Other receivable	143,036	-	-	-
Interest receivable	18,939	7,071	70	280
Prepaid expenses	-	3,497	-	-
Capital assets, net of accumulated depreciation	1,988	-	-	-
Total assets	6,456,694	1,452,882	16,811	448,008
Liabilities:				
Accounts payable and accrued expenses	126,169	73,161	-	1,092
Securities lending collateral	754,202	-	-	-
Due to other governmental units	-	-	-	446,916
Total liabilities	880,371	73,161	-	$ 448,008
Net Assets				
Held in trust for pension	5,574,780	-	-	
Held in trust for other employee benefit trust	1,543	-	-	
Held in trust for other purposes	-	1,379,721	16,811	
Total net assets held in trust	$ 5,576,323	$ 1,379,721	$ 16,811	

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

COUNTY OF ALAMEDA, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Fund
Additions:			
Contributions:			
Employees	$ 76,499	$ -	$ -
Employer	130,040	-	-
Contributions on pooled investments	-	7,292,515	2,425
Total contributions	206,539	7,292,515	2,425
Investment income:			
Interest	90,987	59,636	626
Dividends	71,124	-	-
Net increase in fair value of investments	278,313	3,684	42
Real estate	22,338	-	-
Securities lending income	46,498	-	-
Total investment income	509,260	63,320	668
Less investment expenses:			
Investment expenses	24,355	-	-
Securities lending borrower rebates and management fees	42,722	-	-
Real estate	11,175	-	-
Total investment expenses	78,252	-	-
Net investment income	431,008	63,320	668
Miscellaneous income	886	-	-
Total additions, net	638,433	7,355,835	3,093
Deductions:			
Benefit payments	254,220	-	-
Refunds of contributions	7,778	-	-
Administration expenses	12,211	-	-
Distribution from pooled investments	-	7,390,211	3,051
Total deductions	274,209	7,390,211	3,051
Change in net assets [other employee benefit trust ($-455)]	364,224	(34,376)	42
Net assets - beginning	5,212,099	1,414,097	16,769
Net assets - ending	$ 5,576,323	$ 1,379,721	$ 16,811

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

1. Summary of Significant Accounting Policies

A. *Scope of Financial Reporting Entity*

The County of Alameda is a political subdivision chartered on March 25, 1853, by the State of California, and as such, it can exercise the powers specified by the constitution and statutes of the State of California. The County operates under its charter and is governed by an elected five member Board of Supervisors, providing the following services to its citizens, as authorized by its charter: election administration, public protection, public assistance, health care, road and transportation, recreation and education.

The financial reporting entity consists of the County of Alameda (the primary government) and its component units. Component units are legally separate organizations for which the Board of Supervisors is financially accountable, or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete.

As required by accounting principles generally accepted in the United States, the County's basic financial statements present the County of Alameda and its component units which are discussed below:

Blended Component Units - Blended component units are, in substance, part of the County's operations and their financial data are combined with data of the primary government. These component units have a June 30 fiscal year-end, with the exception of the Alameda County Employees' Retirement Association (ACERA), which has a December 31 fiscal year-end. The financial activities of ACERA for the year ended December 31, 2007, are included herein.

• *Alameda County Flood Control and Water Conservation Districts (Flood Control Districts)*

The Flood Control Districts were established to provide flood control services within specific areas of the County. Although the Flood Control Districts are legally separate from the County, they are reported as if they were part of the primary government because the flood control governing board is composed solely of the members of the County Board of Supervisors. Zone 7 Water District of the Flood Control Districts is additionally governed by a seven-member board of directors. The financial transactions of the Flood Control Districts that provide flood control services are reported within the flood control fund while the Zone 7 Water District that furnishes water is reported as an enterprise fund. The books and records for the Flood Control Districts are maintained by the County. Additional financial data for the Flood Control Districts may be obtained from the Alameda County Auditor-Controller's Office, 1221 Oak Street, Oakland, CA 94612.

• *Alameda County Fire Department (Fire Department)*

The Fire Department was established in 1993 as a consolidation of several County fire districts to provide fire protection services in the unincorporated areas of the County. Since then, the cities of San Leandro and Dublin have contracted with the Fire Department to provide fire protection services within their city limits as well. Although the Fire Department is legally separate from the County, it is reported as if it were part of the primary government because it is governed by the County Board of Supervisors. The activities of the Fire Department are reported within non-major governmental funds. The books and records for the Fire Department are maintained by the County. Additional financial data for the Fire Department may be obtained from the Alameda County Auditor-Controller's Office, 1221 Oak Street, Oakland, CA 94612.

• *Alameda County Employees' Retirement Association (ACERA)*

ACERA is a multiple-employer public retirement system organized under the 1937 Retirement Act. The County is the major participant and contributes 77 percent of total employer contributions. ACERA is governed by a nine-member board that includes the County treasurer, four County citizens appointed by the Board of Supervisors and four members elected by the ACERA membership. Although ACERA is legally separate from the County, it is reported as if it were part of the primary government because it benefits the County by providing substantial services to the County's employees. The activities of ACERA are reported within the pension and other employee benefit trust funds. Complete financial statements for ACERA may be obtained from the Alameda County Employees' Retirement Association, 475 14th Street, Suite 210, Oakland, CA 94612.

ACERA has adopted early implementation of Governmental Accounting Standards Board (GASB) Statement No. 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB). The reporting changes required by this Statement amend applicable note disclosures and RSI requirements of Statements No. 25 *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

Post employment healthcare benefits currently provided by ACERA include medical, dental, and vision benefits. These benefits are reported in the Pension and Other Employee Benefit Trust Funds in the financial statements consistent with GASB Statement No 43. Other forms of post employment benefits provided by ACERA include supplemental cost of living allowance and death benefits. These benefits are reported in the Pension and Other Employee Benefit Trust Funds in the financial statements consistent with GASB Statement No. 25, as they are considered pension benefits.

• *Alameda County Public Facilities Corporation (Corporation)*

The Corporation is a legal entity established to account for the proceeds of certificate of participation issues and other financings for the County. The activities of the Corporation are reported within non-major governmental funds. The books and records for the Corporation are maintained by the County. Additional financial data for the Corporation may be obtained from the Alameda County Auditor-Controller's Office, 1221 Oak Street, Oakland, CA 94612.

• *County Service Areas (CSA)*

CSAs are special districts established by the Board of Supervisors for the purpose of providing specific services to County residents. Although the CSAs are legally separate from the County, they are reported as if they were part of the primary government because they are governed by the County Board of Supervisors. The books and records of these CSAs are maintained by the County, and their activities are reported within non-major governmental funds. Additional financial data for the CSAs may be obtained from the Alameda County Auditor-Controller's Office, 1221 Oak Street, Oakland, CA 94612.

• *Alameda County Redevelopment Agency (Redevelopment Agency)*

The Redevelopment Agency was reactivated by the Board of Supervisors on December 14, 1999, in order to proceed with the Eden area redevelopment plan in the unincorporated area of Alameda County. The Redevelopment Agency board is composed of the members of the Board of Supervisors and is therefore considered to be a part of the primary government. The books and records of the Redevelopment Agency are maintained by the County and its activities are reported within non-major governmental funds. Additional financial data for the Redevelopment Agency may be obtained from the Alameda County Auditor-Controller's Office, 1221 Oak Street, Oakland, CA 94612.

• *Alameda County Tobacco Asset Securitization Authority (Authority)*

The Authority was established to account for the activities related to the tobacco securitization bonds and revenues generated from the master settlement agreement with the four largest US tobacco manufacturers. The activities of the Authority are reported within non-major governmental funds as a debt service fund. The books and records for the Authority are maintained by the County. Additional financial data for the Authority may be obtained from the Alameda County Auditor-Controller’s Office, 1221 Oak Street, Oakland, CA 94612.

• *Alameda County Joint Powers Authority (Joint Powers Authority)*

The Joint Powers Authority was formed by and between the County and the Redevelopment Agency to assist the County in the financing of public capital improvements. The activities of the Joint Powers Authority are reported within debt service fund. The books and records for the Joint Powers Authority are maintained by the County. Additional financial data for the Joint Powers Authority may be obtained from the Alameda County Auditor-Controller's Office, 1221 Oak Street, Oakland, CA 94612.

Discretely Presented Component Unit - The following component unit is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the County. Although it has a significant relationship with the County, the entity does not provide services solely to the County and, therefore, is presented discretely.

• *Alameda County Medical Center Hospital Authority (ACMC)*

The ACMC is governed by an eleven-member board of trustees, appointed by a majority vote of the Board of Supervisors of the County. Pursuant to the agreement dated July 1, 1998, between the County and the ACMC, the ACMC manages and operates the county hospitals and clinics. The County pays the ACMC for the provision of indigent care. The hospital facilities and related debt are presented in the governmental activities of the County's statement of net assets. All equipment is the property of the ACMC. The ACMC has a June 30 fiscal year-end. The financial activities of the ACMC for the year ended June 30, 2008, are shown herein. Complete financial statements for the ACMC may be obtained from the Alameda County Medical Center Hospital Authority, 1411 E. 31st Street, Oakland, CA 94602.

The ACMC's governing body is not substantially the same as the County's and the ACMC does not provide services entirely or almost entirely to the County. The County is accountable for the ACMC through the appointment of the ACMC's board and the ability to remove appointed members at will.

Other Organizations - There are other governmental agencies that provide services within the County of Alameda. These entities have independent governing boards and the County is not financially accountable for them. The County's basic financial statements, except for certain cash held by the County as an agent, do not reflect operations of the Alameda Alliance for Health, Alameda County Mosquito Abatement District, Alameda County Resource Conservation District, Alameda County Transportation Authority, Alameda County Schools Insurance Group (ACSIG) and Alameda County Office of Education. The County is represented in three regional agencies, the San Francisco Bay Area Rapid Transit District (BART), the Bay Area Air Quality Management District (BAAQMD) and the Metropolitan Transportation Commission (MTC), which are also excluded from the County's reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements, i.e., the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities of the primary government and its component units. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for services. Likewise, the discretely presented component unit is reported separately from the primary government due to its separate legal standing.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, of which the latter are excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported in separate columns in the fund financial statements.

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

The government-wide financial statements, proprietary fund statements and fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds do not have a measurement focus and thus, report only assets and liabilities. However, agency funds use the accrual basis of accounting when recognizing receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers property tax revenues and all other revenues, except grants and state and federal allocations in the general fund, to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues and general fund state and federal allocations are considered to be available if they are collected within 180 days of the end of the current fiscal period.

It is the County's policy to submit claims for federal and state grant revenues within 90 days of the end of the program cycle and payment is generally received within 90 days thereafter. Expenditures are recognized when the liability is incurred, except for interest on long-term debt and payments related to vacation, sick leave, claims and judgments, which are recorded when due.

Property taxes, other local taxes, licenses, interest, and intergovernmental revenues associated with the current fiscal period are all considered as being susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the County receives cash.

In both the business-type activities and enterprise fund financial statements, the County applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as statements and interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The County does not apply FASB statements and interpretations issued after November 30, 1989.

The County reports the following major governmental funds:

The ***General Fund*** is the general operating fund of the County. It is used to account for all financial resources and transactions except those required to be accounted for in another fund.

The ***Property Development Fund*** accounts for the sale and development of surplus County land.

The ***Flood Control Fund*** is used to account for taxes, assessments and other revenues collected in specific areas of the County which are restricted for the provision of flood control services within those areas.

The ***Capital Projects Fund*** is used 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 and trust funds.

The ***Debt Service Fund*** is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The County reports the following major proprietary (enterprise) fund:

The ***Zone 7 Water Facilities Enterprise Fund*** was established in 1973 to account for the proceeds of water revenue bonds that were used for the acquisition, construction and improvement of the water supply in eastern Alameda County. The water facilities enterprise is part of the Zone 7 Water District, established in 1957 to furnish water for municipal and industrial uses in this area. The District is governed by a seven-member board and is governed ex-officio by the Alameda County Board of Supervisors.

Additionally, the County reports the following fund types:

The ***Internal Service Funds*** are used to account for the financing of goods or services provided by one County department or agency to other departments or agencies of the County or to other governments on a cost-reimbursement basis. Internal Service funds account for the activities of the centralized communications, information technology, building maintenance, printing, vehicle and heavy equipment maintenance services, and the County's risk management programs.

The ***Pension and Other Employee Benefit Trust Funds*** reflect the activities of the ACERA and the Employees' Cafeteria Benefit Plan. ACERA accounts for employee and County contributions to retirement and postemployment benefits and the earnings or losses from investments. It also accounts for the disbursements made for employee retirements, withdrawals, postemployment benefits, disability and death benefits as well as administrative expenses. The other employee benefit trust fund holds pre-tax dollars deducted from County employees' gross pay for subsequent reimbursement of allowable health care and dependent care costs.

The ***Investment Trust Fund*** accounts for the external portion of the Treasurer's investment pool. The funds of the Alameda County school and community college districts, the Trial Courts, the Law Library, and independent special districts that participate in the Treasurer's pool are accounted for within the Investment Trust Fund.

The ***Private Purpose Trust Fund*** reflects the activities of the Public Guardian in managing the assets of conservatees of the County.

The ***Agency Funds*** account for the resources held by the County in a custodial capacity on behalf of other agencies. These resources include property taxes receivable which are held pending disputes or litigation and apportionment, payroll deduction and collection clearing funds, and local agencies' share of federal and state program funds.

The effect of interfund activities have been eliminated from the government-wide financial statements. Exceptions to this rule are charges between functions because elimination of these charges would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the County's enterprise and internal service funds are charges for customer services including: water connection fees, water, sewer and utility charges, vehicle usage and maintenance fees, building rent and maintenance fees, printing service fees, and telecommunication and information technology system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Effect of Component Units with Differing Fiscal Year-Ends

ACERA has a fiscal year ending on December 31. The amounts reflected in the June 30, 2008 financial statements are the balances as of ACERA's fiscal year ended December 31, 2007. The difference in the cash balance and interfund transactions are reconciled in the Cash and Investments footnote (Note 2).

D. ***<u>Cash and Investments</u>***

The County follows the practice of pooling cash and investments of all funds with the County Treasurer, except for certain restricted funds which are generally held by outside custodians and classified as "Cash and investments with fiscal agents" on the accompanying financial statements. The earned interest yield on all funds held by the County Treasurer for fiscal year 2007-2008 was approximately 4.18 percent. The fair value of the Treasurer's pool is determined on a quarterly basis. The adjustment to the cash balance of all participants in the pool is based on the cash balance at the valuation date. The change in the fair value of the investments is recognized in the year in which the change occurred.

Investment in the Treasurer's Pool

The Treasurer's investment pool comprises two components: (1) pooled deposits and investments and (2) specific investments. Specific investments are individual investments that are made separately from the pooled investments at the request of a specific depositor in the County Treasury. The interest earnings on specific investments are recorded only in the fund from which the investment was made.

Pursuant to the California Education Code, receipts of college and school districts must be deposited with the appropriate county. The Alameda County schools and colleges account for 42.26 percent of the net assets in the Treasurer's pool. The deposits held for these entities are included in the investment trust fund.

The funds of the independent special districts and cities that participate in the Treasurer's pool are also accounted for in the investment trust fund.

In addition to the Treasurer's investment pool, the County has other funds that are held by trustees. These funds are related to the issuance of debt and the investments of Surplus Property Development and ACERA.

Investment Valuation

Certain US government securities that have a remaining maturity at time of purchase of one year or less are carried at amortized cost, which approximates market value. Investments with maturity of more than one year, whether pooled or specific, are carried at fair value. The fair value of investments is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

For pooled investments, the fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as being due to the general fund.

Investment Income

Income from pooled investments is allocated to the individual funds or external participants at the end of each quarter based on the fund or participant's average daily cash balance during the quarter in relation to the average daily balance of total pooled cash. County management has determined that the investment income related to certain funds should be allocated to the general fund. The income is reported in the fund that earned the interest. A transfer is then recorded to transfer an amount equal to the interest earnings to the general fund.

It is the County's policy to charge interest to those funds that have a negative average daily cash balance. The interest charged is reported as negative interest revenue. In certain instances, County management or State law has determined that the negative interest related to the fund should be allocated to the general fund. The negative interest revenue is recorded in the fund that is charged with the interest. A transfer is then recorded to transfer an amount equal to the negative interest revenue from the general fund. This is the case for certain special revenue grant funds.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

E. ***<u>Taxes Receivable</u>***

The State of California Constitution Article XIIIA provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by the voters. Assessed value is calculated at 100 percent of market value as defined by Article XIIIA and may be adjusted by no more than two percent per year unless the property is sold or transferred. These general property tax rates do not apply to taxes levied to pay the interest and principal on any indebtedness incurred prior to June 6, 1978, or subsequently approved by the voters. Supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. The State legislature has determined the method of distribution among the counties, cities, school districts and other districts of receipts from the 1 percent property tax levy.

(amounts in tables expressed in thousands)

The County assesses properties and levies and collects property taxes as follows:

	Secured	Unsecured
Valuation dates	January 1	January 1
Lien dates	January 1	January 1
Due dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent after	December 10 (for November) April 10 (for February)	August 31

The taxes are secured by liens on the property being taxed. The term "secured" refers to taxes on land and buildings, while "unsecured" refers to taxes on personal property other than land and buildings.

Secured taxes are distributed to the general fund, the flood control fund, the non-major governmental funds, the school districts and the cities of Alameda and Piedmont, who are participants in the Teeter Plan, as follows: 50 percent of the levy in December, 45 percent in April and the remaining 5 percent in August of each year. The remaining recipients of property tax revenues, who elected not to participate in the Teeter Plan, receive their share of actual current and delinquent taxes and penalties as they are collected.

F. ***Inter-fund Receivables/Payables/Advances***

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements.

The County has advanced funds to the ACMC to finance capital improvements at ACMC’s medical facilities. These advances are shown as “advances to component unit” and “advances from primary government” on the basic financial statements.

G. ***Inventory of Supplies***

Supplies inventory is recorded at cost and charged on a weighted-average basis. The costs of these inventories in the governmental funds are recorded as expenditures when consumed rather than when purchased.

H. ***Capital Assets***

Capital assets, which include land, entitlements, construction in progress, structures and improvements, machinery and equipment, computer software, infrastructure assets, and an historical artifact, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County capitalizes equipment and computer software with minimum cost of $5,000 and $250,000, respectively, and an estimated useful life in excess of one year. Structures and improvements and infrastructure with a value of at least $250,000 are capitalized. Land, entitlements, and items in collections costing at least $5,000 are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as an expenditure in the general and capital projects funds and as an asset in the government-wide financial statements to the extent that the County’s capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

(amounts in tables expressed in thousands)

Capital assets, including capital leases, of the primary government and its component units are depreciated using the straight-line method applied over the estimated useful lives of the assets, using the following estimated useful lives:

Type of Asset	Estimated Useful Life in Years
Structures and Improvements	30
Machinery and Equipment	3-20
Infrastructure	10-100

Land, entitlements, construction in progress, and collections are not depreciated.

The County has implemented retroactive reporting of all major infrastructure in accordance with GASB Statement No. 34. In addition to recording infrastructure acquired after June 30, 1980 as required, the County has also recorded infrastructure acquired prior to June 30, 1980 as recommended.

I. *Compensated Employee Absences*

The County permits its employees to accumulate up to fifty days of unused vacation pay over their working career. The unused vacation leave, compensatory time, and unexpired in-lieu compensatory time are redeemed in cash upon termination or by extended absence immediately preceding retirement. Such cash payments of absences are recognized as expenditures of the governmental funds in the year of payment. Employees are not reimbursed for accumulated sick leave.

Estimated unpaid vacation pay at June 30, 2008, is accrued and recorded in the government-wide and proprietary fund financial statements. The estimated obligation includes an amount for salary-related payments (i.e. payroll taxes) associated with the vacation pay. All retired or terminated employees as of June 30, 2008, have been compensated for any accumulated vacation.

J. *Bond Issuance Costs and Premiums/Discounts*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Unamortized bond issuance costs are reported on the statement of net assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. *Fund Balances/Net Assets*

Reservations of Fund Balances

Reservations of fund balances of the governmental funds represent that portion of fund balances that is not available for appropriation or is legally segregated for a specific future use. Following is a brief description of the nature of certain reserves.

Reserve for encumbrances – Encumbrances are amounts that do not constitute available, spendable resources.

Reserve for inventories – A portion of fund balance is reserved to offset the supplies inventories that are not available for appropriation.

Reserve for debt service – The fund balance of the debt service funds is reserved for the payment of debt service requirements in subsequent years.

Reserve for legal restrictions – Certain revenues that are received by the County have restrictions as to their use, such as certain fees and fines collected for specific purposes. These unspent revenues are shown as legally restricted in the general fund.

Reserve for assets not available for appropriation – Certain assets, such as deposits with others and long-term receivables, do not represent expendable available financial resources. Therefore, a portion of fund balance is reserved to offset the balance of these assets.

Restricted Net Assets

Restricted net assets are those assets, net of their related liabilities, that have constraints placed on their use by creditors, grantors, contributors, or by enabling legislation. Accordingly, restricted assets may include unspent grant revenues, certain fees and charges and restricted tax revenues.

L. ***Self-Insurance***

The County is self-insured for general liability, automobile liability, medical malpractice, workers' compensation and dental insurance claims. Internal service funds are used to account for the County's self-insurance activities. It is the County's policy to provide in each fiscal year, by premiums charged to affected operating funds, amounts sufficient to cover the estimated charges for self-insured claims, excess insurance and administrative costs. The risk management internal service fund's estimated liability for claims and contingencies is actuarially determined and includes claims incurred but not reported.

M. ***Inter-fund Transfers***

Inter-fund transfers are generally recorded as transfers-in or out except for certain types of transactions that are described below.

(1) Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.

(2) Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

N. ***Refunding of Debt***

On the government-wide financial statements, gains or losses from advance refundings are deferred and amortized into expense if they occurred subsequent to June 30, 2001.

O. ***Cash Flows***

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the County's Treasury represent monies in a cash management pool. Such accounts are similar in nature to demand deposits.

P. ***Joint Venture***

The County is a participant with the City of Oakland in a joint exercise of powers agreement known as the Oakland-Alameda County Coliseum Authority (the Coliseum Authority), which was formed on July 1, 1995, to assist the City of Oakland and the County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex pursuant to the Marks-Roos Local Bond Pooling Act of 1985. Under this agreement, which formed the Coliseum Authority, the County is responsible for funding up to 50 percent of the Coliseum Authority's operating costs and debt service requirements, to the extent such funding is necessary. See Note 13 for further information on the Coliseum Authority joint venture.

(amounts in tables expressed in thousands)

Q. *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Cash and Investments

A. Deposits

As of June 30, 2008, the County's cash and deposits were as follows:

	Bank Balance	Carrying Value
Deposits with financial institutions	$ 72,842	$ 70,695
Cash on hand		407
Deposits in transit		1,508
Adjustment to restate pension trust fund cash balance to December 31, 2007		492
Total cash and deposits		$ 73,102

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside entity. The County does not have a deposit policy for custodial credit risk. Of the $72,842,000 deposits with financial institutions, $1,261,000 was covered by federal depository insurance and $71,581,000 was collateralized with securities held by pledging financial institutions' trust departments. As required by California Government Code Section 53652, the market value of the pledged securities must equal at least 110 percent of the County's deposits, with the exception of mortgage-backed securities, which must equal at least 150 percent.

As of December 31, 2007, ACERA reported a cash balance of $7,094,000, of which $1,400,000 was in operational cash accounts held with a financial institution. These operational cash deposits were uninsured and uncollateralized and exposed to custodial credit risk.

B. Investments

County investments consist of (a) Treasurer's investments, (b) Investments with fiscal agents and (c) ACERA's investments.

a. Treasurer's Investments

Funds with the County Treasurer are invested pursuant to the annual Investment Policy established by the Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority, preservation of capital, liquidity and yield. The policy addresses the soundness of financial institutions in which the County deposits funds, the types of investment instruments and the percentage of the portfolio which may be invested in certain instruments, as permitted by Section 53600 et seq. of the Government Code of the State of California. Authorized instruments in which the Treasurer can invest include US Treasury securities, banker's acceptances, federal, state and local government securities, commercial paper, medium-term corporate notes, negotiable certificates of deposit, local agency investment fund, money market funds, mutual funds that invest in authorized securities, and mortgage-backed securities. Although the Investment Policy permits the Treasurer to invest in repurchase agreements and reverse repurchase agreements, or to engage in securities lending, such investment activities were not made during the year ended June 30, 2008.

(amounts in tables expressed in thousands)

On June 10, 1997, the Board of Supervisors created the Treasury Oversight Committee pursuant to Section 27131 of the Government Code. The Committee is responsible for ensuring that the Treasurer's investment pool is audited annually and for reviewing and monitoring the Treasurer's investment policy.

There were no derivative investments in the investment pool for the year ended June 30, 2008.

As of June 30, 2008 Treasurer's investments consisted of the following:

Investment Type	Credit Rating S&P's/Moody's	Interest Rate Range	Weighted Average Maturity (Years)	Fair Value
US Treasury securities-coupon	Exempt	1.75 – 2.63%	1.83	$ 39,648
Federal agency notes & bonds	AAA / Aaa	2.20 – 5.70	2.73	924,497
Federal agency discount notes	A-1+ / P-1	1.80 – 2.34	0.06	1,124,987
Commercial paper	A-1 / P-1	2.13 – 2.65	0.03	59,953
Negotiable certificates of deposit	A-1 / P-1	2.43 – 2.66	0.12	130,000
Medium term notes	AA / Aa	4.00 – 5.31	0.96	85,616
Money market funds	AAAm / Aaa	1.75 – 3.35	0.17	526,000
Local Agency Investment Fund	Not Rated	3.01%	0.59	40,000
Total investments			0.98	$2,930,701

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will affect the fair value of an investment. In accordance with the Investment Policy, the Treasurer manages the risk exposure by limiting the weighted average maturity of its investment portfolio to not more than two years at any time.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Treasurer manages this risk exposure by complying with the Government Code and the Treasurer's more restrictive Investment Policy regarding the credit ratings of various types of investments. The Investment Policy prescribes the following rating requirements:

Banker's Acceptances: at least A-rated when issued by a domestic bank; and at least AA-rated when issued by a U.S. branch of a foreign bank.

Commercial Paper: prime rated by at least one rating agency if maturity does not exceed 30 days; and prime rated by at least two rating agencies, if maturity exceeds 30 days.

Medium-Term Corporate Notes: at least rated A if maturity is less than three years from purchase date; and at least rated AA if maturity is longer than three years from purchase date.

Negotiable Certificates of Deposit: at least rated A if issued by a domestic bank; and at least rated AA if issued by a U.S. branch of a foreign bank.

Money Market Funds: the fund must attain the highest ranking or the highest letter and numerical rating by at least two of the three largest nationally recognized rating services; or if not rated, must retain an investment adviser registered with the SEC having not less than five years experience investing in the securities and obligations as authorized by subdivisions (a) to (m) of Government Code Section 53601, inclusive, and with assets under management in excess of $500,000,000.

(amounts in tables expressed in thousands)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The Investment Policy sets no limit on the amount the County may invest in any one issuer. As of June 30, 2008, more than 5 percent of the Treasurer's investments were in the Federal Farm Credit Bank (18.17%) and Federal Home Loan Bank (51.56%).

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's pool for the fiscal year ended June 30, 2008. Cash does not include $ 1,242,000 in department revolving funds.

Statement of Net Assets

Assets:	
Deposits	$ 71,367
Investments (at fair value)	2,930,701
Accrued interest	14,368
Total assets	$3,016,436
Total Liabilities:	-
Net Assets	$3,016,436
Equity of internal pool participants	$1,636,715
Equity of external pool participants	1,379,721
Total Net Assets	$3,016,436

Statement of Changes in Net Assets

Net change in investments by pool participants	$ 107,559
Net assets at July 1, 2007	2,908,877
Net assets at June 30, 2008	$3,016,436

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2008, to support the value of shares in the pool.

As of June 30, 2008, the Treasurer's cash and investment pool was carried at fair value, based on the current market price of the investment holdings. During the fiscal year, the fair value of the cash and investment pool was determined quarterly and reported to the Board of Supervisors at the end of each calendar quarter.

Each fund's equity in the pool is the fund's actual cash position as of any given date. Any "value" that served to either increase or decrease the pool's valuation as a result of the current fair value of the pool on June 30, 2008, has been allocated to each fund based on the average cash balance during the last quarter of the fiscal year.

b. Investments with Fiscal Agents

The County's property development fund, capital projects fund, debt service fund, and non-major governmental funds have investments with fiscal agents.

(amounts in tables expressed in thousands)

As of June 30, 2008, investments with fiscal agents consisted of the following:

Investment Type	Credit Rating S&P's/Moody's	Investment Maturities (in Years) Less than 1	1 to 5	More than 5	Fair Value
U.S. Treasury securities	Exempt	$ -	$ 9,282	$ -	$ 9,282
Federal agency debt securities	AAA / Aaa	67,967	147,971	-	215,938
Commercial paper	A-1 / P-1	15,411	-	-	15,411
Medium term notes	AAA / Aaa	29,958	-	-	29,958
Corporate bonds	Aa / Aa	48,085	37,359	2,129	87,573
Money market funds	AAA / Aaa	44,471	-	-	44,471
Total other funds		$ 205,892	$194,612	$ 2,129	$402,633

Interest Rate Risk

The investment policy for the property development fund limits the maximum maturity of any issue to no more than five years from the purchase date. The County's Financial Management Policy and various bond indentures do not contain provisions that address the interest rate risk of investments made by other County funds.

Credit Risk

The investment policy for the property development fund and various bond indentures for other funds limit the funds' investments in commercial paper, guaranteed investment contract, and money market funds to the highest two ratings issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk

As of June 30, 2008, more than 5% of total investments with fiscal agents were in the Federal Home Loan Bank (15.27%), the Federal National Mortgage Association (17.21%), the Federal Home Loan Mortgage Corporation (21.16%), and the Trinity Plus Funding (7.44%).

The investment policy for the property development fund and various bond indentures for other funds place no limit on the amount the funds may invest in any one issuer. As of June 30, 2008, more than 5 percent of the property development fund's investments were in the Federal Home Loan Bank (20.96%), the Federal National Mortgage Association (20.30%), and the Federal Home Loan Mortgage Corporation (26.28%).

In addition, 47.14% of the capital projects fund's investment was in the Trinity Plus Funding Company, LLC. Also, 45.53% of the debt service fund's investment was in the Federal National Mortgage Association, and 37.98% in Federal Home Loan Mortgage Corporation.

As of June 30, 2008, more than 5 percent of the non-major governmental funds' investments were in Morgan Stanley (63.24%) and Bank of America (8.74%).

c. Investments of Alameda County Employees Retirement Association (ACERA)

Government Code Section 31595 allows the Board of Retirement to invest funds at its discretion. Instruments authorized by the Board of Retirement are US equity, international equity, US and international fixed income, real estate and Treasurer's pooled investments. ACERA is prohibited from investing in securities issued by the County of Alameda or any agency thereof. Additionally, ACERA may not invest in futures, written options, swaps or structured notes, unless specific authorization is obtained from the Board of Retirement in advance of the investment. The ACERA investments shown in the statement of fiduciary net assets are as of ACERA's fiscal year ended December 31, 2007

ACERA has chosen to manage the investment risks described by GASB Statement No. 40 by contractually requiring each portfolio investment manager to abide by restrictive investment guidelines specifically tailored to that individual manager rather than adopting broad across-the board investment policies with respect to these investment risks. The guidelines stipulate the investment style, the performance objective, performance benchmarks, and portfolio characteristics. For example, in the case of foreign currency risk, the policy guidelines for the U.S. dollar equity portfolios differ from those for the non-U.S. dollar equity portfolios. Likewise in the case of credit risk, the guidelines for one fixed income portfolio stipulate a minimum acceptable credit rating for each debt instrument while the guidelines for a different fixed income portfolio merely require that the average of credit ratings for a certain fair value percentage of the portfolio meet a minimum requirement. Each manager is likewise subject to a “manager standard of care” that establishes a fiduciary relationship requiring the manager to act solely in the best interest of ACERA and to act prudently. On an ongoing basis, ACERA’s investment staff monitors all investment managers for compliance with the respective guidelines. ACERA’s guidelines require each manager’s investment return performance to compare favorably with the performance of the relevant passive market index such as the Lehman Brothers Global Bond Index.

Concentration of Credit Risk

The individual investment guidelines for each fixed-income manager forbid concentrations greater than 5% in the securities of any one issuer (except investments issued or explicitly guaranteed by the U.S. government). As of December 31, 2007, ACERA had no investments in a single issuer that equaled or exceeded 5% of ACERA’s net assets.

Credit Risk

The individual investment guidelines for each fixed-income investment manager describe applicable restrictions on credit risk. The credit risk restrictions by investment portfolio (with portfolio style) are as follows:

- A minimum of 51% of the market value of the portfolio must be rated BBB- or higher by Standard & Poor’s (S&P) or Baa3 or higher by Moody’s Investor Services (Moody’s). (Medium Grade Fixed Income)
- Investments must be rated Baa/BBB or better by Moody’s/S&P at time of purchase. (Enhanced Index Fixed Income)
- The average credit quality of the portfolio shall be grade “A” or better based on Moody’s and/or S&P. Individual securities shall be of investment-grade quality, i.e., Baa3/BBB- and above. (Global Fixed Income)

The credit quality ratings of a security (e.g., from Moody’s or S&P) give an indication of the degree of credit risk for that security.

(amounts in tables expressed in thousands)

The Credit Risk Analysis table discloses the fair value of debt investments by type and credit rating as of December 31, 2007.

Credit Risk Analysis

		Adjusted Moody's Credit Rating							
Debt Investments by Type	**Total**	Aaa	Aa	A	Baa	Ba	B	Caa	Not Rated
Collateralized Mortgage Obligations	$ 219,136	$134,826	$ -	$ -	$ -	$ -	$ -	$ -	$ 84,310
Convertible Bonds	14,895	-	-	-	633	199	6,608	4,271	3,184
Corporate Bonds	591,244	41,356	57,228	103,782	209,606	52,542	69,680	27,033	30,017
Federal Home Loan Mortgage Corp.	34,916	34,916	-	-	-	-	-	-	-
Federal National Mortgage Assn.	111,369	111,369	-	-	-	-	-	-	-
Government Issues	322,302	218,646	-	45,529	19,903	19,288	-	-	18,936
Government National Mortgage Assn. I, II	989	989	-	-	-	-	-	-	-
Other Asset Backed Securities	128,838	116,609	6,258	-	4,274	1,697	-	-	-
Subtotal Debt Investments	1,423,689	658,711	63,486	149,311	234,416	73,726	76,288	31,304	136,447
External Investment Pools of Debt Securities									
Securities Lending Cash Collateral Fund	754,202	-	-	-	-	-	-	-	754,202
Master Custodian Short-Term Investment Fund	121,459	-	-	-	-	-	-	-	121,459
Subtotal External Investment Pools	875,661	-	-	-	-	-	-	-	875,661
Total	$2,299,350	$658,711	$63,486	$149,311	$234,416	$73,726	$76,288	$31,304	$1,012,108

This table displays the fair value of investments by credit rating in increasing magnitude of risk. Investments are classified by Moody's credit rating, except, wherever the S&P rating for an investment indicates a greater degree of risk than the Moody's rating, the investment's credit rating has been changed for the purpose of this disclosure to the Moody's rating corresponding to the greater degree of risk.

Custodial Credit Risk

The individual investment guidelines for each investment manager require that managed investments be held and maintained with the master custodian in the name of ACERA. The master custodian may rely on sub-custodians. The custodial requirement does not apply to real estate investments and investments in commingled pools. As of December 31, 2007, ACERA has no investments that are exposed to custodial credit risk.

Securities lending cash collateral is invested in a pooled short-term investment fund maintained by the custodian.

With respect to the custodial credit risk pertaining to the underlying securities where ACERA hold non-cash collateral, the Custodial Credit Risk – Investment Analysis table discloses the fair value of the non-cash collateral by type of custodial arrangement as of December 31, 2007.

(amounts in tables expressed in thousands)

Custodial Credit Risk - Investments Analysis
Fair Value of Securities Lending Non-Cash Collateral

Type of Non-Cash Collateral and Custodial Arrangement	Fair Value
US Corporate Bonds, US Equity, and Non-US Equity Collateral Held with Securities Lending Agent	$ 17,186
US Treasury and Agency Securities Collateral Held with Third-Party Custodians	6
Irrevocable Bank Letters of Credit	285
Total Securities Lending Non-Cash Collateral	$ 17,477

Interest Rate Risk

ACERA has investments in three external investment pools containing debt securities that are subject to interest rate risk. ACERA has no general policy on interest rate risk for investments in external pools. The Interest Rate Risk Analysis – Duration of External Investment Pools of Debt Securities table indicates interest rate risk for the investments in these pools in terms of the duration of the pool securities as of December 31, 2007. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present values of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Interest Rate Risk Analysis -
Duration of External Investment Pools of Debt Securities

External Investment Pools of Debt Securities	Fair Value	Duration
Securities Lending Cash Collateral Fund	$ 754,202	40 days
Master Custodian Short-Term Investment Fund	121,459	15 days
Total	$ 875,661	

Separately, ACERA has investments in three fixed-income portfolios containing debt securities that are subject to interest rate risk. ACERA manages interest rate risk by setting limits on portfolio duration for each portfolio. The interest rate restrictions by investment portfolio (with portfolio style) are as follows:

- Duration Band: Lehman Brothers Baa Credit Index duration +/- 2 years (Medium Grade Fixed Income)
- Duration: Match the Lehman Brothers Aggregate Bond Index duration (Enhanced Index Fixed Income)
- Duration Band: 2-10 years duration (Global Fixed Income)

The Interest Rate Risk Analysis – Duration of Fixed Income Portfolios table indicates interest rate risk for the investments in these portfolios.

Interest Rate Risk Analysis – Duration of Fixed Income Portfolios

Debt Investments by Type	Fair Value	Duration in Years
Collateralized Mortgage Obligations	$ 219,136	2.7
Convertible Bonds	14,895	2.7
Corporate Bonds	558,098	7.4
Federal Home Loan Mortgage Corp.	34,916	3.4
Federal National Mortgage Assn.	111,369	4.2
Government Issues	322,302	5.3
Government National Mortgage Assn. I, II	989	4.7
Other Asset-Backed Securities	115,510	2.9
Subtotal of investments with duration	1,377,215	

Corporate Bonds	33,146	No Duration
Other Asset-Backed Securities	13,328	No Duration
Subtotal of investments without duration	46,474	
Total of Debt Investments	$ 1,423,689	

Fair Value Highly Sensitive to Changes in Interest Rate

The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. The two Interest Rate Risk Analysis- Duration tables above disclose the degree to which ACERA's investments are sensitive to interest rate changes due simply to the distribution in time of the investments' future cash flows. In contrast, ACERA's investments with fair values that are highly sensitive to interest rates due to other factors are disclosed on the Interest Rate Risk Analysis – Highly Sensitive table as of December 31, 2007. ACERA has no general investment policy with respect to investments with fair values that are highly sensitive to changes in interest rates.

Interest Rate Risk Analysis - Highly Sensitive
Fair Value of Investments with Fair Values
Highly Sensitive to Changes in Interest Rates

Investment Type	Investment Description	Interest Rates	Fair Value
Zero Coupon Bond	Privately Placed Securities	Zero-Coupon	$ 11,867

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. ACERA has no general investment policy with respect to foreign currency risk.

The Foreign Currency Risk Analysis table shows the fair value of investments by currency denomination and investment type, as of December 31, 2007. It provides an indication of the magnitude of ACERA's foreign currency risk for each foreign currency.

(amounts in tables expressed in thousands)

Foreign Currency Risk Analysis

Currency	Common Stock and Depository Recipts	International Equity Mutual Funds	Corporate Bonds	Foreign Currency	Govern-ment Issues	Currency Swaps	Equity Index Swaps	Total Exposure Net of Currency Swaps
Argentina Peso	$ -	$ -	$ -	$ -	$ -	$ 3	$ -	$ 3
Australia Dollar	77,290	-	17,384	162	21,234	(164)	-	115,906
Brazil Real	8,920	-	-	1	-	120	-	9,041
Canada Dollar	56,176	-	10,099	45	31,035	-	-	97,355
Chile Peso	-	-	-	-	-	24	-	24
Colombia Peso	-	-	-	-	962	5	-	967
Czech Republic Koruna	-	-	-	-	-	(23)	-	(23)
Denmark Krone	4,270	-	-	15	-	6	-	4,291
Egypt Pound	2,348	-	-	-	-	-	-	2,348
EuroCurrency	431,549	-	-	27,680	-	942	-	460,171
Hong Kong Dollar	44,715	-	-	36	-	-	-	44,751
Hungary Forint	-	-	-	-	-	2	-	2
Iceland Krona	-	-	2,762	-	-	-	-	2,762
India Rupee	10,768	-	-	-	-	12	320	11,100
Indonesia Rupiah	6,897	-	5,241	-	8,203	(2)	-	20,339
Israel Shekel	812	-	-	-	-	10	-	822
Japan Yen	244,578	-	14,845	1,997	4,394	(125)	-	265,689
Malaysia Ringgit	6,540	-	4,107	-	14,550	-	-	25,197
Mexico Peso	2,913	-	1,552	1,108	26,416	9	-	31,998
New Russia Ruble	-	-	-	-	-	(12)	92	80
New Taiwan Dollar	10,458	-	-	383	-	(55)	-	10,786
New Turkey Lira	5,532	-	-	-	-	937	-	6,469
New Zealand Dollar	5,551	-	7,655	(6)	1,556	-	-	14,756
Norway Krone	4,053	-	-	-	16,262	(55)	-	20,260
Poland Zloty	2,051	-	-	-	23,175	8	-	25,234
Singapore Dollar	14,568	-	5,309	3	21,446	(5)	-	41,321
South Africa Rand	7,404	-	1,505	-	15,378	99	-	24,386
South Korea Won	7,471	-	8,372	-	-	-	-	15,843
Sweden Krona	15,041	-	-	19	27,423	(89)	-	42,394
Switzerland Franc	86,031	-	-	138	-	210	-	86,379
Thailand Baht	1,661	-	-	-	-	(134)	-	1,527
UK Pound Sterling	205,926	-	-	119	21,700	2,605	-	230,350
Various Currencies	-	61,607	-	-	-	-	-	61,607
TOTAL	$ 1,263,523	$ 61,607	$ 78,831	$ 31,700	$ 233,734	$ 4,328	$ 412	$ 1,674,135

Securities Lending

Board of Retirement policies authorize ACERA to participate in a securities lending program. Securities lending transactions are short-term collateralized loans of ACERA securities to broker-dealers and banks that allow ACERA to invest and receive earnings on the loan collateral for a loan rebate fee. ACERA has signed a securities lending agreement authorizing the master custodian to lend ACERA securities to broker-dealers and banks pursuant to a loan agreement.

For the year ended December 31, 2007, on behalf of ACERA, the master custodian lent ACERA securities (government bonds, corporate stocks, corporate bonds, and international equities) under this agreement and received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt and irrevocable bank letters-of-credit as collateral. ACERA did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102% of the market value of the loaned security for domestic securities or sovereign debt issued by foreign governments, and 105% for international securities. Moreover, borrowers were required to maintain the market value of collateral on a daily basis.

(amounts in tables expressed in thousands)

ACERA did not impose any restrictions for the year ended December 31, 2007, on the amount of the loans that the custodian made on its behalf. The custodian indemnified ACERA by agreeing to purchase replacement securities or return cash collateral in the event the borrower failed to return the loaned securities and the collateral was inadequate to replace the securities lent or the borrower failed to pay ACERA for income distributions by the securities issuers where the securities are on loan. There were no losses during the year ended December 31, 2007, resulting from a default of the borrowers or the securities lending agent.

For the year ended December 31, 2007, ACERA and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of December 31, 2007, this investment pool had an average duration of 40 days and an average weighted maturity of 476 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of December 31, 2007, ACERA had no credit risk exposure to borrowers because the amounts ACERA owes them exceeded the amounts they owe ACERA.

As of December 31, 2007, ACERA had securities on loan with a fair value of $745 million for cash collateral of $754.2 million.

Summary of County Deposits and Investments

The following table is a summary of the deposits and investments as of June 30, 2008:

	Cash On Hand and Deposits In Transit	Cash in Bank	Treasurer's Investments	Investments with Fiscal Agent and Securities Lending Collateral	Adjust ACERA Cash to 12/31/07	Total
Cash and investments						
With County Treasurer	$ 1,915	$ 70,695	$ 2,930,701	$ -	$ 492	$ 3,003,803
With ACERA	-	-	-	5,529,379	-	5,529,379
With fiscal agents	-	-	-	402,633	-	402,633
Total cash and investments	-	-	-	5,932,012	-	5,932,012
Investment of securities lending collateral	-	-	-	754,202	-	754,202
Total – Primary Government	$ 1,915	$ 70,695	$ 2,930,701	$ 6,686,214	$ 492	$ 9,690,017
Restricted Cash – Component Unit		$ 1,002				$ 1,002

(amounts in tables expressed in thousands)

Total County deposits and investments at fair value are as follows:

	Primary Government					Component Unit
	Governmental Activities		Business-type Activities	Fiduciary Funds	Total	
Cash and investments with County Treasurer	$ 1,280,334	1	$ 136,164	$ 1,587,305 [2]	$ 3,003,803	$ -
Cash and investments with fiscal agents	293,243		-	5,529,379	5,822,622	
Restricted Assets:						
Cash and investments with fiscal agents	109,390		-	-	109,390	1,002
Invested securities lending collateral	-		-	754,202	754,202	-
Total cash and investments	$ 1,682,967		$ 136,164	$ 7,870,886	$ 9,690,017	$ 1,002
Deposits and cash on hand					$ 73,102	$ 1,002
Investments					9,616,915	-
Total deposits and investments					$ 9,690,017	$ 1,002

1 Includes cash and investments with the County Treasurer of total governmental funds ($1,157,666) and internal service funds ($122,668).

2 Includes deposits and investments with the County Treasurer of pension and postemployment benefits and employee benefit trust funds ($8,637), investment trust fund ($1,442,314), private purpose trust ($16,741) and agency funds ($119,613).

3. Receivables

Receivables as of June 30, 2008, for the County's individual major funds, nonmajor funds in the aggregate, and the internal service funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds								
	General	Property Development	Flood Control	Capital Projects	Debt Service	Other Governmental Funds	Subtotal	Internal Service Funds	Governmental Activities Total
Interest	$ 4,806	$ 5	$ 675	$ 317	$ 320	$ 660	$ 6,783	$ 504	$ 7,287
Taxes	51,249	-	1,779	-	-	8,527	61,555	-	61,555
Departmental accounts	138,331	-	-	-	-	-	138,331	-	138,331
Federal and state grants and subventions	121,717	-	235	-	-	30,428	152,380	-	152,380
Charges for services	71,810	-	102	-	-	5,709	77,621	1,621	79,242
Other	3,187	8	-	-	-	11,878	15,073	-	15,073
Gross receivables	391,100	13	2,791	317	320	57,202	451,743	2,125	453,868
Less: allowance for uncollectibles	(109,069)	-	-	-	-	-	(109,069)	-	(109,069)
Net total receivable - governmental activities	$ 282,031	$ 13	$ 2,791	$ 317	$ 320	$ 57,202	$ 342,674	$ 2,125	$ 344,799

Receivables for the Zone 7 water facilities enterprise fund consisted of $584,000 for accrued interest and $7,997,000 for water sales and water connection fees, for a total of $8,581,000. There was no allowance for uncollectible accounts.

Other receivables for pension and other employee benefit trust funds at December 31, 2007, are as follows:

Contributions	$ 15,203
Investment Receivables	120,259
Investments Sold	7,230
Other	344
Total other receivables at December 31, 2007	$ 143,036

(amounts in tables expressed in thousands)

4. Capital Assets

Capital asset activities of the primary government for the year ended June 30, 2008, are as follows:

GOVERNMENTAL ACTIVITIES

	Balance June 30, 2007	Increases	Decreases	Reclass	Balance June 30, 2008
Capital assets, not being depreciated:					
Land	$ 42,034	$ -	$ -	$ -	$ 42,034
Construction in progress	20,704	39,374	20,868	-	39,210
Collections	50	-	-	-	50
Total capital assets, not being depreciated	62,788	39,374	20,868	-	81,294
Capital assets, being depreciated:					
Structures and improvements	870,309	3,305	-	(4,969)	868,645
Machinery and equipment	166,090	13,412	3,139	1,116	177,479
Infrastructure	684,404	16,932	-	3,853	705,189
Total capital assets, being depreciated	1,720,803	33,649	3,139	-	1,751,313
Less accumulated depreciation for:					
Structures and improvements	351,644	22,416	-	(87)	373,973
Machinery and equipment	111,725	15,225	2,747	-	124,203
Infrastructure	293,858	19,696	-	87	313,641
Total accumulated depreciation	757,227	57,337	2,747	-	811,817
Total capital assets, being depreciated, net	963,576	(23,688)	392	-	939,496
Governmental activities capital assets, net	$ 1,026,364	$ 15,686	$ 21,260	$ -	$ 1,020,790

BUSINESS-TYPE ACTIVITIES

	Balance June 30, 2007	Increases	Decreases	Reclass	Balance June 30, 2008
Capital assets, not being depreciated:					
Land	$ 2,857	$ -	$ -	$ -	$ 2,857
Entitlements	36,655	-	-	-	36,655
Construction in progress	40,776	25,372	14,839	-	51,309
Total capital assets, not being depreciated	80,288	25,372	14,839	-	90,821
Capital assets, being depreciated:					
Structures and improvements	55,626	-	-	(30,213)	25,413
Machinery and equipment	2,468	83	217	-	2,334
Infrastructure	50,844	15,108	-	30,213	96,165
Total capital assets, being depreciated	108,938	15,191	217	-	123,912
Less accumulated depreciation for:					
Structures and improvements	20,353	1,793	-	(16,990)	5,156
Machinery and equipment	1,726	226	194	-	1,758
Infrastructure	13,578	7,329	-	16,990	37,897
Total accumulated depreciation	35,657	9,348	194	-	44,811
Total capital assets, being depreciated, net	73,281	5,843	23	-	79,101
Governmental activities capital assets, net	$ 153,569	$ 31,215	$ 14,862	$ -	$ 169,922

Depreciation expense was charged to functions of the primary government as follows:

(amounts in tables expressed in thousands)

Governmental Activities		
General government	$	6,625
Public protection		22,041
Public assistance		1,531
Health and sanitation		5,705
Public ways and facilities		17,325
Recreation and cultural services		98
Education		224
Capital assets held by the County's internal service funds charged to the various functions on a prorated basis based on their usage of the assets		3,788
Total depreciation expense – governmental activities	$	57,337
Business-type activities:		
Water	$	9,348
Total depreciation expense – business-type activities	$	9,348

Machinery and equipment are estimated to have useful lives from 3 to 20 years. Structures and improvements are estimated to have useful lives of 30 years. Infrastructure assets have useful lives ranging from 10 to 100 years; however, the majority of the infrastructure assets are being depreciated over a 30 to 60 year period.

The County has active construction projects as of June 30, 2008. The projects include construction of new facilities and improvements to roadways and flood control channels. The County's outstanding commitments with contractors as of June 30, 2008 are as follows:

Project	Spent-to-Date		Remaining Commitment	
Construction of new health care facilities	$	15,313	$	18,865
Construction of new criminal justice facility		5,823		6,259
Construction of new library		2,634		12,155
Construction of other facilities		793		-
Road improvements		11,167		1,770
Flood control channel improvements		3,480		2,605
Total governmental funds	$	39,210	$	41,654

Fines and penalties imposed on criminal offenses provide the source of funding for the commitment for construction of a new criminal justice facility. Tobacco funds received from the master settlement agreement finance the commitment for construction of new health care facilities while state aid is the source of funding for the commitment for construction of a new library. Gas tax and state and federal aid provide funding for the commitment for road improvements. The commitment for flood control channel improvements is being funded from general flood zone benefit assessments and property taxes.

(amounts in tables expressed in thousands)

Capital Leases

The County has entered into leases for buildings and fire equipment. The lease agreements for fire equipment qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The leases for the buildings qualify as capital leases for accounting purposes because one lease agreement contains a bargain purchase option while the present value of the minimum lease payments at the inception of the lease for the other lease agreement equals at least 90% of the fair value of the leased property. The leased buildings were recorded at fair market value at the date of the lease agreement.

The assets acquired through capital leases for governmental activities are as follows:

Structures and Improvement	$ 26,896
Machinery and equipment	1,683
Total	28,579
Less accumulated amortization	(2,436)
Net book value	$ 26,143

The assets acquired through capital leases for business-type activities are as follows:

Land	$ 2,600
Structures and improvement	6,700
Total	9,300
Less accumulated amortization	(687)
Net book value	$ 8,613

FIDUCIARY FUNDS – Pension and Other Employee Benefit Trust

Capital asset activities of the Pension and other employee benefit trust for the year ended December 31, 2007, are as follows:

	Balance January 1, 2007	Increases	Decreases	Balance December 31, 2007
Capital assets, not being depreciated:				
Construction in progress	$ 1	$ 94	$ 47	$ 48
Total capital assets, not being depreciated	1	94	47	48
Capital assets, being depreciated:				
Information Systems	10,457	-	-	10,457
Leasehold Improvements	853	21	-	874
Equipment and Furniture	3,143	50	296	2,897
Total capital assets, being depreciated	14,453	71	296	14,228
Less accumulated depreciation	11,369	1,215	296	12,288
Total capital assets, being depreciated, net	3,084	(1,144)	-	1,940
Fiduciary fund capital assets, net	$ 3,085	$ (1,050)	$ 47	$ 1,988

(amounts in tables expressed in thousands)

COMPONENT UNIT – Alameda County Medical Center

Capital asset activities of the Alameda County Medical Center for the year ended June 30, 2008, are as follows:

	Balance July 1, 2007	Prior Period Adjustment	Balance July 1, 2007 As Restated	Increases	Decreases	Balance June 30, 2008
Capital assets, not being depreciated:						
Construction in progress	$ 2,315	-	2,315	$ -	$ (1,095)	$ 1,220
Total capital assets, not being depreciated	2,315	-	2,315	-	(1,095)	1,220
Capital assets, being depreciated:						
Structures and improvements	35,409	-	35,409	1,764		37,173
Machinery and equipment	99,239	(46,374)	52,865	5,538		58,403
Total capital assets, being depreciated	134,648	(46,374)	88,274	7,302	-	95,576
Less accumulated depreciation for:						
Structures and improvements	19,965	(70)	19,895	2,908		22,803
Machinery and equipment	56,265	(27,360)	28,905	7,864		36,769
Total accumulated depreciation	76,230	(27,430)	48,800	10,772	-	59,572
Total capital assets, being depreciated, net	58,418	(18,944)	39,474	(3,470)	-	36,004
Component unit capital assets, net	$ 60,733	$ (18,944)	$ 41,789	$ (3,470)	$ (1,095)	$ 37,224

ACMC contracted with an appraiser for the capital assets valuation and a prior period adjustment was made to agree with the appraiser's reported amounts.

5. Accounts Payable and Accrued Expenditures/Expenses

Accounts payable and accrued expenditures/expenses as of June 30, 2008, for the County's individual major funds, nonmajor funds in the aggregate, and internal service funds are as follows:

	Governmental Funds								
	General	Property Development	Flood Control	Capital Projects	Debt Service	Other Governmental Funds	Subtotal	Internal Service Funds	Governmental Activities Total
Accounts payable	$ 65,009	$ 58	$ 1,695	$ 4,566	$ -	$ 19,239	$ 90,567	$ 6,619	$ 97,186
Outstanding warrants	28,621	-	-	-	-	-	28,621	-	28,621
Accrued payroll	30,381	17	1,284	-	-	1,883	33,565	2,088	35,653
Total accounts payable and accrued expenditures	$ 124,011	$ 75	$ 2,979	$ 4,566	$ -	$ 21,122	$ 152,753	$ 8,707	$ 161,460

Accounts payable for the Zone 7 water facilities enterprise fund consisted of $5,154,000 of payments to vendors and $611,000 of accrued payroll, for a total of $5,765,000.

Payables for Pension and Other Employee Benefit Trust Funds are as follows:

Purchase of securities	$	11,633
Investment-related payables		110,245
Accrued administrative expenses		1,693
Member benefits		1,781
Other		817
Total accounts payable and accrued expenses	$	126,169

(amounts in tables expressed in thousands)

6. Long-Term Obligations

The following is a summary of long-term obligations of the County as of June 30, 2008:

GOVERNMENTAL ACTIVITIES

Type of Obligation and Purpose	Maturity	Interest Rates	Original Issue	Outstanding
Certificates of participation:				
Public Facilities Corporation:				
1989 Capital Projects capital appreciation bonds-principal (b)	6/15/2019	6.70-6.80%	$ 26,664	$ 5,628
2001A Refunding (a)	12/1/2021	3.80-5.375	148,455	130,435
2007A Refunding (a)	12/1/2021	4-5.625	37,010	35,010
Certificates of participation-principal				171,073
1989 Capital Projects capital appreciation bonds-accretion (b)				14,129
Tobacco Settlement Asset-Backed bonds				
Tobacco Securitization bonds 2002 (h)	6/1/2042	2.25-6.00	220,525	193,915
Tobacco Securitization capital appreciation bonds 2006 - A & B (h)	6/1/2050	6.2-6.7	51,475	51,475
Tobacco Securitization capital appreciation bonds 2006 - C (h)	6/1/2055	7.55	16,384	16,384
Tobacco Securitization bonds-principal				261,774
Tobacco Securitization capital appreciation bonds 2006 - accretion (h)				11,470
Pension obligation bonds				
1996 bonds series B capital appreciation bonds-principal (a)	12/1/2018	7.03-7.58	306,863	228,520
1996 bonds series B capital appreciation bonds-accretion (a)				297,550
Lease revenue bonds				
Alameda County Joint Power Authority:				
Juvenile Justice Facility Bonds (a)	12/1/2034	3.3-5.125	136,975	25,450
Juvenile Justice Refunding 2008A (a)	12/1/2034	4.0-5.0	120,145	120,145
Association of Bay Area Governments:				
2004 ABAG 40 Refunding (c)	6/1/2012	2-3.75	6,095	3,170
Lease revenue bonds				148,765
Tax allocation bonds				
Alameda County Redevelopment Agency:				
Eden Area Redevelopment Bonds (j)	8/1/2036	4.0-5.0	34,735	33,840
Capital leases				
Fire equipment (i)	2/1/2010	3.356	801	298
Fire equipment (i)	11/30/2012	0	697	593
Structures & Improvement - 7200 Bancroft Ave. (a)	2/28/2021	52.07	1,896	1,896
Structures & Improvement - 2000 San Pablo Ave. (a)	11/21/2035	13.2	25,000	24,943
Capital leases payable				27,730
Other Long-term obligations				
Special assessment bonds with government commitment				
West Happyland assessment district 1999 refunding (e)	9/2/2011	4.2-5.65	395	135
Tennyson-Alquire assessment district 1999 refunding (e)	9/2/2012	4.2-5.70	1,435	545
Special assessment bonds				680
Loans Payable (d)	6/22/2013	3.0-6.0	10,274	8,284
Net pension obligation (f)				80,606
Estimated liability for claims and contingencies (g)				92,678
Compensated employee absences payable (f)				56,335
Obligation to fund Authority deficit (see Note 13) (a)				82,450
Other long-term obligations				321,033
Governmental activities total long-term obligations				$ 1,515,884

Debt service payments are generally made from the following sources:

(a) Discretionary revenues of the general fund.
(b) Discretionary revenues of the fund that received the benefit of the asset, purchased or constructed.
(c) Discretionary revenues of the Road special revenue fund in non-major governmental funds.
(d) Energy savings realized in the Building Maintenance Internal Service Fund.
(e) Tax assessments on benefited properties within the assessment districts.
(f) Discretionary revenues of the fund in which the employee's salary is charged.
(g) User-charge reimbursements from general fund, non-major governmental funds and the enterprise fund.
(h) Revenues from tobacco master settlement agreement.
(i) Discretionary revenues of the Fire special revenue fund in non-major governmental funds.
(j) Tax increment revenues with respect to the redevelopment project area.

(amounts in tables expressed in thousands)

The Alameda County Tobacco Asset Securitization Authority has pledged all revenues received from the tobacco master settlement agreement with four US tobacco manufacturers to repay the outstanding amount of $194 million in tobacco securitization bonds issued in October 2002 and $67.86 million of tobacco securitization capital appreciation bonds issued in February 2006. The bonds were issued to finance the acquisition of the County Tobacco Assets from the County of Alameda. Total principal, interest, and interest accretion remaining on the bonds is $1.94 billion, payable through June 2055. The tobacco revenue is determined by applying a rate to the number of cigarettes sold; hence, the amount to be received over the term of the bonds is not estimable. During the year, principal and interest payments were $16.5 million while tobacco settlement revenue was $16.6 million.

On February 2, 2006, the Alameda County Redevelopment Agency issued $34.7 million in tax allocation bonds Series 2006A to finance redevelopment eligible activities in Castro Valley, Cherryland and San Lorenzo project areas. Interest on the bonds varies from 4.0 to 5.0 percent and is payable twice a year, August 1 and February 1 while principal on the bonds is payable on August 1 every year. Total principal and interest remaining on the bonds is $60.9 million, with the final payment due on August 1, 2036. The tax allocation bonds are secured and to be serviced from tax increment revenues of the project area. All project tax increment revenues except dedicated housing tax increment allocation are the security for bonds. These revenues have been pledged until the year 2036. The total debt service amount for the bonds of $60.9 million is 12.47 percent of the total projected tax increment revenues of $488.4 million during the bond period. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2008 was $2.02 million as against the total debt service payment of $2.1 million. The rest of the debt service payment was supplemented with interest earnings on unused debt service funds.

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Outstanding
Zone 7 Water Enterprise:	
Capital Lease	$ 9,300
Net pension obligation	1,294
Compensated employee absences payable	1,134
Business-type activities total long-term obligations	$ 11,728

COMPONENT UNIT

Type of Obligation	Outstanding
Alameda County Medical Center:	
Estimated liability for claims and contingencies	$ 26,971
Compensated employee absences payable	14,222
Component unit total long-term obligations	$ 41,193

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2008, the County's debt limit (1.25% of total assessed value) was $2.44 billion. The County does not have any general obligation debt and therefore, has not used any of its debt limit.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debts issued after August 31, 1986, are subject to arbitrage rebate requirements. The requirements stipulate, in general, that the excess of earnings from the investment of tax-exempt bond proceeds over related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The County has evaluated each outstanding debt obligation that is subject to the arbitrage rebate requirements and has no deferred interest income as of June 30, 2008.

Conduit Debt

In addition to the long-term obligations discussed above, the following types of long-term obligations have been issued in the name of the County or agencies of the County. Neither the County, nor its agencies, is obligated in any manner for the repayment of these obligations. Accordingly, they are not included in the accompanying financial statements, except as noted below.

Mortgage revenue bonds - In order to facilitate affordable housing to first time home buyers, the County issued mortgage revenue bonds with an outstanding aggregate balance of $49.6 million as of June 30, 2008. These obligations are secured by the related mortgage indebtedness.

Industrial development bonds – In order to encourage industrial development within the County, the County has issued industrial development bonds with an outstanding aggregate balance of $86.3 million as of June 30, 2008. These obligations are the liability of the businesses that receive the proceeds of the bonds.

Assessment District bonds – Assessment district bonds were issued to improve the water and sewer system in the Castlewood district of Alameda County. At June 30, 2008, $1.51 million was the remaining outstanding obligation. Similarly, assessment district bonds were issued to construct storm drains, roads, sidewalks, water, and sewer system in Tennyson-Alquire and West Happyland townships in the City of Hayward. At June 30, 2008, $0.68 million was the remaining outstanding obligation. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the assessment district and do not constitute a personal indebtedness of the respective owners of such lots and parcels. Even though the County is not obligated to advance any resources to cure any deficiencies in the redemption funds of the Tennyson-Alquire and West Happyland townships issues, the County has the right to do so; therefore the debt has been included in the County's long-term obligations.

The County administers the general obligation debt of school districts and special districts under local boards that are located within the County. The County has no direct or contingent liability for their debts and, accordingly, such amounts are not included in the accompanying basic financial statements.

(amounts in tables expressed in thousands)

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2008, are as follows:

	Balance July 1, 2007	Additional Obligations, Interest Accretion, and Net Increases	Current Maturities, Retirements, and Net Decreases	Balance June 30, 2008	Amounts Due Within One Year
Governmental activities:					
Bonds and certificates payable					
Certificates of participation	$ 176,989	$ -	$ (5,916)	$ 171,073	$ 6,291
Tobacco Securitization bonds	266,919	-	(5,145)	261,774	3,020
Pension obligation bonds	254,827	-	(26,307)	228,520	25,499
Lease revenue bonds	140,885	120,145	(112,265)	148,765	3,245
Tax allocation bonds	34,440	-	(600)	33,840	625
Special assessment bonds with government commitment	815	-	(135)	680	135
Total bonds and certificates payable before accretion	874,875	120,145	(150,368)	844,652	38,815
Accretion on capital appreciation bonds					
Certificates of participation	14,559	1,429	(1,859)	14,129	1,914
Tobacco Securitization bonds	6,464	5,006	-	11,470	-
Pension obligation bonds	289,329	38,929	(30,708)	297,550	34,086
Total bonds and certificates payable at accreted value	1,185,227	165,509	(182,935)	1,167,801	74,815
Other debt-related items					
Deferred amount for issuance premiums	9,306	1,265	(706)	9,865	-
Deferred amount for issuance discount	(4,797)	-	136	(4,661)	-
Deferred amount for refunding loss	(13,507)	(1,698)	1,240	(13,965)	-
Total bonds and certificates payable	1,176,229	165,076	(182,265)	1,159,040	74,815
Capital leases	27,324	697	(291)	27,730	332
Loans payable	8,986	-	(702)	8,284	765
Net pension obligation	-	80,606	-	80,606	-
Obligation to fund Coliseum Authority deficit (see Note 13)	85,350	-	(2,900)	82,450	-
Compensated employee absences payable	54,049	32,750	(30,464)	56,335	31,252
Estimated liability for claims and contingencies	87,008	26,105	(20,435)	92,678	22,748
Governmental activity long-term obligations	$ 1,438,946	$ 305,234	$ (237,057)	$ 1,507,123	$ 129,912

Internal service funds predominantly serve the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. At the year ended June 30, 2008, $3.24 million of accrued compensated employee absences are included in the above amounts.

The changes in long-term obligations for the business-type activities for the year ended June 30, 2008, are as follows:

Business-Type Activities:	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Amounts Due Within One Year
Capital leases	$ 9,300	$ -	$ -	$ 9,300	$ -
Net pension obligation	-	1,294	-	1,294	-
Compensated employee absences payable	1,062	564	(492)	1,134	613
Total component unit long-term obligations	$ 10,362	$ 1,858	$ (492)	$ 11,728	$ 613

(amounts in tables expressed in thousands)

The changes in long-term obligations for the component unit for the year ended June 30, 2008, are as follows:

Component Unit:	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Amounts Due Within One Year
Compensated employee absences payable	$ 12,959	$ 15,260	$ (13,997)	$ 14,222	$ 8,608
Estimated liability for claims and contingencies	25,733	4,344	(3,106)	26,971	8,740
Total component unit long-term obligations	$ 38,692	$ 19,604	$ (17,103)	$ 41,193	$ 17,348

Annual debt service requirements for long-term obligations outstanding as of June 30, 2008, are as follows:

GOVERNMENTAL ACTIVITIES

For the Year Ending June 30	Lease Revenue Bonds		Tobacco Securitization Bonds			Pension Obligation Bonds		Tax Allocation Bonds		Total Bonds		
	Principal	Interest	Principal	Accreted Interest	Interest	Principal	Accreted Interest	Principal	Interest	Principal	Accreted Interest	Interest
2009	$ 3,245	$ 7,866	$ 3,020	$ -	$ 11,141	$ 25,499	$ 34,086	$ 625	$ 1,489	$ 32,389	$ 34,086	$ 20,496
2010	3,815	6,990	3,070	-	11,020	24,634	37,631	650	1,464	32,169	37,631	19,474
2011	3,515	6,848	3,130	-	10,886	23,802	41,263	675	1,437	31,122	41,263	19,171
2012	4,125	6,681	2,905	-	10,749	23,044	44,951	705	1,409	30,779	44,951	18,839
2013	3,235	6,485	-	-	10,611	22,263	48,792	730	1,381	26,228	48,792	18,477
2014-2018	18,890	29,946	-	-	53,056	100,340	305,870	4,120	6,432	123,350	305,870	89,434
2019-2023	24,180	25,027	8,885	-	51,368	8,937	36,817	5,010	5,513	47,012	36,817	81,908
2024-2028	30,995	18,221	-	-	50,946	-	-	6,165	4,338	37,160	-	73,505
2029-2033	39,765	9,416	51,485	-	39,104	-	-	7,620	2,829	98,870	-	51,349
2034-2038	17,000	843	45,170	-	28,182	-	-	7,540	777	69,710	-	29,802
2039-2043	-	-	76,250	-	18,300	-	-	-	-	76,250	-	18,300
2044-2048	-	-	-	-	-	-	-	-	-	-	-	-
2049-2053	-	-	51,475	764,585	-	-	-	-	-	51,475	764,585	-
2054-2058	-	-	16,384	616,926	-	-	-	-	-	16,384	616,926	-
Total	$ 148,765	$ 118,323	$ 261,774	$ 1,381,511	$ 295,363	$ 228,519	$ 549,410	$ 33,840	$ 27,069	$ 672,898	$ 1,930,921	$ 440,755

For the Year Ending June 30	Total Bonds			Certificates of Participation			Other Long-Term Obligations		Total Debt		
	Principal	Accreted Interest	Interest	Principal	Accreted Interest	Interest	Principal	Interest	Principal	Accreted Interest	Interest
2009	$ 32,389	$ 34,086	$ 20,496	$ 6,291	$ 1,914	$ 8,370	$ 1,232	$ 4,606	$ 39,912	$ 36,000	$ 33,472
2010	32,169	37,631	19,474	17,431	1,959	7,815	1,237	4,557	50,837	39,590	31,846
2011	31,122	41,263	19,171	18,479	2,002	6,894	1,091	4,540	50,692	43,265	30,605
2012	30,779	44,951	18,839	19,539	2,041	5,983	1,060	4,562	51,378	46,992	29,384
2013	26,228	48,792	18,477	20,212	2,077	5,035	972	4,518	47,412	50,869	28,030
2014-2018	123,350	305,870	89,434	57,054	10,885	13,394	4,322	22,003	184,726	316,755	124,831
2019-2023	47,012	36,817	81,908	32,066	2,259	3,220	2,999	17,385	82,077	39,076	102,513
2024-2028	37,160	-	73,505	-	-	-	1,067	15,362	38,227	-	88,867
2029-2033	98,870	-	51,349	-	-	-	1,831	14,461	100,701	-	65,810
2034-2038	69,710	-	29,802	-	-	-	20,884	6,668	90,594	-	36,470
2039-2043	76,250	-	18,300	-	-	-	-	-	76,250	-	18,300
2044-2048	-	-	-	-	-	-	-	-	-	-	-
2049-2053	51,475	764,585	-	-	-	-	-	-	51,475	764,585	-
2054-2058	16,384	616,926	-	-	-	-	-	-	16,384	616,926	-
Total	$ 672,898	$ 1,930,921	$ 440,755	$ 171,072	$ 23,137	$ 50,711	$ 36,695	$ 98,662	$ 880,665	$ 1,954,058	$ 590,128

(amounts in tables expressed in thousands)

BUSINESS-TYPE ACTIVITIES

For the Year Ending June 30	Principal	Interest
2009	$ -	$ 826
2010	-	845
2011	-	867
2012	-	889
2013	-	912
2014-2018	-	4,910
2019-2020	9,300	4,533
Total	$ 9,300	$ 13,782

It is not practical to determine the specific year of payment for the accrued compensated employee absences payable, the estimated liability for claims and contingencies, and the obligation to fund Coliseum Authority deficit. Amounts due within one year for the accrued compensated employee absences and the estimated liability for claims and contingencies are estimates based on prior year experience.

On April 16, 2008, the Alameda County Joint Powers Authority issued $120.15 million Lease Revenue Bonds (Juvenile Justice Refunding) 2008 Series A to refund the Joint Powers Authority's Lease Revenue Bonds (Juvenile Justice Facility) 2004 Series A and Series B outstanding in the aggregate principal amount of $108.7 million; to fund the required deposit to the Reserve Fund; and, to pay costs of issuance of the 2008 Series A Bonds, including the payment for termination of certain interest rate swap agreements. The issuance included both serial bonds for a total of $63.38 million and term bonds for a total of $56.77 million. Yields on the 2008 Series A Serial Bonds at the time of sale ranged from 3.55 to 4.99 percent with coupons of 4.00, 4.25, and 5.00 percent and maturities of 2016 to 2027. The 5.00% 2008 Series A Term Bonds with a maturity of 2034 were priced to yield 5.12 percent. The refunding was undertaken to reduce interest costs and risk associated with the auction rate security structure of the 2004 Series A and Series B Lease Revenue Bonds and their associated interest rate swaps.

Interest Rate Swaps

The Joint Powers Authority entered into four interest rate swap agreements in July 2004 with respect to the issuance of Juvenile Justice Facility Lease Revenue Bonds 2004 Series A and Series B. All four swap agreements were terminated on April 16, 2008 with proceeds from the $120.15 million Lease Revenue Bonds (Juvenile Justice Refunding) 2008 Series A. The termination payments for these swaps are as follows:

Swap	Counterparty	Initial Notional Amount	Termination Value
Series 2004A	Lehman Brothers Special Financing, Inc.	$32,610	$2,788
Series 2004A	Merrill Lynch Capital Services	21,740	1,855
Series 2004B	Bear Sterns Capital Markets, Inc.	32,610	2,835
Series 2004B	Merrill Lynch Capital Services	21,740	1,860
	(Aggregate Notional Amount)	$108,700	$9,338

Following the termination of these swaps, the Joint Powers Authority had no other exposure to derivative products.

7. Operating Lease Obligations

The County has numerous operating leases for office space. Rental expense for operating leases for fiscal year 2007/08 was $27.1 million. Future minimum lease payments for operating leases at June 30, 2008, are as follows:

2008/09	2009/10	2010/11	2011/12	2012/13	2014-18	2019-23	2024-25	Total
$ 20,422	$ 17,890	$ 16,220	$ 16,145	$ 14,663	$ 50,044	$ 23,096	$ 734	$ 159,214

(amounts in tables expressed in thousands)

8. Fund Deficits

Individual fund deficits at June 30, 2008, are as follows:

Special Revenue - Grant Revenue	2,756
Internal Service Fund - Printing Services	409

The fund deficit of the grant revenue funds is expected to be funded by reimbursement of grant expenditures. The fund deficit of the internal service fund is expected to be funded by increased user charges.

9. Fund Balances

Reserve for Legal Restrictions – This reserve represents revenues the County has received but their use has been restricted to specific purposes as required by legislation, county resolution, or other binding agreement.

General government programs	$ 4,868
Health and sanitation programs	68,205
Public assistance programs	3,446
Public protection programs	102,316
Recreation programs	5
Total general fund	$178,840

Designations of fund balances indicate that portion of fund balances that is not available for appropriation based on management's plan for future use of the funds. Following is a brief description of the nature of designations as of June 30, 2008:

Designated for Capital Expenditures – This designation represents funds set aside for the construction or acquisition of capital assets.

Designated for General Contingencies – This designation represents funds set aside for unexpected events that may occur during the subsequent year. It also represents funds set aside as an incentive program for departments that have demonstrated their ability to reduce the cost of service delivery during the previous fiscal year.

	Designated for			
	Capital Expenditures	General Contingencies	Undesignated	Total
General fund	$ 64,404	$ 508,932	$ -	$ 573,336
Property development fund	297,315	-	-	297,315
Flood control fund	68,195	1,070	78,546	147,811
Capital projects fund	72,672	-	-	72,672
Non-major governmental funds	11,075	1,314	127,426	139,815
Total governmental funds	$ 513,661	$ 511,316	$ 205,972	$ 1,230,949

(amounts in tables expressed in thousands)

10. Restricted Net Assets

Restricted net assets are net assets that are subject to constraints either externally imposed by creditors, grantors, contributors, or by enabling legislation. Restricted net assets as of June 30, 2008 for governmental activities are as follows:

Restricted for Public Protection		
Flood	$159,185	
Criminal Justice and Courthouse Construction	33,047	
Fire	30,249	
Vital Records	29,769	
Sheriff	17,677	
Consumer Protection	14,229	
Community Development	6,446	
Criminal Justice Programs	1,591	
Vehicle Theft Prevention	1,297	
Probation	1,125	
Survey Monument Preservation	1,053	
Domestic Violence	860	
Other	379	
Public Safety	180	
		$297,087
Restricted for Public Assistance		
Housing and Commercial Development	58,026	
Child Protective Services	2,154	
Social Services Programs	1,292	
		61,472
Restricted for Health and Sanitation		
Public Health	59,871	
Emergency Medical Services	23,393	
Behavioral Health Services	11,154	
Environmental Health	8,755	
		103,173
Restricted for Public Ways and Facilities		
Roads and Bridges Maintenance	43,615	
Streets and Highway Lighting	2,983	
		46,598
Restricted for Education		
Library Services		8,259
Restricted for Other Purposes		
Property Taxes	10,283	
Assessor	4,868	
Art Projects	5	
		15,156
Total Restricted Net Assets-Governmental Activities		$531,745

Included in governmental activities restricted net assets as of June 30, 2008 are net assets restricted by enabling legislation of $95,405.

(amounts in tables expressed in thousands)

11. Inter-fund Receivables, Payables and Transfers

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of inter-fund balances as of June 30, 2008, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Debt Service	34
	Non-major Governmental	15,336
	Internal Service	496
Total		$ 15,866

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
	Alameda County Medical Center	$ 151,364
Primary government-governmental		$ 151,364
Less: allowance for uncollectibles		(88,000)
Net		$ 63,364
Alameda County Medical Center	Primary government-governmental	$ 7,945

Advances to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Primary government-governmental	Alameda County Medical Center	$ 8,345

Transfers between funds for the year ending June 30, 2008, are as follows:

	Transfers In:							
Transfers out:	General Fund	Flood Control Fund	Capital Projects Fund	Debt Service Fund	Non-major Governmental Fund	Zone 7	Internal Service Funds	Total Transfers Out
General fund	$ -	$ -	$ 6,133	$49,632	$ 570	-	$ 246	$56,581
Property development fund	7,083	-	-	-	-	-	-	7,083
Flood control fund	-	-	17	-	-	3	-	20
Capital projects fund	27	-	-	-	-	-	-	27
Debt service fund	9,841	-	-	-	-	-	-	9,841
Non-major governmental fund	-	575	41	970	1,600	-	50	3,236
Internal service funds	1,101	-	35	7,111	-	-	-	8,247
Total transfers in	$ 18,052	$ 575	$ 6,226	$57,713	$ 2,170	$ 3	$ 296	$85,035

The $56.581 million General Fund transfer-out includes a total of $35 million for pension obligations, $14.6 million to provide for the payment of debt service and a $5 million transfer to provide funding for the Highland Acute Tower replacement project.

The $7.083 million Property Development Fund transfer out includes $6.35 million reimbursement to the General Fund for the Juvenile Justice bond payment.

The $9.841 million was transferred out of the Debt Service Fund for payment of bond issuance costs and termination fees related to the Juvenile Justice Refunding 2008 Series A.

The $3.236 million Non-major Governmental Funds transfer out includes $1.6 million to cover operating costs of bridges.

The $8.247 million Internal Service Funds transfer out includes $7 million for the payment of debt service and $1.1 million for payment of energy loans.

12. Defined Benefit Pension Plan

A. Plan Description

The County is the major participant in the Alameda County Employees' Retirement Association (ACERA). The total payroll covered by ACERA was $793.6 million as of December 31, 2007. ACERA began operations on January 1, 1948 and is governed by the California Constitution, the County Employees Retirement Law of 1937 and the bylaws, policies and procedures adopted by the Board of Retirement. ACERA operates as a cost-sharing multiple-employer defined benefit plan for the County, the Superior Court of California, and five participating special districts located in the County, but not under the control of the County Board of Supervisors.

ACERA provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State Law and are subject to amendment only by an act of the State of California legislature. Alternative benefit and contribution schedules are permissible with the Board of Supervisors' approval. All risks and costs, including benefit costs, are shared by the participating entities. An actuarial valuation is performed annually for the system as a whole. ACERA's financial statements and required supplementary information are audited annually by independent auditors. The audit report and December 31, 2007 financial statements may be obtained by writing to Alameda County Employees' Retirement Association, 475 14th Street, Suite 1000, Oakland, CA 94612.

Plan Membership: All full-time employees of participating entities appointed to permanent positions are required by statute to become members of ACERA. Safety membership includes employees who are in active law enforcement, probation officers and juvenile hall counselors. General membership includes all other eligible classifications.

Memberships of ACERA at December 31, 2007 are as follows (amounts not in thousands):

Members Now Receiving Benefits	
Service Retirement	5,362
Disability Retirement	779
Beneficiaries and Survivors	1,103
Subtotal	7,244
Active Members	
Active Vested Members	8,031
Active Non-vested Members	2,949
Subtotal	10,980
Deferred Members	1,766
Total Membership	19,990

B. Funding Policy

The Pension Plan under the 1937 Act has no legal or contractual maximum contribution rates. The employers and members contribute to ACERA based on rates recommended by an independent actuary and adopted by the

(amounts in tables expressed in thousands)

Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of their age at the date of entry and the actuarially calculated benefits, and are between 6.29 and 19.62 percent of their annual covered salary. Member contributions are refundable upon termination from the retirement system.

The County is required by statute to contribute the amounts necessary to finance the estimated benefits accruing to their employees. The contributions to the plan are as follows:

Year ended, December 31	Actuarial Required Contributions	County's Contributions	County's Contributions as percent of Total Contributions
2005	$79,632	$79,632	100.00 %
2006	97,867	97,867	100.00
2007	100,131	18,231	18.21

For the plan year ended December 31, 2007, the County made 100% of the actuarial required contributions to ACERA. However, the reported contributions are allocated between the pension and the other postemployment benefits. Therefore, the County's contributions were 18.21% due to the transfer of excess investment earnings to the Supplemental Retiree Benefit Reserve (see Notes 13 and 14). This transfer of excess investment earnings resulted in a net pension obligation as calculated in the table below. The employees' contributions to the plan for the same period were $55.7 million.

Governmental Activities

Actuarial Required Contributions	$	98,549
Contributions made		(17,943)
Net Pension Obligation	$	80,606

Business-type Activities

Actuarial Required Contributions	$	1,582
Contributions made		(288)
Net Pension Obligation	$	1,294

The actuarial funding status is determined from a long-term, ongoing plan perspective. The valuation determines the progress made in accumulating sufficient assets to pay benefits when due. The Pension Plan's actuarial accrued liability at December 31, 2007 was $5.11 billion; the actuarial value of assets was $4.56 billion; the unfunded actuarial accrued liability was $552 million; and the funded ratio was 89.2%. Covered payroll was $793 million and the ratio of unfunded actuarial accrued liability to covered payroll was 69.6%. For the three-year trend actuarial information, please see the Schedules of Funding Progress on page 81.

(amounts in tables expressed in thousands)

C. *Actuarial Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The projections for pension plan are based on the following actuarial methods and assumptions:

Valuation date	12/31/2006
Actuarial cost method	Entry Age Normal
Amortization of UAAL	Closed period 30 years (decreasing)
Remaining amortization period	26 years
Assets valuation method	Difference between actual and expected market return smoothed over ten 6-months periods
Interest rate	8%
Inflation rate	3.75%
Across-the-Board salary increases	0.25%
Salary increases:	
General	4.73 - 7.68%
Safety	4.26 - 7.61%
Demographics:	
(A) Healthy	
General members and beneficiaries	1994 Group Annuity Mortality Table
Safety members and beneficiaries	1994 Group Annuity Mortality Table
(B) Disability	
General members	1981 General Disability Mortality Table set back seven years
Safety members	1981 Safety Disability Mortality Table set back two years
(C) For Employee Contribution Rate Purposes	
General members	1994 Group Annuity Mortality Table weighted 30% male and 70% female
Safety members	1994 Group Annuity Mortality Table weighted 75% male and 25% female
Postemployment benefit increases:	
Tier 1 members	3%
Tier 2 members	2%

13. Postemployment Medical Benefits

A. *Plan Description*

ACERA administers a medical benefits program for retired members and their eligible dependents. This is not a benefit entitlement program and benefits are subject to modification and/or deletion by the ACERA Board of Retirement. Annually, based on the recommendation of the Board of Retirement, the Board of Supervisors designates a portion of the County's contribution to retirement towards medical premiums of retirees.

The County arranges health insurance coverage for employees, negotiating coverage levels and premium rates annually with several carriers. Employees who meet certain eligibility conditions and make the required contributions may continue coverage in those same health plans after retirement until they become Medicare eligible. Currently, the County uses a single blended rate for budgeting and setting premium and contribution rates for both active employees and non-Medicare eligible retirees. The County funds the premiums for employees while ACERA funds the premiums for retirees. ACERA establishes the amount of the Monthly Medical Allowance (MMA). For employees who retire with a minimum 20 years of service, the MMA has been set at $478.15 per month in 2008.

(amounts in tables expressed in thousands)

As the underlying cost for non-Medicare eligible retirees is higher than the blended average of actives and non-Medicare eligible retirees, there is an implicit subsidy inherent in the cost allocation process. GASB Statement No. 45 requires employers using a blended rate for active and non-Medicare eligible retirees to recognize the implicit subsidy liability.

B. *Funding Policy*

Retired employees from the County receive a monthly medical allowance toward the cost of their retiree health insurance from the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is a funded trust that receives fifty percent of the investment earnings that are in excess of the target investment return of the ACERA pension fund. The County does not make postemployment medical benefit payments directly to retirees and has no ability to fund these benefits. However, the pension contribution would be lower if not for the excess interest transfer to the SRBR. Therefore, it is the County's view that a portion of the excess interest transfer by ACERA into the SRBR should be counted as a contribution toward the GASB Statement No. 45 annual required contribution (ARC).

The County's OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2008, the County's annual OPEB cost was equal to the ARC. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal year 2008 are as follows:

Governmental Activities

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2008	$21,066	382.64%	($59,540)

Business-type Activities

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2008	$338	383.31%	($956)

The following table shows the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation (asset) to the retiree health plan:

Governmental Activities

Annual required contribution	$	21,066
Contributions made		(80,606)
Net OPEB obligation (asset), end of year	$	(59,540)

Business-type Activities

Annual required contribution	$	338
Contributions made		(1,294)
Net OPEB obligation (asset), end of year	$	(956)

The net OPEB asset is reported as deferred charges in the Statement of Net Assets.

(amounts in tables expressed in thousands)

The actuarial funding status is determined from a long-term, ongoing plan perspective. The valuation determines the progress made in accumulating sufficient assets to pay benefits when due. The Postemployment Benefit Plan's actuarial accrued liability at December 31, 2007 was $639.8 million; the actuarial value of assets was $614.8 million; the unfunded actuarial accrued liability was $25 million; and the funded ratio was 96.1%. Covered payroll was $793 million and the ratio of unfunded actuarial accrued liability to covered payroll was 3.2%. For the three-year trend actuarial information, please see the Schedules of Funding Progress on page 81.

C. <u>Actuarial Assumptions</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The projections for postemployment medical benefits plan are based on the following actuarial methods and assumptions:

Valuation date	12/31/2006
Actuarial cost method	Entry Age Normal
Amortization of UAAL	Closed period 30 years (decreasing)
Remaining amortization period	29 years
Assets valuation method	Difference between actual and expected market return smoothed over ten 6-months periods
Interest rate	8%
Inflation rate	3.75%
Across-the-Board salary increases	0.25%
Salary increases:	
General	4.73 - 7.68%
Safety	4.26 - 7.61%
Demographics:	
(A) Healthy	
General members and beneficiaries	1994 Group Annuity Mortality Table
Safety members and beneficiaries	1994 Group Annuity Mortality Table
(B) Disability	
General members	1981 General Disability Mortality Table set back seven years
Safety members	1981 Safety Disability Mortality Table set back two years
(C) For Employee Contribution Rate Purposes	
General members	1994 Group Annuity Mortality Table weighted 30% male and 70% female
Safety members	1994 Group Annuity Mortality Table weighted 75% male and 25% female
Healthcare Cost Trend Rates:	
Monthly Medical Allowance (MMA)	Graded down from 9% by 0.5% per annum until ultimate rate of 5%
Dental and Vision	5%
Medicare Part B	5%
Postemployment benefit increases	Dental and vision and Medicare Part B subsidies are assumed to increase at 100% of the healthcare cost trend rates for these benefits. MMA subsidies are assumed to increase at 50% of the healthcare cost trend rates for the MMA benefit.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the County and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(amounts in tables expressed in thousands)

14. Other Pension Benefits

A. ***Plan Description***

ACERA also provides other pension benefits for retired members and their beneficiaries. The payment of these benefits is subject to available funding and must be periodically reauthorized by the Board of Retirement. These benefits include supplemental cost of living adjustment (COLA), retired member death benefit, and active death equity benefit.

The supplemental COLA is to maintain each retiree's purchasing power at no less than 85% of the purchasing power of the original benefit. The retired member death benefit is a one-time $4,250 lump sum payment to the beneficiary of a retiree. The active death equity benefit is available to active members with five or more years of service credit. ACERA will fund the difference between the member's vested surviving spouse annuity benefit and a 100% surviving spouse annuity benefit.

B. ***Funding Policy***

Retired employees from the County receive other pension benefits from the SRBR. The SRBR is a funded trust that receives fifty percent of the investment earnings that are in excess of the target investment return of the ACERA pension fund. The County does not make other pension benefit payments directly to retirees and has no ability to fund these benefits. However, the pension contribution would be lower if not for the excess interest transfer to the SRBR. Therefore, it is the County's view that a portion of the excess interest transfer by ACERA into the SRBR should be counted as a contribution toward the GASB Statement No. 45 annual required contribution (ARC).

The County's other pension benefit cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2008, the County's annual other pension benefit cost was equal to the ARC. The County's annual other pension benefit cost, the percentage of other pension benefit cost contributed to the plan, and the net other pension benefit obligation (asset) for fiscal year 2008 are as follows:

Governmental Activities

Year ended	Annual Other Pension Benefit Cost	Percentage of Other Pension Benefit Cost Contributed	Net Other Pension Benefit Cost Obligation (Asset)
6/30/2008	$13,705	100.00%	$0

Business-type Activities

Year ended	Annual Other Pension Benefit Cost	Percentage of Other Pension Benefit Cost Contributed	Net Other Pension Benefit Cost Obligation (Asset)
6/30/2008	$220	100.00%	$0

(amounts in tables expressed in thousands)

The following table shows the County's other pension benefits cost for the year, the amount actually contributed to the plan, and changes in the County's net other pension benefits obligation (asset):

Governmental Activities

Annual required contribution	$	13,705
Contributions made		(13,705)
Net Other Pension Benefits obligation, end of year	$	-

Business-type Activities

Annual required contribution	$	220
Contributions made		(220)
Net Other Pension Benefits obligation, end of year	$	-

The actuarial funding status is determined from a long-term, ongoing plan perspective. The valuation determines the progress made in accumulating sufficient assets to pay benefits when due. The Other Pension Benefit Plan's actuarial accrued liability at December 3,1 2007 was $203.8 million; the actuarial value of assets was $78.4 million; the unfunded actuarial accrued liability was $125.4 million; and the funded ratio was 38.5%. Covered payroll was $793 million and the ratio of unfunded actuarial accrued liability to covered payroll was 15.8%. For the three-year trend actuarial information, please see the Schedules of Funding Progress on page 81.

(amounts in tables expressed in thousands)

C. ***Actuarial Assumptions***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The projections for other pension benefits plan are based on the following actuarial methods and assumptions:

Valuation date	12/31/2006
Actuarial cost method	Entry Age Normal
Amortization of UAAL	Closed period 30 years (decreasing)
Remaining amortization period	29 years
Assets valuation method	Difference between actual and expected market return smoothed over ten 6-months periods
Interest rate	8%
Inflation rate	3.75%
Across-the-Board salary increases	0.25%
Salary increases:	
General	4.73 - 7.68%
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Demographics:	
(A) Healthy	
General members and beneficiaries	1994 Group Annuity Mortality Table
Safety members and beneficiaries	1994 Group Annuity Mortality Table
(B) Disability	
General members	1981 General Disability Mortality Table set back seven years
Safety members	1981 Safety Disability Mortality Table set back two years
(C) For Employee Contribution Rate Purposes	
General members	1994 Group Annuity Mortality Table weighted 30% male and 70% female
Safety members	1994 Group Annuity Mortality Table weighted 75% male and 25% female
Healthcare Cost Trend Rates:	
Monthly Medical Allowance (MMA)	Graded down from 9% by 0.5% per annum until ultimate rate of 5%
Dental and Vision	5%
Medicare Part B	5%
Postemployment benefit increases	Supplemental COLA benefits are assumed to increase by the difference between inflation and the cost-of-living benefit guaranteed in the pension plan (3.00% for Tier 1 and 2.00% for Tier 2), subject to other limitations.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the County and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

15. Joint Venture

The County is a participant with the City of Oakland (City) in a joint exercise of powers agreement forming the Oakland-Alameda County Coliseum Authority (Coliseum Authority), which was formed on July 1, 1995 to assist the City and County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (Financing Corporation) is reported as a blended component unit of the Coliseum Authority. The eight-member Board of Commissioners of the Coliseum Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council and two appointees of the Board of Supervisors. The Board of Directors of the Financing Corporation consists of the City Manager and the County Administrator.

In August 1995, the Coliseum Authority issued $9.2 million in Fixed Rate Refunding Lease Revenue Bonds and $188.5 million in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Coliseum Authority, the City, the County, the Financing Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which then managed the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders to the City.

On May 25, 2000, the Coliseum Authority issued $201.3 million in series 2000 C and D Refunding Bonds (tax-exempt) to retire $181.9 million of the 1995 Variable Rate Lease Revenue Stadium Bonds ($188.5 million less $6.6 million principal payment). In February 2004, the 1995 Fixed Rate Refunding Lease Revenue Bonds were fully repaid from the escrow established in 1995 at the time the Coliseum Authority issued the Stadium Bonds.

The Stadium Bonds are limited obligations of the Coliseum Authority payable solely from revenues of the Coliseum Authority, consisting primarily of base rental payments to be received by the Coliseum Authority from the City and the County. The source of the Coliseum Authority's revenues relating to football games consists primarily of a portion of club dues, concession and parking payments. In the event that such football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective general funds. The City and the County each have covenanted to appropriate $11 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the County could have to pay up to $22 million annually in the event of default by the City.

On August 2, 1996, the Coliseum Authority issued $70 million Series A-1 and $70 million Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Coliseum Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors (the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) among the Warriors and the City, the County, Coliseum Inc. and the Coliseum Authority.

Under the Warriors Agreements, the Arena Bonds were limited obligations of the Coliseum Authority, payable solely from revenues received by the Coliseum Authority on behalf of the City and County. Revenues consist of base rental payments from the City and County and certain payments from the Warriors of up to $7.428 million annually from premium seating revenues, and other payments from Arena operations. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective general funds. The County and the City each have covenanted to appropriate up to $9.5 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the County could have to pay up to $19 million annually in the event of default by the City.

The Coliseum Authority entered into an agreement with the Oakland Coliseum Joint Venture (OCJV) to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Coliseum Authority terminated its agreement with OCJV and reinstated its Operating Agreement with Coliseum Inc. Coliseum Inc. subcontracted all of the operations of the Coliseum Complex to OCJV. The Operating Agreement between the Coliseum Authority and

(amounts in tables expressed in thousands)

Coliseum Inc. expired, by its terms, on July 31, 2006. The Coliseum Authority entered into a Termination Agreement whereby, in return for certain consideration, the Coliseum Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006.

Debt service requirements for the Coliseum Authority debt:

For the Period	Stadium Debt		Arena Debt	
Ending June 30	Principal	Interest	Principal	Interest
2009	$6,200	$5,924	$3,250	$7,146
2010	6,700	5,563	3,600	6,944
2011	7,100	5,212	3,950	6,720
2012	7,500	4,951	4,050	6,474
2013	7,900	4,669	4,400	6,221
2014-2018	45,400	18,938	27,300	26,563
2019-2023	57,200	10,167	38,200	16,837
2024-2026	26,900	1,105	30,000	3,838
Total	$164,900	$56,529	$114,750	$80,743

Complete financial statements for the Coliseum Authority can be obtained from the County Auditor-Controller's Office at 1221 Oak Street, Room 249, Oakland, CA 94612.

Under the joint exercise of power agreement, which formed the Coliseum Authority, the County is responsible for funding up to 50% of the Coliseum Authority's operating costs and debt service requirements; to the extent such funding is necessary. During the year ended June 30, 2008, the County made contributions of $10.946 million to fund its share of operating deficits and debt service payments of the Coliseum Authority.

The Coliseum Authority has anticipated a deficit for operating costs and repayment of its Stadium Bonds, such that the City and County will have to contribute to base rental payments. Of the $20.5 million appropriated in the general fund as part of the above agreements, it is estimated that the County will have to contribute $10.925 million for the year ended June 30, 2009. There are many uncertainties in the estimation of revenues for the Coliseum Authority beyond one year into the future; therefore the County has established a contingent liability to fund the Coliseum Authority deficit in the Statement of Net Assets in an amount equal to its contingent share (50%) of the outstanding Stadium Bonds, in the amount of $82.45 million. The County has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

16. Alameda County Medical Center Discretely Presented Component Unit

ACMC operates medical and health facilities within Alameda County. In accordance with the Master Contract (Contract) between the County and ACMC dated June 23, 1998, effective July 1, 1998, ACMC became a public hospital authority pursuant to California Health and Safety Code Section 101850. Accordingly the governance, administration and operation of Fairmont Hospital, Highland Hospital and John George Hospital (Facilities) were transferred from the County to ACMC.

In accordance with the Medical Facilities Lease between ACMC and the County dated June 12, 1998, ACMC is leasing certain land, facilities and equipment, collectively, the facilities, from the County for the annual sum of $1. In accordance with a transfer agreement, Fairmont Hospital and Highland Hospital remain the property of the County. Accordingly, such assets, along with the John George Hospital, are accounted for within the governmental activities of the County. Under the terms of the contract, the County has agreed to provide ACMC unrestricted use of the facilities.

Effective July 1, 2003, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*. This resulted in the Alameda County Health Care Foundation (Foundation) being included as a discretely presented component unit of ACMC. During fiscal year 2004, the Foundation's Articles of Incorporation and bylaws were amended to require ACMC to approve Foundation board members and to allow that upon dissolution, the Foundation's remaining assets would be distributed to ACMC. The Foundation solicited for and raised funds in the amount of $349 thousand on behalf of ACMC during fiscal year 2008 and had raised cumulative funds totaling $5.26 million in 2007 and prior on behalf of ACMC.

Included in the County's outstanding long-term liabilities at June 30, 2008, are $8 million in certificates of participation which were issued to provide for improvements to the Facilities. The County is liable for the repayment of the debt.

As of July 1, 2001, ACMC no longer participates in the County's self-insurance program. The County shall ensure that professional liability insurance and/or self insurance reserves will cover claims and liabilities relating to any medical staff actions which had been incurred before July 1, 2001, including incurred but not reported matters. Effective July 1, 2001, ACMC became self-insured for workers' compensation. ACMC maintains stop-loss insurance to limit its liability for claims under its self-insurance program. The net self-insurance liabilities for ACMC as of June 30, 2008, were $26.971 million, which included $4.344 million of estimated reserves for current year self-insurance claims, offset by current year claim payments of $3.106 million.

ACMC has experienced significant operating losses and negative cash flows from operations in recent years. ACMC has financed its working capital needs through loans from the County. ACMC expects to require ongoing working capital support from the County in fiscal year 2009. In fiscal year 2008, ACMC has made significant progress towards stabilization of financial performance.

In 2004, the voters of Alameda County approved Measure A, which provides funding, beginning in fiscal year 2005, for emergency medical, hospital inpatient, outpatient, public health, mental health and substance abuse services to indigent, low-income and uninsured adults, children, families, seniors and other residents of Alameda County through an increase in Alameda County's sales tax revenue of .5%. Seventy-five percent of the funds are to be used by ACMC.

In August 2004, the County placed a $200 million limitation on net loans to ACMC. As defined, this limitation is calculated as gross loans to ACMC, reduced by board-designated funds held by the County on behalf of ACMC. As of June 30, 2008, the balance of net loans to ACMC was $146.5 million.

The terms of repayment on the loans called for a reduction of the $200 million loan limit to $165 million by June 30, 2008. The outstanding net payable to the County is less than the loan limit, and accordingly, the net loans of $146.5 million at June 30, 2008 is classified as long-term in the accompanying statement of net assets.

Should ACMC, as a hospital authority, be terminated, the County may be required to assume the liabilities of ACMC related to the operation of Hospitals and Clinics.

A. Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered at ACMC, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Differences between final settlements with third-party payors and estimated amounts originally recorded are included in operations in the year in which the amounts become known.

B. Medi-Cal and Medicare Programs

A substantial portion of ACMC's revenues is derived from services provided to patients eligible for benefits under the Medi-Cal and Medicare programs. Revenues from Medi-Cal and Medicare programs represent approximately 53 percent and 15 percent, respectively, of gross patient service revenues, excluding certain federal aid revenues, for the fiscal year ended June 30, 2008. Reimbursement rates are tentative and final reimbursement for services is determined after submission of annual cost reports and audits by third-party intermediaries.

(amounts in tables expressed in thousands)

C. *Other Program Revenues*

ACMC also receives significant revenues from the Medical Waiver Program, California Senate Bill 1100 (SB1100). Beginning in fiscal year 2006, SB 1100 provides additional funding to hospitals that provide a significant portion of their services to Medi-Cal and medically indigent recipients. SB 1100 provides additional funds through a reimbursement rate increase for each Medi-Cal patient day provided, up to a maximum number of days. ACMC accrued $147.439 million in SB 1100 funds for the fiscal year ended June 30, 2008, and remitted $35.683 million to the State, providing net SB 1100 revenue of $111.756 million.

D. *Charity Care*

Counties are required by federal statute, Section 17000 of the Health and Welfare Act, to provide charity care to patients who are unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigency standard has been established and for which the patient qualifies. Inability to pay may be determined through an interview process by ACMC or by an outside collection agency. Determinations of charity care may be made prior to or at the time of service, or any time thereafter. The total amount of such charity care provided by ACMC for fiscal year 2008, based on established rates, is as follows:

Gross charges foregone for charity care	$ 72,514
Estimated costs and expenses to provide charity care	$ 44,638

E. *Accounts Receivable*

Accounts receivable at June 30, 2008, comprised the following:

Patient accounts receivable	$ 48,597
Due from State of California	55,479
Other accounts receivable	2,642
Total	$ 106,718

Patient accounts receivable include amounts due from third party payors, patients and other agencies for patient services rendered and certain federal aid programs and is net of $1.21 million in estimated uncollectible accounts. Other receivables include professional and other fees earned on patient services and services provided to various outside agencies. Also included in other accounts receivables are amounts owed to ACMC from the state for payments under the SB 1100 program.

F. *Defined Benefit Pension Plan*

ACMC is a participant in ACERA. ACERA is governed by the California Constitution, the County Employees Retirement Law of 1937, and the bylaws, procedures, and policies adopted by the Board of Retirement. ACERA operates a cost-sharing multiple employer defined benefit plan. ACERA provides service and disability retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and are subject to amendment only by an act of the State of California legislature. An actuarial valuation is performed annually for the system as a whole. ACMC's contributions for fiscal year 2008 were $32 million which equaled the required contributions.

Fiscal year ended, June 30	Actuarial Required Contributions	ACMC's Contributions	ACMC's Contributions as percent of Total Contributions
2008	32,000	32,000	100.00

G. *Postemployment Medical Benefits*

ACMC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2008 are as follows:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2008	$7,270	209.64%	($7,971)

The following table shows ACMC's annual OPEB cost for the year, the amount actually contributed to the plan and changes in ACMC's net OPEB obligation (asset) to the retiree health plan:

Annual required contribution	$	7,270
Contributions made		(15,241)
Net OPEB obligation (asset), end of year	$	(7,971)

The net OPEB asset is reported as deferred charges in the Statement of Net Assets.

17. Contingencies

A. *Self-insurance and Purchased Insurance*

The County is exposed to various risks of loss related to torts (theft, damage, and/or destruction of assets, errors and omissions, injuries to employees, natural disasters or medical malpractice); unemployment claims; and dental benefits provided to employees. The County maintains risk-financing internal service funds in which assets are set aside for claim settlements associated with general, automobile, and medical malpractice liability; workers' compensation; unemployment; and dental benefits to employees.

The County uses a combination of self-insurance, participation in insurance pools, and purchased insurance coverage for protection against adverse losses. Excess general liability, workers' compensation, and medical malpractice coverage are provided by the California State Association of Counties-Excess Insurance Authority (CSAC-EIA), a joint powers authority whose purpose is to develop and fund programs of excess and primary insurance for its member counties. A Board of Directors consisting of representatives of the member counties governs the Authority. Purchased insurance includes primary all-risk property insurance for the entire County's real and personal property, equipment and vehicles; earthquake insurance for selected real property; Public Officials Dishonesty Bond coverage for losses related to theft of funds; and other coverage as listed below (amounts not in thousands).

PRIMARY GOVERNMENT

The County utilizes a combination of self insurance, pooled retentions, and excess insurance for the following programs:

	Funding Sources and Coverage Limits		
Program Description	**Self Insured Retention**	**Pooled Retention (CSAC-EIA)**	**Excess Insurance (Various carriers)**
General & Auto liability	$1,000,000	$1,000,000 - $7,000,000*	$7,000,000 - 32,000,000*
Medical Malpractice	$100,000	$100,000 - $1,600,000	$1,600,000 - 11,600,000
Workers' Compensation and Employer's Liability	$3,000,000	$3,000,000 - $5,000,000	$5,000,000 - $300,000,000

(amounts in tables expressed in thousands)

The County utilizes a combination of pooled retention and excess insurance for the following coverage:

Property Coverage**	Deductible	Pooled Retention (CSAC-EIA)	Excess Insurance (Various carriers)
All Risk	$50,000	$50,000 - $3,000,000	$3,000,000 - 600,000,000
Terrorism	$500,000	$50,000 - $3,000,000	$3,000,000 - 200,000,000
Flood: Declared value as of March 26, 2008 is $1,864,769,866	2% of total values per unit up to $25,000	$0	$575,000,000*
Earthquake: Declared value as of March 26, 2008 is $1,695,829,834*	5% of replacement value per unit per occurrence, with a $100,000 minimum deductible	$0	$425,000,000*

Description	Deductible	Limit
Pollution Liability	$100,000	$10,000,000
Aircraft Coverage		
Aircraft Liability	$1,000	$15,000,000
Aircraft Hull (1980 Cessna)	$500 (in motion); $100 (not in motion); spare parts: $500,000	Hull Physical Damage: $680,000
Watercraft Coverage		
Protection and Indemnity	$1,000	Undeclared - $1,000,000 Declared – per schedule of vessels on file with carrier
Collision and Towers	$1,000	Undeclared - $1,000,000 Declared – per schedule of vessels on file with carrier
Hull and Machinery	$1,000	Undeclared - $250,000 Declared – per schedule of vessels on file with carrier
Foster Parents Liability	$0	$500,000
Crime Bond / Employee Dishonesty	$5,000	$10,000,000
Public Guardian Bonds	$0	$1,000,000
Notary Bonds	$0	$15,000
Public Errors and Omissions	$0	$15,000

* Under general liability program, the pooled retention limit is shared with other CSAC-EIA members and is subject to an aggregate policy year limit of $6 million. Total general liability coverage per claim will vary between $26 million and $32 million depending on how much of the $6 million has been utilized to pay claims during that policy year.

** Property limits are shared with selected CSAC-EIA member counties based on their location within earthquake fault and flood zones and the level of risk of exposure to earthquake and flood damage.

Amounts in excess of these limits are self-insured. None of the insurance settlements over the past three years have exceeded the amount of insurance coverage.

The County is totally self-insured for dental benefits to employees and their families. Depending on employee's labor representation, coverage for each family member is limited to $1,200 or $1,350 per year for covered services.

The estimated liability for claims and contingencies included in the risk management internal service fund is based on the results of actuarial studies and includes amounts for claims incurred but not reported. The estimated liability for claims and contingencies is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs, and other economic and social factors. It is the County's practice to obtain full actuarial studies annually for the workers' compensation and general liability programs.

(amounts in tables expressed in thousands)

Triennial valuations are performed of the medical malpractice program. Annual premiums are charged for insurance and self-insurance costs using a cost allocation method which uses multiple cost pools and allocation bases utilizing both paid claim experience and appropriate measures of loss exposures, such as payroll for employee-related costs or square footage occupied for costs associated with property.

Changes in the balances of the estimated liability for claims and contingencies during the past two fiscal years for all self-insurance funds are as follows:

	General Liability		Workers' Compensation		Total	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Estimated liability for claims and contingencies at the beginning of the fiscal year	$ 16,039	15,740	$ 70,969	$ 69,156	$ 87,008	$ 84,896
Incurred claims and claim adjustment expenses	6,102	6,842	20,003	15,440	26,105	22,282
Payments	(6,002)	(6,543)	(14,433)	(13,627)	(20,435)	(20,170)
Total estimated liability for claims and contingencies at the end of the fiscal year	$ 16,139	$ 16,039	$ 76,539	$ 70,969	$ 92,678	$ 87,008

B. *Litigation*

Various lawsuits have been instituted and claims have been made against the County, with provisions for potential losses included in the basic financial statements. In the opinion of County Counsel, it is not possible to accurately predict the County's liability under these actions, but final disposition should not materially affect the financial position of the County.

C. *Federal and State Grants*

The County participates in a number of federal and state grants programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs for or including the year ended June 30, 2008, have not yet been conducted or settled. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, management does not believe that any audit disallowances would have a significant effect on the financial position of the County.

D. *Medicare and Medi-Cal Reimbursements*

Alameda County Medical Center's Medicare and Medi-Cal cost reports for certain prior years are in various stages of review by third-party intermediaries and have not yet been settled. ACMC believes that it has adequately provided for any potential liabilities which may arise from the intermediaries' reviews.

18. Recent Changes in the Economic Environment and its Impact to the County

Beginning September 2008, the subprime mortgage crisis led to a number of events that put the US economy into major financial turmoil. The US Treasury placed two government sponsored enterprises, Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), into conservatorship. Fortunately for investors in Fannie Mae and Freddie Mac, this action effectively protected investments in these institutions' debt issues which now carry "full faith and credit "of the U.S. government. Shortly after, Lehman Brothers, a financial services firm, filed for bankruptcy; and the US government also took control of American International Group (AIG). On October 8, the President of the United States signed into law the $700 billion Emergency Economic Stabilization Act of 2008 to assist major US companies in weathering the financial crisis to prevent further deterioration of US economy.

A. *ACERA*

Like so many other institutional investors, ACERA has suffered significant paper losses as a result of the recent stock market fluctuations. The paper loss in October is estimated to be about $641.1 million and the preliminary paper loss for the first 10 months of 2008 is approximately $1.7 billion. As of October 31, 2008 ACERA had approximately $509.7 million invested in stocks in the financial sector such as banks and insurance companies, representing about 13.1% of ACERA's total investments. ACERA had holdings in stocks such as AIG, Fannie Mae, Freddie Mac, Citigroup, and others which resulted in investment losses of approximately $128.7 million ($113.8 million on paper and $14.9 million permanent). This loss represented about 3.3% of ACERA's total investments as of October 31, 2008.

ACERA maintains a diversified portfolio. In addition to investments in the financial sectors, it also holds securities in well-established and fundamentally sound companies from other industries. ACERA is a long-term investor and expects that the market will recover eventually.

B. _County Investment Pool_

The County's investment pool has also been impacted by the current financial crisis. The recent surge in forced mergers of weakened financial institutions into their comparatively stronger counterparts potentially limits competition and returns on County investments. The acquisition of Countrywide and Merrill Lynch by Bank of America, the absorption of Washington Mutual into JPMorgan Chase, and the merger of Wells Fargo and Wachovia all reduce the number of investment options available.

The County Treasurer has a conservative investment strategy and a stringent investment policy in place to ensure the safety of the investment portfolio. This in large part has shielded the portfolio from financial losses due to the recent downturn. The Treasurer traditionally avoids investing in any securities that could expose the investment portfolio to the risk of principal loss. The Treasurer does not take the position of speculative investing; rather, securities are usually held until maturity or until the securities are called. The Treasurer has prudently avoided investment of funds in institutions that have come under scrutiny even before the current financial crisis. The investment pool did not include issues of Merrill Lynch, Lehman Brothers and other companies that were in financial distress during the credit crisis.

In October 2008, to further reduce exposure to corporate debt investment risks, the Treasurer transferred all money market investments to funds with 100% investments in treasuries and federal agency securities. Subsequently, as part of the federal government's rescue package, it has extended federal guarantees to certain money market funds. This action reopened the opportunity for the Treasurer to reinvest county monies again in money market funds which have mixed investment portfolios that include prime money market short-term debt issues, government notes and bonds, and federal agency securities.

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COUNTY OF ALAMEDA, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
(Dollars expressed in thousands)

ACERA – Analysis of Funding Progress

Historical trend information is presented.

Pension

Actuarial Valuation Date December 31	Actuarial Value of Plan Assets (a)	Accrued Actuarial Liability (AAL) (b)	Funded Ratio (%) (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage (%) of Covered Payroll [(b-a)/c]
2005	$3,782,000	$4,548,000	83.2	$766,000	$710,000	107.9
2006	4,128,000	4,825,000	85.6	697,000	762,000	91.5
2007	4,560,000	5,112,000	89.2	552,000	793,000	69.6

Postemployment Medical Benefits

Actuarial Valuation Date December 31	Actuarial Value of Plan Assets (a)	Accrued Actuarial Liability (AAL) (b)	Funded Ratio (%) (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage (%) of Covered Payroll [(b-a)/c]
2005	$449,100	$567,900	79.1	$118,800	$710,000	16.7
2006	496,200	591,400	83.9	95,200	762,000	12.5
2007	614,800	639,800	96.1	25,000	793,000	3.2

Other Pension Benefits

Actuarial Valuation Date December 31	Actuarial Value of Plan Assets (a)	Accrued Actuarial Liability (AAL) (b)	Funded Ratio (%) (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage (%) of Covered Payroll [(b-a)/c]
2005	$62,800	$170,800	36.8	$108,000	$710,000	15.2
2006	66,300	186,300	35.6	120,000	762,000	15.7
2007	78,400	203,800	38.5	125,400	793,000	15.8

COUNTY OF ALAMEDA, CALIFORNIA

GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual Budgetary	Variance Positive
	Original	Final	Basis	(Negative)
Revenues:				
Taxes	$ 488,980	$ 521,250	$ 484,867	$ (36,383)
Licenses and permits	6,725	6,805	7,640	835
Fines, forfeitures, and penalties	10,351	12,087	34,440	22,353
Use of money and property	10,999	11,001	35,140	24,139
State aid	641,190	665,741	637,563	(28,178)
Federal aid	291,938	309,049	302,163	(6,886)
Other aid	12,062	12,487	14,819	2,332
Charges for services	282,445	283,195	237,943	(45,252)
Other revenue	33,523	33,165	29,039	(4,126)
Total revenues	1,778,213	1,854,780	1,783,614	(71,166)
Expenditures:				
Current				
General government				
Salaries and benefits	72,623	76,599	69,314	7,285
Services and supplies	48,731	57,238	45,051	12,187
Other charges	24,151	24,284	22,037	2,247
Capital assets	342	443	154	289
Public protection				
Salaries and benefits	375,807	408,252	399,302	8,950
Services and supplies	156,487	173,903	163,538	10,365
Other charges	7,234	6,231	5,799	432
Capital assets	1,569	5,272	4,766	506
Public assistance				
Salaries and benefits	181,224	192,215	182,446	9,769
Services and supplies	109,914	124,197	110,341	13,856
Other charges	298,514	303,725	299,066	4,659
Capital assets	673	680	8	672
Health and sanitation				
Salaries and benefits	110,186	115,538	104,062	11,476
Services and supplies	264,933	359,939	306,604	53,335
Other charges	110,786	118,722	97,681	21,041
Capital assets	12	276	201	75
Public ways and facilities				
Salaries and benefits	421	429	283	146
Services and supplies	1,653	1,753	1,598	155
Recreation and cultural services				
Salaries and benefits	8	7	5	2
Services and supplies	678	682	557	125
Education				
Salaries and benefits	116	91	73	18
Services and supplies	113	171	136	35
Capital outlay	6,873	14,721	13,101	1,620
Pension bond debt service transfer	(34,980)	(34,980)	(34,980)	-
Total expenditures	1,738,068	1,950,388	1,791,143	159,245
Excess (deficiency) of revenues over expenditures	40,145	(95,608)	(7,529)	88,079
Other financing sources (uses):				
Proceeds from loans	-	4,830	-	(4,830)
Capital leases issued	-	3,000	-	(3,000)
Transfers-in	33,995	30,682	18,052	(12,630)
Transfers-out	(68,566)	(79,945)	(56,581)	23,364
Budgetary reserves and designations	(45,905)	(10,735)	-	10,735
Total other financing sources (uses)	(80,476)	(52,168)	(38,529)	13,639
Net change in fund balances	(40,331)	(147,776)	(46,058)	101,718
Add reserve for encumbrance for current budget year	-	-	64,338	64,338
Fund balance - beginning of period	40,331	147,776	801,602	653,826
Fund balance - end of period	$ -	$ -	$ 819,882	$ 819,882

See the notes to required supplementary information.

COUNTY OF ALAMEDA, CALIFORNIA

PROPERTY DEVELOPMENT SPECIAL REVENUE FUND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary Basis	Positive (Negative)
Revenues:				
Use of money and property	$ 431	$ 431	$ 18,242	$ 17,811
Other revenue	6,000	6,000	5,359	(641)
Total revenues	6,431	6,431	23,601	17,170
Expenditures:				
Current				
General government				
Salaries and benefits	427	428	428	-
Services and supplies	4,588	4,795	607	4,188
Capital assets	22,500	22,500	317	22,183
Total expenditures	27,515	27,723	1,352	26,371
Excess (deficiency) of revenues over expenditures	(21,084)	(21,292)	22,249	43,541
Other financing sources (uses):				
Proceeds from sale of land	121,916	121,916	-	(121,916)
Transfers-out	(100,832)	(107,124)	(7,083)	100,041
Total other financing sources (uses)	21,084	14,792	(7,083)	(21,875)
Net change in fund balances	-	(6,500)	15,166	21,666
Add reserve for encumbrance for current budget year	-	-	61	61
Fund balance - beginning of period	-	6,500	289,084	282,584
Fund balance - end of period	$ -	$ -	$ 304,311	$ 304,311

See the notes to required supplementary information.

COUNTY OF ALAMEDA, CALIFORNIA

FLOOD CONTROL SPECIAL REVENUE FUND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual Budgetary	Variance Positive
	Original	Final	Basis	(Negative)
Revenues:				
Taxes	$ 34,151	$ 35,800	$ 35,800	$ -
Licenses and permits	8	8	56	48
Use of money and property	3,344	3,344	6,901	3,557
State aid	343	343	651	308
Federal aid	-	-	136	136
Other aid	2,425	2,425	2,774	349
Charges for services	12,134	12,134	12,065	(69)
Other revenue	898	898	3,388	2,490
Total revenues	53,303	54,952	61,771	6,819
Expenditures:				
Current				
Public protection				
Salaries and benefits	29,235	29,427	15,513	13,914
Services and supplies	44,075	75,128	44,855	30,273
Other charges	1,008	1,518	1,087	431
Capital assets	875	902	306	596
Total expenditures	75,193	106,975	61,761	45,214
Excess (deficiency) of revenues over expenditures	(21,890)	(52,023)	10	52,033
Other financing sources (uses):				
Transfers-in	1,200	1,200	575	(625)
Transfers-out	-	(20)	(20)	-
Total other financing sources (uses)	1,200	1,180	555	(625)
Net change in fund balances	(20,690)	(50,843)	565	51,408
Add reserve for encumbrance for current budget year	-	-	11,003	11,003
Fund balance - beginning of period	20,690	50,843	147,251	96,408
Fund balance - end of period	$ -	$ -	$ 158,819	$ 158,819

See the notes to required supplementary information.

1. Budget and Budgetary Accounting

General Budget Policies

In accordance with the provisions of Sections 29000 through 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget on or before August 30, for each fiscal year. The expenditure side of the budget is enacted into law through the passage of an appropriation ordinance. This ordinance constitutes the maximum authorizations for spending during the fiscal year, and cannot be exceeded except by subsequent amendment of the budget by the Board of Supervisors. A balanced operating budget is adopted each fiscal year for the general fund, the special revenue funds, with the exception of the inmate welfare special revenue fund and the capital projects fund. Public hearings are conducted on the proposed budget prior to adoption to review all appropriations and sources of financing. The prior year fund balance is used as part of the balancing formula. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Any amendments or transfers of appropriations between object levels within the same department or between departments must be approved by the County Board of Supervisors. Supplemental appropriations normally financed by unanticipated revenues during the year must also be approved by the Board. Additionally, the Auditor-Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

Expenditures are controlled at the object level for all budgets within the County except for capital assets, which are controlled at the sub-object level. The object level is the level at which expenditures may not legally exceed appropriations. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended or encumbered.

General fund budgetary comparisons are not presented at the detail object level in this financial report due to their excessive length. A separate publication presenting this information is available from the Alameda County Auditor-Controller's Office, 1221 Oak Street, Oakland, CA 94612.

Budget Basis of Accounting

The County prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds on the budgetary basis to provide a meaningful comparison of actual results with the budget. Budgeted amounts represent the original budget and the original budget as modified by adjustments authorized during the year. The difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as expenditures under the budgetary basis. The amounts reported as expenditures also include amounts charged each department for payment of the debt service on the pension obligation bonds because the budget includes these amounts as expenditures. The pension bond debt service transfer is a reporting adjustment on the Budgetary Comparison Schedule to agree with the financial statements where such expenditures are reported as transfers in accordance with generally accepted accounting principles.

2. Reconciliation of Budget vs. GAAP Basis Expenditures

The differences between budgetary expenditures and GAAP expenditures are presented in the following table:

Reconciliation of Budget vs. GAAP Basis Expenditures

	General Fund	Property Development Fund	Flood Control Fund
Budget basis expenditures	$ 1,791,143	$ 1,352	$ 61,761
Capital leases	-	-	-
Encumbrances for current budget year	(64,338)	(61)	(11,003)
GAAP basis expenditures	$ 1,726,805	$ 1,291	$ 50,758

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MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

The Grand Jury and Honorable Members
of the Board of Supervisors
County of Alameda, California

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alameda, California (County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 29, 2009. Our report was modified to include a reference to other auditors. Our report also included an explanatory paragraph describing the implementation of new accounting standards. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Alameda County Employees' Retirement Association (ACERA), the Alameda County Medical Center (ACMC) and the Zone 7 Water Facilities Enterprise Fund (Zone 7), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Zone 7 were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed a matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2008-2.

We noted certain matters that we reported to management of the County in a separate letter dated January 29, 2009.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Grand Jury, the Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Walnut Creek, California
January 29, 2009

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

Yano Accountancy Corporation
Litigation Consulting • Forensic Accounting
Certified Public Accountants

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

505 14th Street, 5th Floor
Oakland, CA 94612
510.273.8974

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

The Grand Jury and Honorable
Members of the Board of Supervisors
County of Alameda, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the County of Alameda, California (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit..

The County's financial statements include the operations of the Alameda County Medical Center (the ACMC), which expended $1,942,515 in federal awards which are not included in the County's schedule of expenditures of federal awards for the year ended June 30, 2008. Our audit, described below, did not include the federal expenditures of the ACMC because this entity engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in item 2008-3 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding special tests and provisions that are applicable to its Food Stamps Cluster (CFDA 10.551 and 10.561 programs), Temporary Aid to Need Families (CFDA 93.558 program) and Medicaid Administration (CFDA 93.778 program). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

As described in items 2008-5 through 2008-8, in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding level of effort, procurement, reporting and subrecipient monitoring that are applicable to its Special Education Cluster (CFDA 84.027 program). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program cluster.

As described in items 2008-6 and 2008-9, in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding procurement and earmarking that are applicable to its Substance Abuse Prevention and Treatment program (CFDA 93.959 program). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraphs, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and, which are described in the accompanying schedule of findings and questioned costs as item 2008-4.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-3 through 2008-9 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2008-3, 2008-5, 2008-7 and 2008-8 to be material weaknesses.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Grand Jury, Board of Supervisors, management, Federal awarding agencies, pass-through entities, and the California State Controller's Office and is not intended to be, and should not be, used by anyone other than these specified parties.

Macias Gini & O'Connell LLP   Yano Accountancy Corporation

Certified Public Accountants
Walnut Creek, California

March 21, 2009

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COUNTY OF ALAMEDA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2008

Federal/Pass-Through Entity Program Title	Federal CFDA No.	Pass-Through Entity Identifying Number	2008 Federal Expenditures
U.S. Department of Agriculture			
Passed through the State Department of Education:			
National School Lunch Program	10.555	n/a	476,681
Subtotal Passed through the State Department of Education			476,681
Passed through the State Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care			
Insect Trapping		06-0503	140,116
Insect Trapping		07-0618	551,580
Glassy Winged Sharpshooter		07-0296	345,943
Sudden Oak Death		07-0410	66,446
Japanese Dodder		07-0551	9,798
Light Brown Apple Moth		07-0838	164,495
Light Brown Apple Moth		06-0855	29,314
Light Brown Apple Moth Exclusion		07-0917	122,360
Subtotal 10.025	10.025		1,430,052
Subtotal Passed through the State Department of Food and Agriculture			1,430,052
Passed through the State Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	05-45738	2,859,424
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	07-65302	3,114,117
Subtotal Passed through the State Department of Public Health			5,973,541
Passed through the State Department of Social Services:			
Food Stamp Cluster:			
Supplemental Nutrition Assistance Program	10.551	n/a	96,923,592
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Food Stamps E&T		n/a	13,572,659
CALWIN - Food Stamps		n/a	876,801
Subtotal 10.561	10.561		14,449,460
Subtotal Food Stamp Cluster			111,373,052
Subtotal Passed through the State Department of Social Services			111,373,052
Total for U.S. Department of Agriculture			**119,253,326**
U.S. Department of Housing and Urban Development			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218		1,632,627
Emergency Shelter Grants Program	14.231		86,850
Supportive Housing Program	14.235		2,900,692
Shelter Plus Care	14.238		4,307,666
HOME Investment Partnerships Program	14.239		5,108,075
Housing Opportunities for Persons with AIDS	14.241		417,221
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		1,018,050
Healthy Homes Demonstration Grants	14.901		433,634
Subtotal Direct Programs			15,904,815
Passed through ANKA Behavioral Health Services Inc:			
Supportive Housing Program	14.235	C2007-199	322,860
Subtotal Passed through ANKA Behavioral Health Services Inc			322,860
Passed through the City of Oakland:			
Housing Opportunities for Persons with AIDS			
HOPWA		CA-H04-F001	153,487
HOPWA		CA-H05-F001	635,896
HOPWA		CA-H06-F001	288,034
Subtotal 14.241	14.241		1,077,417
Subtotal Passed through the City of Oakland			1,077,417
Total U.S. Department of Housing and Urban Development			**17,305,092**
U.S. Department of Justice			
Direct Programs:			

COUNTY OF ALAMEDA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2008

Federal/Pass-Through Entity Program Title	Federal CFDA No.	Pass-Through Entity Identifying Number	2008 Federal Expenditures
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		356,706
State Criminal Alien Assistance Program	16.606		414,985
Edward Byrne Memorial Justice Assistance Grant Program	16.738		990,321
Subtotal Direct Programs			1,762,012
Passed through the State Department of Corrections and Rehabilitation - Corrections Standards Authority:			
Juvenile Accountability Block Grants	16.523	CSA 181-07	111,566
Juvenile Justice and Delinquency Prevention-Allocation to States			
Enhanced Disproportionate Minority Contact-TAP		CSA 336-06	80,172
Enhanced Disproportionate Minority Contact-TAP		CSA 336-07	67,850
Subtotal 16.540	16.540		148,022
Subtotal Passed through the State Department of Corrections and Rehabilitation - Corrections Standards Authority			259,588
Passed through the State Department of Social Services:			
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	n/a	434,880
Subtotal Passed through the State Department of Social Services			434,880
Passed through the State Governor's Office of Emergency Services:			
Crime Victim Assistance			
Victim/Witness Assistance Program		VW07260010	377,348
Victim/Witness Assistance Program		VW07260010	3,000
Elder Abuse Advocacy and Outreach Program		EA07080010	140,000
Subtotal 16.575	16.575		520,348
Violence Against Women Formula Grants			
Violence Against Women Vertical Prosecution Program		VV07030010	140,000
Threat Management/Stalking Vertical Prosecution Program		TM07050010	140,000
Subtotal 16.588	16.588		280,000
Edward Byrne Memorial Justice Assistance Grant Program			
Anti-Drug Abuse Enforcement Program 2008		2008-DJ-BX-0606	833,722
Anti-Drug Abuse Enforcement Program 2009		2007-DJ-BX-1405	134,197
Subtotal 16.738	16.738		967,919
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ05040010	18,855
Subtotal Passed through the State Governor's Office of Emergency Services			1,787,122
Total for U.S. Department of Justice			**4,243,602**
U.S. Department of Labor			
Passed through the Contra Costa County Workforce Development:			
WIA Dislocated Workers	17.260	18-132-0	70,000
Subtotal Passed through the Contra Costa County Workforce Development			70,000
Passed through the State Department of Aging:			
Senior Community Service Employment Program	17.235	Title V	150,251
Subtotal Passed through the State Department of Aging			150,251
Passed through the State Department of Employment Development:			
Workforce Investment Act - Cluster:			
WIA Adult Program			
WIA Title I Adult Formula		WIA R760315	2,047
WIA Title I Adult Formula (201)		WIA R760315	27,683
WIA Title I Adult Formula (202)		WIA R760315	842,829
WIA Title I Adult Formula (201)		WIA R865451	257,847
WIA Title I Adult Formula (202)		WIA R865451	998,606
Subtotal 17.258	17.258		2,129,012
WIA Youth Activities			
WIA Title I Youth Formula (301)		WIA R760315	365,865
WIA Title I Youth Formula (301)		WIA R865451	402,838
WIA Title I Youth Formula (302)		WIA R865451	1,168,931
Subtotal 17.259	17.259		1,937,634
WIA Dislocated Workers			
WIA 15% Incentive (113)		WIA R760315	10,949
WIA Title I Dislocated Worker		WIA R760315	5,443
WIA Title I Dislocated Worker (501)		WIA R760315	59,902

Federal/Pass-Through Entity Program Title	Federal CFDA No.	Pass-Through Entity Identifying Number	2008 Federal Expenditures
WIA Title I Dislocated Worker (502)		WIA R760315	130,206
WIA Title I Dislocated Worker (528)		WIA R760315	174,545
WIA Rapid Response for RA&PGM		WIA R760315	239
WIA Title I Dislocated Worker (501)		WIA R865451	621,712
WIA Title I Dislocated Worker (502)		WIA R865451	1,299,376
WIA Title I Rapid Response (528)		WIA R865451	509,617
WIA Nat'l Res Emergency (762)		WIA R865451	49,864
WIA Rapid Response for RA&PGM		WIA R865451	118,937
WIA Rapid Response for RA&PGM		WIA R865451	356,812
Subtotal 17.260	17.260		3,337,602
Subtotal Workforce Investment Act - Cluster			7,404,248
Subtotal Passed through the State Department of Employment Development			7,404,248
Total for U.S. Department of Labor			**7,624,499**
U.S. Department of Transportation			
Passed through the State Department of Transportation:			
Highway Planning and Construction			
Storm Damage Repair - Norris Canyon Road @MM0.30, Spec. 2054		Emergency Relief - 4430 (002)	22,664
Pavement Rehabilitation ECVB & Dublin Canyon Road, Spec. 2031		STPL - 5933 (082)	171,442
Vasco Road alignment, Spec. 1903 & Spec. 2016		STPL - 5933 (074)	2,216,527
East Avenue Rehabilitation, Spec. 2016		STPL - 5933 (081)	349,819
Castro Valley Pavement Rehabilitation, Spec. 2071		STPL - 5933 (088)	22,287
Subtotal 20.205	20.205		2,782,739
Subtotal Passed through the State Department of Transportation			2,782,739
Total for U.S. Department of Transportation			**2,782,739**
National Foundation of the Arts and the Humanities			
Passed through the California State Library:			
Grants to States			
Public Library Staff Education Program		LSTA 40-6607	653
Public Library Staff Education Program		LSTA 40-6607	1,247
Out-Of-School-Time Online Homework Help		LSTA 40-6938	43,064
Local History Digital Resources Project		LTSA 40-6807	3,209
Local History Digital Resources Project		LSTA 40-6807	74
Subtotal 45.310	45.310		48,247
Subtotal California State Library			48,247
Total for National Foundation of the Arts and the Humanities			**48,247**
U.S. Department of Education			
Passed through the Alameda County Office of Education:			
Special Education - Grants to States	84.027	07-14468-1001-01	4,084,381
Subtotal Passed through the Alameda County Office of Education			4,084,381
Passed through the State Department of Alcohol and Drug Programs:			
Safe and Drug - Free Schools and Communities - State Grants			
Safe and Drug Free Schools and Communities		SDF03-21	24,694
Safe and Drug Free Schools and Communities		SDF07-13	180,316
Subtotal 84.186	84.186		205,010
Subtotal Passed through the State Department of Alcohol and Drug Programs			205,010
Total for U.S. Department of Education			**4,289,391**
U.S. Department of Health and Human Services			
Direct Programs:			
Consolidated Health Centers	93.224		2,524,981
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		243,797
National Bioterrorism Hospital Preparedness Program	93.889		254,503
HIV Emergency Relief Project Grants	93.914		5,160,940
Healthy Start Initiative	93.926		2,047,858

COUNTY OF ALAMEDA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2008

Federal/Pass-Through Entity Program Title	Federal CFDA No.	Pass-Through Entity Identifying Number	2008 Federal Expenditures
Subtotal Direct Programs			10,232,079
Passed through the Regents of the University of California:			
HIV Prevention Activities - Health Department Based	93.940	MU04-OAA-713	281,691
Subtotal Passed through the Regents of the University of California			281,691
Passed through the State Department of Aging:			
Special Programs for the Aging - Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals			
Ombudsman - Title VIIa		Title VIIa	58,192
Elder Abuse - Title VIIb		Title VIIb	20,614
Subtotal 93.042	93.042		78,806
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Title IIID	85,888
National Family Caregiver Support, Title III, Part E	93.052	Title IIIE	640,355
Centers for Medical and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HICAP	75,364
Aging - Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Title IIIB	1,260,288
Special Programs for the Aging - Title III, Part C - Nutrition Services			
Congregate Nutrition - Title C-1		Title C-1	833,304
Home Delivered Meals - Title C-2		Title C-2	1,381,800
Subtotal 93.045	93.045		2,215,104
Nutrition Services Incentive Program	93.053	NSIP	450,078
Subtotal Aging - Cluster			3,925,470
Subtotal Passed through the State Department of Aging			4,805,883
Passed through the State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse			
SAPT Block Grant-Adolescent Treatment Program		n/a	412,130
SAPT Block Grant-Discretionary		n/a	4,204,675
SAPT Block Grant-Friday Night Live and Club Live		n/a	30,000
SAPT Block Grant-HIV Set Aside		n/a	785,921
SAPT Block Grant-Perinatal Set Aside		n/a	1,424,757
SAPT Block Grant-Prevention Set Aside		n/a	1,963,498
SAPT Block Grant-SATTA		n/a	403,402
SAPT Block Grant-Special Projects		n/a	27,500
Subtotal 93.959	93.959		9,251,883
Substance Abuse and Mental Health Services - Projects of Regional and National Significance			
State Incentive Grant		SIG04-04	60,896
State Incentive Grant		SIG04-04	108,523
Subtotal 93.243	93.243		169,419
Subtotal Passed through the State Department of Alcohol and Drug Programs			9,421,302
Passed through the State Department of Child Support Services:			
Child Support Enforcement	93.563	n/a	17,232,279
Subtotal Passed through the State Department of Child Support Services			17,232,279
Passed through the State Department of Education:			
Child Care and Development Block Grant			
Local Child Care & Development Planning Council Program		CLPC 7000	113,253
Alternative Payment Program		CAPP 7000	635,814
Subtotal 93.575	93.575		749,067
Subtotal Passed through the State Department of Education			749,067
Passed through the State Department of Health Care Services:			
Medical Assistance Program			
Medi-Cal Administration Activities/Targeted Case Management		04-35081	1,621,575
Medi-Cal Administration Activities/Targeted Case Management		04-35081	718,881
Medi-Cal Administration Activities/Targeted Case Management		04-35081	630,185
California Children's Services		n/a	3,720,828
CHDP - ECC Program		n/a	108,594
Subtotal 93.778	93.778		6,800,063
Preventive Health and Health Services Block Grant	93.991	n/a	3,200,535
Maternal & Child Health Services Block Grant to the States			
County Foster Care (HCPCFC)		n/a	677,058
Maternal, Child & Adolescent Health		200701	1,271,486
Black Infant Health		200701	772,302

Federal/Pass-Through Entity Program Title	Federal CFDA No.	Pass-Through Entity Identifying Number	2008 Federal Expenditures
Subtotal 93.994	93.994		2,720,846
Subtotal Passed through the State Department of Health Care Services			12,721,444
Passed through the State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	1946001347J5	253,013
Block Grants for Community Mental Health Services			
Substance Abuse and Mental Health Services Administration		1946001347J5	259,688
Substance Abuse and Mental Health Services Administration		1946001347J5	496,642
Subtotal 93.958	93.958		756,330
Subtotal Passed through the State Department of Mental Health			1,009,343
Passed through the State Department of Public Health:			
Immunization Grants			
State Immunization Assessment and Immunization Registry Awards		07-65216	918,726
State Immunization Assessment and Immunization Registry Awards		07-65278	81,354
Subtotal 93.268	93.268		1,000,080
HIV Care Formula Grants			
Ryan White Care ACT - Part B Grant		06-55745	738,401
Early Intervention Program - Oakland		07-65038	295,184
Subtotal 93.917	93.917		1,033,585
Medical Assistance Program	93.778	State Medi-cal	452,681
Bioterrorism Training and Curriculum Development Program			
BT - CDC		EPO-CDC-07-01	782,442
BT - Cities Readiness Initiative		EPO-CDC-07-01	154,141
BT - Pandemic Flu		EPO-CDC-07-01	397,881
Subtotal 93.996	93.996		1,334,464
Subtotal Passed through the State Department of Public Health			3,820,810
Passed through the State Department of Social Services:			
Promoting Safe and Stable Families	93.556	n/a	1,026,670
Temporary Assistance for Needy Families			
CalWORKS - Assistance		n/a	64,097,871
CalWORKS - CEC Program		n/a	60,931,718
CALWIN		n/a	1,030,323
CWS - Emergency Assistance (TANF)		n/a	6,500,059
Subtotal 93.558	93.558		132,559,971
Refugee and Entrant Assistance - State Administered Programs			
Refugee Cash Assistance - 01, 08		n/a	247,727
Refugee Administration		n/a	84,162
CALWIN - Refugee		n/a	11,904
CDSS, Refugee Program Bureau		n/a	143,179
CDSS, Refugee Program Bureau		n/a	23,903
Subtotal 93.566	93.566		510,875
Refugee and Entrant Assistance - Discretionary Grants	93.576	n/a	9,114
Child Welfare Services - State Grants	93.645	n/a	898,742
Foster Care - Title IV-E			
Foster Care Assistance - 42		n/a	15,563,795
Foster Care		n/a	1,458,197
Foster Care - Title IV-E		n/a	9,477,102
CWS-IV-E		n/a	20,119,365
NCWS-KINSHIP-EM		n/a	18,373
NCWS-SA-HIV		n/a	129,815
NCWS-GHMV		n/a	192,434
NCWS-FP		n/a	27,536
NCWS-FPP		n/a	586,351
CWS-IV-E		n/a	2,040,665
NCWS-FPP		n/a	157,244
Family Preservation Program		n/a	468,080
Foster Home Licensing		n/a	457,533
SACWIS		n/a	286,677
Title IV-E Waiver CWD		n/a	1,150,996
Subtotal 93.658	93.658		52,134,163
Adoption Assistance			
Assistance		n/a	8,337,669
Eligibility		n/a	529,558
Services		n/a	1,850,103

Federal/Pass-Through Entity Program Title	Federal CFDA No.	Pass-Through Entity Identifying Number	2008 Federal Expenditures
Subtotal 93.659	93.659		10,717,330
Social Services Block Grant			
CWS Title XX		n/a	2,726,679
CalWORKS CEC Program XX		n/a	5,865,264
Subtotal 93.667	93.667		8,591,943
Chafee Foster Care Independence Program	93.674	n/a	919,022
Medical Assistance Program			
APS/CSBG-Health Related-DHS		n/a	4,605,279
IHSS PCSP/Health Related ADM-DHS		n/a	632,571
IHSS PCSP/Health Related ADM-DHS		n/a	7,576,621
IHSS-Health Related-DHS		n/a	7,705,587
Medi-Cal		n/a	23,850,294
IHSS PCSP/Health Related ADM-DHS-Waiver Plus		n/a	42,659
IHSS PCSP/Health Related ADM-DHS-Waiver Plus		n/a	511,897
Subtotal 93.778	93.778		44,924,908
Subtotal Passed through the State Department of Social Services			252,292,738
Total for U.S. Department of Health and Human Services			**312,566,636**
U.S. Department of Homeland Security			
Direct Programs:			
Emergency Food & Shelter National Board Program	97.024		17,485
Assistance to Firefighters Grant	97.044		155,132
Homeland Security Grant Program	97.067		431,499
Subtotal Direct Programs			604,116
Passed through the State Office of Emergency Services:			
State Domestic Preparedness Equipment Support Program			
05 State Homeland Security Program		2005-0015	9,000
06 State Homeland Security Program		2006-0071	2,639,981
07 State Homeland Security Program		2007-0008	270,167
Buffer Zone Protection Program		2005-GR-T50068	206,991
Subtotal 97.004	97.004		3,126,139
Subtotal Passed through the State Office of Emergency Services			3,126,139
Total for U.S. Department of Homeland Security			**3,730,255**
Total Federal Expenditures			**471,843,787**

Note 1 – General

The accompanying schedule of expenditures of federal awards presents all federal financial assistance provided to the County of Alameda, California (the County), except as discussed below. The County's financial reporting entity is defined in note 1.A. to the County's basic financial statements. The County's basic financial statements include the operations of the Alameda County Medical Center (ACMC), which expended $1,942,515 in federal awards that are not included in the accompanying schedule. Additionally, Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) are not considered federal awards (see note 4 below).

Note 2 – Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1.C. to the County's basic financial statements.

Note 3 – Relationship to the Financial Statements

Expenditures of federal awards are primarily reported in the County's basic financial statements in the general fund, grant revenue fund, and other governmental funds.

Expenditures related to the food stamps program equal the value of food stamps benefits issued, which are included in the Food Stamp Accountability reports for the fiscal year ended June 30, 2008. The County determines food stamps eligibility, but does not pay for redemption of food stamps benefits. Therefore, the issuance value reflected in the schedule is not included in the County's basic financial statements.

Note 4 – Medi-Cal

Except for Medi-Cal administrative expenditures, Medi-Cal and Medicare program expenditures are excluded from the schedule of expenditures of federal awards. These expenditures represent fees for services; therefore, neither is considered a federal award program of the County for purposes of the schedule of expenditures of federal awards or in determining major programs. The County assists the State of California (the State) in determining eligibility and provides Medi-Cal and Medicare services through County-owned health facilities.

Medi-Cal administrative expenditures are included in the schedule of expenditures of federal awards as they do not represent fees for services.

Note 5 – Department of Aging Federal/State Share

The California Department of Aging (CDA) requires agencies who receive CDA funding to display state-funded expenditures discretely along with federal expenditures. The County expended the following federal and state amounts under these grants in fiscal year ended June 30, 2008:

Program Information			Expenditures		Amount Provided to Subrecipients	
CFDA	CDA Program No.	CDA Program Title	Federal	State	Federal	State
17.235	Title V	Senior Employment	$ 150,251	$ 76,290	$ 150,251	$ 76,290
93.042	Title VIIa	Ombudsman	58,192	10,431	58,192	10,431
93.042	Title VIIb	Elder Abuse	20,614	918	20,614	918
93.043	Title IIID	Disease Prevention	85,888	3,702	85,888	3,702
93.044	Title IIIB	Supportive Services	1,260,288	182,850	843,796	182,850
93.045	Title C-1	Congregate Nutrition	833,304	141,402	705,043	140,662
93.045	Title C-2	Home-Delivered Meals	1,381,800	167,791	1,313,042	167,596
93.052	Title IIIE	Family Caregiver	640,355	-	585,688	-
93.053	NSIP	NSIP	450,078	-	450,078	-
93.779	HICAP	HICAP	75,364	263,468	68,517	248,282
State Program	CBSP	Community Based Services	-	462,274	-	424,341
State Program	Special Deposit	Ombudsman	-	66,501	-	66,501
			$ 4,956,134	$ 1,375,627	$ 4,281,109	$ 1,321,573

COUNTY OF ALAMEDA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2008

Note 6 – Program/Cluster Totals

The schedule of expenditures of federal awards does not summarize programs that cross agency funding. The following summarizes those programs that cross agency funding:

Program	CFDA #	Pass Through Agency	Amount
Supplemental Nutrition Assistance Program	10.551	State Department of Social Services	$ 96,923,592
State Administrative Matching Grants	10.561	State Department of Public Health	3,114,117
		State Department of Social Services	14,449,460
		Food Stamps Cluster Total	$ 114,487,169
Supportive Housing Program	14.235	Direct	$ 2,900,692
		ANKA Behavioral Health Services	322,860
		Program Total	$ 3,223,552
Housing Opportunities for Persons with AIDS	14.241	Direct	$ 417,221
		City of Oakland	1,077,417
		Program Total	$ 1,494,638
Edward Byrne Justice Memorial Assistance	16.738	Direct	$ 990,321
		Office of Emergency Services	967,919
		Program Total	$ 1,958,240
WIA - Adult Program	17.258	State Department of Employment Development	$ 2,129,012
WIA - Youth Activities	17.259	State Department of Employment Development	1,937,634
WIA - Dislocated Workers	17.260	Contra Costa County Workforce Development	70,000
		State Department of Employment Development	3,337,602
		WIA Cluster Total	$ 7,474,248
Substance Abuse and Mental Health Services	93.243	Direct	$ 243,797
		State Department of Alcohol and Drug Programs	169,419
		Program Total	$ 413,216
Medical Assistance Program	93.778	State Department of Health Care Services	$ 6,800,063
		State Department of Public Health	462,086
		State Department of Social Services	44,924,908
		Program Total	$ 52,187,057

COUNTY OF ALAMEDA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements disclosed?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified for CFDA #10.551, 10.561, 84.027, 93.558, 93.778 and 93.959
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

COUNTY OF ALAMEDA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

Identification of major programs:

CFDA #10.025	Plant and Animal Disease, Pest Control, and Animal Care
Food Stamps Cluster	
CFDA #10.551	Food Stamps
CFDA #10.561	State Administrative Matching Grants for Food Stamp Program
Community Development Block Grants	
CFDA #14.218	Community Development Block Grants/Entitlement Grants
Workforce Investment Act Cluster:	
CFDA #17.258	WIA Adult Program
CFDA #17.259	WIA Youth Activities
CFDA #17.260	WIA Dislocated Workers
Highway Planning and Construction	
CFDA #20.205	Highway Planning and Construction
Special Education	
CFDA #84.027	Special Education Grants to States
Aging Cluster	
CFDA #93.044	Special Programs for the Aging Title III, Part B – Grants for Supportive Services and Senior Centers
CFDA #93.045	Special Programs for the Aging Title III, Part C – Nutrition
CFDA #93.053	Nutrition Services Incentive Program
CFDA #93.224	Consolidated Health Centers
CFDA #93.558	Temporary Assistance for Needy Families
CFDA #93.563	Child Support Enforcement
CFDA #93.658	Foster Care – Title IV, Part E
CFDA #93.659	Adoption Assistance
CFDA #93.667	Social Services Block Grant
CFDA #93.778	Medical Assistance Program (Medicaid)
CFDA #93.926	Healthy Start Initiative
CFDA #93.959	Block Grants for Prevention and Treatment of Substance Abuse
Homeland Security Grant	
CFDA #97.004	State Domestic Preparedness Equipment Support Program

Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000
Auditee qualified as low-risk auditee?	No

Section II Financial Statement Findings

Item 2008-1 Revenue Recognition for State and Federal Program Allocations

Condition Identified and Perspective:
The County Auditor-Controller's Office currently has post-closing procedures in place whereby departments with outstanding receivables near the end of the audit must estimate whether receivables are expected to be collected within the County's 180 day policy for revenue recognition. For the year ended June 30, 2008, this procedure was not effective, as Behavioral Health Care did not provide a timely response to this procedure, and accordingly, current year revenues and fund balance were overstated.

The County currently defines the period of availability for recognizing State and federal program allocations as 180 days subsequent to the end of the fiscal year. Historically, this has resulted in a period of availability that extends beyond the date of issuance for the basic financial statements. Due to an extended issuance date of January 29, 2009 for the fiscal year 2008 financial statements, we were able to physically examine collections to test the effectiveness of the County's cut-off procedures and ensure compliance with its 180 day policy. Based on our testing, we discovered that the County's receivables included $37 million in State and federal program allocations related to Behavioral Health Care that did not qualify to be recognized as revenues during the fiscal year because they were not collected within the period of availability (i.e., 180 days). The County agreed and deferred $37 million in State and federal program allocations for the year ended June 30, 2008.

Recommendation:
We recommend that the County emphasize the importance of this procedure to its departments and require departments to provide timely estimates prior to finalizing the basic financial statements.

Views of Responsible Officials:
Behavioral Care was unable to estimate collectability of the receivables due to the State's financial problems. However, management agrees with the recommendation and will work closely with the departments to provide a timely estimate of whether the receivables will be collected during the availability period.

Item 2008-2 Reporting of the Schedule of Expenditures of Federal Awards

Regulatory or Other Criteria:

OMB Circular A-133 §____.300(d) requires all entities subject to Single Audit to:

> "Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310."

OMB Circular A-133 §____.310(b)(3) requires all entities subject to Single Audit, as part of the schedule of expenditures of Federal awards, to:

> "Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

Item 2008-2 Reporting of the Schedule of Expenditures of Federal Awards (continued)

Condition Identified and Perspective:

The County has continuing problems with the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

During each of the years ended June 30, 2005 and 2004, inadequate procedures existed to ensure that all awards with Federal expenditures of $3,000,000 or more were included on the SEFA. The persons responsible for preparation and review of the SEFA did not know about the Federal awards until after the SEFA was presented to the auditors.

During the year ended June 30, 2006, certain SEFA line items had errors of greater than $1,000,000. During the year ended June 30, 2007, several SEFA line items included cumulative, not current year, expenditures for the applicable Federal awards and other line items had understatements of Federal expenditures. During the year ended June 30, 2008, one SEFA line item included approximately $1.4 million of prior year expenditures, which would have affected our major program determination had this not been identified and corrected.

Asserted Cause and/or Effect:

We are unable to determine the causes of the errors. The effect is that the SEFAs, as presented to the auditors, are not accurate or complete. The auditors accordingly could not perform a valid determination of major programs until an accurate SEFA was prepared.

Recommendation:

We recommend that the County:

- Implement effective procedures to identify all Federal awards, and
- Ensure that all agencies and departments are knowledgeable of SEFA reporting requirements so that accurate amounts will be reported.

Item 2008-2 Reporting of the Schedule of Expenditures of Federal Awards (continued)

Views of Responsible Officials:

The County continues to work with departments to identify all federal programs and to ensure that accurate amounts of federal expenditures are reported. For example, for the 07-08 single audit, the deadline was advanced to October 1 for departments to submit datasheets and federal expenditure reconciliations to the single audit coordinator. As a result, we had more time to check for errors in reporting federal expenditures and to follow up with departments prior to the submission of the initial Schedule of Expenditures of Federal Awards to the external auditors. For departments that submitted datasheets and reconciliations timely, we were able to follow up promptly on any errors or irregularities. We will issue more notifications to departments after datasheets are initially sent out to reinforce the importance of meeting the deadline.

In addition, the Auditor-Controller's Office (ACO) also checks expenditure amounts against grant/program audited reports if a separate grant/program audit is performed by independent auditors. Grant fact sheets forwarded to the ACO by some departments are reviewed to ensure that any grants with federal awards are included. The ACO will continue to explore ways to improve the current processes to ensure that departments are reporting expenditures correctly.

The ACO will address reporting issues again at the next single audit workshop scheduled for June 3, 2009. At the annual workshops, departments are briefed on prior year findings and any other issues that affect the single audit. The ACO has developed a Single Audit Handbook for all County departments to familiarize them with the single audit process and reporting requirements. This handbook is distributed to workshop attendees and is available to all County staff on the County's intranet. We update the handbook on an as-needed basis to apprise departments of any developments regarding the single audit.

Section III Findings and Questioned Costs Related to Federal Awards

Item No. 2008-3 Multiple Programs – Special Tests and Provisions

Program Identification:

Awarding Agency:	United States Department of Agriculture
Passed Through:	State of California Department of Social Services
Program Name	Food Stamps Cluster
CFDAs:	10.551 and 10.561
Award Number:	All awards
Award Year:	FYE 6/30/2008

Awarding Agency:	United States Department of Health and Human Services
Passed Through:	State of California Department of Social Services
Program Name:	Temporary Aid to Needy Families
CFDA:	93.558
Award Number:	All awards
Award Year:	FYE 6/30/2008

Awarding Agency:	United States Department of Health and Human Services
Passed Through:	State of California Department of Health Services
Program Name:	Medical Assistance Program (Medicaid)
CFDA:	93.778
Award Number:	All awards
Award Year:	FYE 6/30/2008

Criteria:

45 CFR promulgates United States Department of Health and Human Services regulations. 45 CFR 205.51(a) states in part:

> "A State plan under title I, IV-A, X, XIV or XVI (AABD) of the Social Security Act must provide that there be an Income and Eligibility Verification System in the State."

7 CFR promulgates United States Department of Agriculture regulations. 7 CFR 272.8(a)(1) states in part:

> "State agencies may maintain and use an income and eligibility verification system (IEVS), as specified in this section..."

All states (and therefore by extension, the County) are required to use the IEVS for the TANF program; Alameda County uses the IEVS for Food Stamps as well as for TANF and Medicaid.

Item No. 2008-3 Multiple Programs – Special Tests and Provisions (continued)

Condition Identified and Perspective:

The County has experienced a decrease in the dollar amount of proposed recoveries of overpayments of Food Stamps, TANF and/or Medicaid benefits since the fiscal year ended June 30, 2004. Regulatory changes that currently require recipients of benefits to submit income information quarterly (instead of monthly reporting) should have resulted in an increase in the dollar amount of proposed recoveries, not a decrease.

Asserted Cause and/or Effect:

There is a direct correlation between the decline in calculated proposed recoveries since fiscal 2004 and three major contributing factors: reduction in staffing, regulation changes/County business processes, and CalWIN functionality.

All of these factors are considered systemic, and not isolated, instances.

Questioned Costs:

Questioned costs represents the amount of recoveries that should have been proposed had all appropriate systems and controls been in place, less recoveries actually proposed. The questioned costs are unknown but expected to be greater than $10,000.

Recommendation:

We recommend that the County implement all of the necessary steps to ensure that all Food Stamps, TANF and Medicaid cases are subjected to quarterly income verification through the IEVS, and that all differences required by law, regulation or policy are investigated and resolved.

Views of Responsible Officials:

The management of the Social Services Agency (SSA) agrees that the issues raised in this finding continue to merit both study and process improvement work. Whereas significant improvements have been made in the systems interfaces, management does not believe that they are yet working as they would like them to be.

Therefore management will re-examine the processes with the goal of improving them to maximize recoveries.

Item 2008-4 Multiple Awards – Procurement

Awarding Agency: United States Department of Agriculture
Passed Through: State of California Department of Social Services

Program	CFDA	Award Number	Award Year(s)
Food Stamps Cluster	10.551 10.561	Affects all awards	FYE 6/30/2008

Awarding Agency: United States Department of Labor
Direct Awards, and
Passed Through: State of California Employment Development Department

Program	CFDA	Award Number	Award Year(s)
Workforce Investment Act Cluster	17.258 17.259 17.260	Affects all awards	FYE 6/30/2008

Awarding Agency: United States Department of Education
Passed Through: Alameda County Office of Education

Program	CFDA	Award Number	Award Year(s)
Special Education Cluster	84.027	N/A	FYE 6/30/2008

Awarding Agency: United States Department of Health and Human Services
Passed Through: State of California Department of Aging

Program	CFDA	Award Number	Award Year(s)
Aging Cluster	93.044 93.045 93.053	Affects all awards	FYE 6/30/2008

COUNTY OF ALAMEDA
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Awarding Agency: United States Department of Health and Human Services
Passed Through: State of California Department of Social Services

Program	CFDA	Award Number	Award Year(s)
Temporary Aid to Needy Families	93.558	Affects all awards	FYE 6/30/2008
Child Support and Enforcement	93.563	Affects all awards	FYE 6/30/2008
Foster Care Title IV-E	93.658	Affects all awards	FYE 6/30/2008
Adoption Assistance	93.659	Affects all awards	FYE 6/30/2008
Social Services Block Grant	93.667	Affects all awards	FYE 6/30/2008

Awarding Agency: United States Department of Health and Human Services
Passed Through: State of California Department of Health Services

Program	CFDA	Award Number	Award Year(s)
Medicaid Administration	93.778	Affects all awards	FYE 6/30/2008

Criteria:

The following Executive Branch departments have their uniform administrative requirements for grants and cooperative agreements to State and local governments (also known as the "common rule") codified in the Code of Federal Regulations (CFR) sections listed below:

Executive Branch Department	Applicable CFR Section
United States Department of Agriculture ("USDA")	7 CFR 3016
United States Department of Labor	29 CFR 97
United States Department of Education	34 CFR 80
United States Department of Health and Human Services	45 CFR 92

Other Executive Branch departments, as directed by the Office of Management and Budget, codify the common rule into the applicable sections of the CFR. Other agencies use the common rule as included in the Federal Register ("FR"), as it may be amended from time to time.

Paragraph .36(c)(2) of the common rule is applicable on direct federal awards and on pass-through federal awards not involving the State, and states in part:

> ...(2) Grantees and subgrantees will conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographical preference. Nothing in this section preempts State licensing laws. When contracting for architectural and engineering (A/E) services, geographical location may be a selection criteria provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract..."

53 FR 8036 states in part that local governments shall:

> "…administer direct federal grants according to the standards in the common rule and federal 'pass-through' funds subgranted from the states according to State laws and procedures."

The State has a state-wide geographic preference program. State law is silent on whether counties may use their own separate geographic preference programs.

Condition Identified and Perspective:

The County's SLEB program does not comply with the requirements of Common Rule paragraph .36(c)(2) for direct federal awards and on federal pass-through awards not involving the State.

We have received, and agree with, County Counsel's opinion that the County is required to comply with State procurement rules and regulations on federal pass-through awards from the State. Because State law is silent on whether counties may implement additional geographic preference programs, the County has taken the position that additional geographic preferences are allowable. We are not in a position to evaluate whether this legal position is correct.

Since the condition identified relates to County policies and procedures, this is a systemic issue, not an isolated incident.

Questioned Costs:

Unknown, but expected to be greater than $10,000.

Asserted Cause and/or Effect:

The effect of the finding is that unallowable expenditures are being recovered on direct federal awards, pass-through awards not involving the State, and possibly on pass-through awards involving the State as a grantor.

Recommendation:

We recommend that the County not use the SLEB program on direct federal awards, and on all pass-through federal awards in which the State is not a grantor at any level.

We also recommend that the County obtain a legal opinion from the State on whether the SLEB program is an additional allowable geographic preference under State procurement law. If it is found that the County may not use the SLEB program on State pass-through awards, then we recommend that the County change its procedures to comply with all relevant State requirements.

Views of Responsible Officials:
The County does not believe Section 36(c)(2) of the common rule applies to federal funds received through the State of California, and since the laws are quite clear in this regard the County does not believe there is a need to seek additional legal opinion from State of California as recommended by the auditor.

The County is aware of the need to comply with the aforementioned regulation for federal funds received directly from federal agencies or other non-State entities and, unless it is specifically exempt by federal regulations, has established procedures to not use local geographical preferences in bid evaluations.

Federal "Pass-through" Funds Subgranted from the State

The County receives approximately 94% of the federal funds through the State of California. For these federal subgrants, the common rule by its own terms does not require the County to follow Section 36(c)(2), and instead it requires the County to meet the requirements imposed by the State in passing the funds on to the County.

California laws allow geographical preferences in bid evaluations for State purchases. Prohibiting the County's use of a similar program in a federal subgrant means California small vendors are not given a geographical bid preference over and thus are competing against national and other state vendors. This is contrary to the State's intent for a geographic preference program, which is to promote and preserve free competitive enterprise within California. Also, such prohibition would allow the County to follow federal rather than State laws, and thus would violate one of the common rule's requirements, which says under Section 37(a), "States shall follow state law and procedures when awarding and administering subgrants..."

Furthermore, back in 2006, in connection with a federal grant that was passed through the Correctional Standards Authority (CSA), the County asked the CSA whether the incorporation of the common rule (which contains a total of fifty-two sections and multiple paragraphs within each section) by reference in its entirety in a subgrant document meant the inclusion of Section 36(c)(2). The CSA explained that it was not its intent to add any conditions or requirements to the sub-grantees beyond those specified by the Federal Agency, the Department of Justice in this case. When elevated to the federal level, the Federal Agency concurred with the CSA and concluded that the County was not required to comply with certain federal procurement requirements, such as Section 36(c)(2) of the common rule, and the subgrant could not be properly questioned on the basis of the County's noncompliance.

Direct Federal Grants

As to the remaining federal funds (approximately 6%) received directly from federal agencies, or in some rare cases through other non-State entities, the County is aware of the need to comply with Section 36(c)(2) of the common rule, and has established procedures to not use local geographical preferences in bid evaluations, unless it is specifically exempt by the common rule as follows:

- Architectural and engineering services when certain conditions are met,
- Cases where applicable federal statutes expressly mandate or encourage geographic preference, or
- Exemptions outlined in Section 4, Applicability, of the common rule.

Item 2008-5 Special Education Cluster – Maintenance of Effort

Program Identification:

Awarding Agency:	United States Department of Education
Federal Catalog No.	H027A040116, date unknown
Passed Through :	Alameda County Office of Education
CFDA:	84.027
Award Number:N/A	
Award Year:	FYE 6/30/2008

Criteria:

Section 6 of the General Assurances of the County's agreement with the Alameda County Office of Education states the following:

> "(a) When federal funds are made available, they will be used so as to supplement, and, to the extent practicable, increase the amount of state and local funds that would, in the absence of such federal funds, be made available for uses specified in the State Plan, and in no case supplant such state or local funds.
>
> "(b) The awardees shall ensure that federal funds are not used to reduce the level of expenditures for the preceding fiscal year as described in 34 CFR 300.231-300.232."

34 CFR 300.231 states:

> "(a) General. Except as provided in Sec. 300.232 and 300.233, funds provided to an LEA under Part B of the Act may not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
>
> "(b) Information. The LEA must have on file with the SEA information to demonstrate that the requirements of paragraph (a) of this section are met.
>
> "(c) Standard. (1) Except as provided in paragraph (c)(2) of this section, the SEA determines that an LEA complies with paragraph (a) of this section for purposes of establishing the LEA's eligibility for an award for a fiscal year if the LEA budgets, for the education of children with disabilities, at least the same total or per-capita amount from either of the following sources as the LEA spent for that purpose from the same source for the most recent prior year for which information is available:
>
> (i) Local funds only.
>
> (ii) The combination of State and local funds.

Finding No. 2008-5 Special Education Cluster – Maintenance of Effort (continued)

"(2) An LEA that relies on paragraph (c)(1)(i) of this section for any fiscal year must ensure that the amount of local funds it budgets for the education of children with disabilities in that year is at least the same, either in total or per capita, as the amount it spent for that purpose in--

(i) The most recent fiscal year for which information is available, if that year is, or is before, the first fiscal year beginning on or after July 1, 1997; or

(ii) If later, the most recent fiscal year for which information is available and the standard in paragraph (c)(1)(i) of this section was used to establish its compliance with this section.

"(3) The SEA may not consider any expenditures made from funds provided by the Federal Government for which the SEA is required to account to the Federal Government or for which the LEA is required to account to the Federal Government directly or through the SEA in determining an LEA's compliance with the requirement in paragraph (a) of this section."

34 CFR 300.232 states:

"An LEA may reduce the level of expenditures by the LEA under Part B of the Act below the level of those expenditures for the preceding fiscal year if the reduction is attributable to the following:

"(a)(1) The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel, who are replaced by qualified, lower-salaried staff.

" (2) In order for an LEA to invoke the exception in paragraph (a)(1) of this section, the LEA must ensure that those voluntary retirements or resignations and replacements are in full conformity with:

(i) Existing school board policies in the agency;

(ii) The applicable collective bargaining agreement in effect at that time; and

(iii) Applicable State statutes.

(b) A decrease in the enrollment of children with disabilities.

"(c) The termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child--

"(1) Has left the jurisdiction of the agency;

"(2) Has reached the age at which the obligation of the agency to provide FAPE to the child has terminated; or

"(3) No longer needs the program of special education.

"(d) The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities."

Condition Identified and Perspective:

As of February 20, 2009, the County has not provided information that shows the Federal, state and local shares for the services provided by the Special Education Cluster. Since this information has not been provided, the County is not able to demonstrate that it has met the maintenance of effort requirements of

Finding No. 2008-5 Special Education Cluster – Maintenance of Effort (continued)

the Special Education Cluster. This finding on maintenance of effort is a repeat finding from the past four years.

Questioned Costs:

Questioned costs are the lesser of: 1) the decrease in total non-federal funding, or 2) the federal funding. Since the County is unable to provide the cost report and therefore unable to show whether it has complied with the maintenance of effort requirements, the questioned costs for the year ended June 30, 2008 are the entire amount of the federal award, or $4,084,381.

Recommendation:

We recommend that the County comply with the maintenance of effort requirements of 34 CFR 300.231.

Views of Responsible Officials:

This is a repeat finding and the County's position on it has remained unchanged. It is our understanding the IDEA funds received by BHCS from the Alameda County Office of Education are to be used to offset the costs of providing mental health services to special education students with an individualized education plan (IEP), as required by AB 3632. The amount of expense and reimbursement under this program are dependent on the number of pupils who are determined to require an IEP. The use of the IDEA funds in support of AB3632 services was a State of California budget policy decision. The issue related to the supplantation of State funding is a State-wide issue and must be resolved at the state level, rather than the local level.

Item 2008-6 **Special Education Cluster and Substance Abuse Prevention and Treatment – Procurement**

Program Identification:

Awarding Agency: United States Department of Education
Federal Catalog No. H027A040116, date unknown
Passed Through : Alameda County Office of Education
CFDA: 84.027
Award Number:N/A
Award Year: FYE 6/30/2008

Awarding Agency: United States Department of Health and Human Services
Passed Through: State of California Department of Alcohol and Drug Programs
Program Name: Substance Abuse Prevention and Treatment
CFDA: 93.959
Award Number:All awards
Award Year: FYE 6/30/2008

Criteria:

34 CFR 80.36 is applicable to Department of Education awards. 45 CFR 92.36 is applicable to Department of Health and Human Services awards. Both of these CFR sections set standards for financial management by states and subgrantees (such as the County and its subgrantees). 34 CFR 80.36(b)(1) and 45 CFR 92.36(b)(1) both state in part:

> "Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws..."

Condition Identified and Perspective:

The County did not follow its written procurement policies in negotiating sub-awards. We have been informed that the County's General Services Administration determined that sole-source procurements were appropriate for these sub-awards. However, the contract files do not indicate that sole-source procurements were approved, such as "blanket" or individual waivers that justified the use of sole-source procurements.

Asserted Cause and/or Effect:

The County cannot demonstrate that it is receiving fair value for expenditures on sole-source contracts with subrecipients.

Questioned Costs:

Questioned costs on CFDA 84.027 awards are 100% of the subrecipient expenditures, or $2,233,201. These costs are duplicative of the questioned costs in Items 2008-5, 2008-7 and 2008-8.

Item No. 2008-6 Special Education Cluster and Substance Abuse Prevention and Treatment – Procurement (continued)

Questioned costs on CFDA 93.959 awards are $8,296,476, which includes subrecipient expenditures of $7,881,652 of subrecipient awards and related share of administrative expenses of $414,824. The questioned administrative expenses are equal to 5/95 times questioned subrecipient expenditures, and administrative expenditures cannot exceed 5 percent of total SAPT Federal expenditures.

Recommendation:

We recommend that the County evaluate all subrecipient procurements to determine whether they qualify as sole-source procurements. We also recommend that the County document the results of these evaluations, and obtain the related approvals as required under County policy in writing.

Views of Responsible Officials:

In the provision of health care services, particularly those related to mental health and alcohol and drug issues, continuity of care is a vital and key component. As such, the operating process with regards to such services has been that once contracts are established, they continue under the Master Contract umbrella.

When any new funding is awarded providing for the provision of new services or programs, BHCS follows either the RFP process, or seeks Board of Supervisors approval for Sole Source contract awards.

The department agrees with the finding that there is no documented policy regarding the operating process that has historically been occurring.

Item 2008-7 Special Education Cluster – Reporting

Program Identification:

Awarding Agency:	United States Department of Education
Federal Catalog No.	H027A040116, date unknown
Passed Through:	Alameda County Office of Education
CFDA:	84.027
Award Number:N/A	
Award Year:	FYE 6/30/2008

Criteria:

The State of California requires that the final cost report be completed and submitted no later than December 31 of each year.

Condition Identified and Perspective:

As of February 20, 2009, the final cost report including Special Education Cluster awards had not been completed and submitted to the State of California.

Item No. 2008-7 Special Education Cluster – Reporting (continued)

Questioned Costs:

Questioned costs are 100% of Federal expenditures in 2008, or $4,084,381. These questioned costs are duplicative of the questioned costs in Items 2008-5 and 2008-8, and duplicative of only those questioned costs in Item 2008-6 pertaining to this program.

Asserted Cause:

We believe there are inadequate internal controls to ensure the completion of the required reports and communications on a timely basis.

Recommendation:

We recommend that the County meet all mandated reporting deadlines.

Views of Responsible Officials:

We concur that the DMH Cost Report was not submitted by the December 31, 2008 deadline.

Item 2008-8 Special Education Cluster – Subrecipient Monitoring

Program Identification:

Awarding Agency:	United States Department of Education
Federal Catalog No.	H027A040116, date unknown
Passed Through :	Alameda County Office of Education
CFDA:	84.027
Award Number:N/A	
Award Year:	FYE 6/30/2008

Criteria:

34 CFR 80.37(b) states in part:

"…Grantees shall:

(1) Ensure that every subgrant includes a provision for compliance with this part;

(2) Ensure that every subgrant includes any clauses required by Federal statute and executive orders and their implementing regulations; and

(3) Ensure that subgrantees are aware of requirements imposed upon them by Federal statutes and regulations."

Condition Identified and Perspective:

BHCS management informed us that three subrecipients had Special Education Cluster funding during the year ended June 30, 2008, with total Federal expenditures of $2,233,201. Sub-award documents for one of the three subrecipients did not specify that these sub-awards had Federal funding.

Item 2008-8 Special Education Cluster – Subrecipient Monitoring (continued)

Asserted Cause and/or Effect:

It appears that BHCS management did not properly inform all subrecipients of the Special Education Cluster Federal sub-award from the Alameda County Office of Education. Accordingly, BHCS cannot conduct effective monitoring of subrecipients if they are not aware of the Federal funding of the sub-awards. Among other things, only one of the sub-awards will be subject to single audits under OMB Circular A-133. Although one Subrecipient was notified of the award, they failed to include the funding in their SEFA.

Questioned Costs:

Questioned costs are $700,000. These questioned costs are duplicative of the questioned costs in Item 2008-5 and 2008-7, and duplicative of only those questioned costs in Item 2008-6 pertaining to this program.

Recommendation:

We recommend that the County inform all subrecipients of the following:

- The amount of contract funding under CFDA 84.027, Individuals With Disabilities Education Act, Part B;
- Subrecipient responsibilities under the Code of Federal Regulations and OMB Circulars A-110, A-122 and A-133.

Views of Responsible Officials:

BHCS strives to insure that all providers are notified of Federal awards as it pertains to their contract. BHCS inadvertently neglected to indicate the Federal amount of one of the recipients. In the future, in order to ensure that funding is correctly categorized, BHCS will monitor:

- Composite Agency Budget – Revenue / Expense Summary documents returned by the CBOs
- Master Contract Exhibit A & B coversheets
- Funding input into the county AlcoLink contracts module
- SEFA reports received from CBO’s

Item 2008-9 Substance Abuse Prevention and Treatment – Earmarking

Program Identification:

Awarding Agency: United States Department of Health and Human Services
Passed Through: State of California Department of Alcohol and Drug Programs
Program Name: Block Grants for Substance Abuse Prevention and Treatment
CFDA: 93.959
Award Number: All awards
Award Year: FYE 6/30/2008

Criteria:

45 CFR 92.135(b)(1) states in part:

> "The State involved will not expend more than 5 percent of the grant to pay the costs of administering the grant..."

Condition Identified and Perspective:

The following is a summary of the County's Federal SAPT expenditures during the year ended June 30, 2008:

	Dollars	Percent of Total
Services	$ 8,055,185	87.07%
Administration	1,196,698	12.93%
Total Federal expenditures	$ 9,251,883	100.00%

As shown above, the County's costs of administering the grant exceeded 5 percent of total Federal expenditures. The County previously agreed with us that its costs of administering its SAPT sub-awards are subject to the overall 5% administrative expense limitation. Any large California county that spends more than 5 percent of its share of the Federal award on administrative expenditures would probably cause total administrative expenses for California's entire Federal SAPT award to exceed 5 percent of total expenditures.

Assuming that the County has one of the largest SAPT sub-awards from the State, the overall 5% limitation on administrative expenses should apply to the County. Accordingly, SAPT administrative expenses should not exceed 9/95 of the amounts expended on services. Based on $8,055,185 of Federal expenditures for services provided, the maximum allowable Federal expenditures for administering the SAPT grant are $423,957.

Asserted Cause and/or Effect:

The County has an approved budget from the State of California for administrative costs which exceeds 5% of total Federal SAPT expenditures.

Questioned Costs:

Questioned costs are administrative costs in excess of $423,957, or $772,741.

Recommendation:

We recommend that program management ensure that its administrative expenditures do not exceed the limits proscribed by 45 CFR 92.135(b)(1).

Views of Responsible Officials:

This is a repeat finding from the previous year. Our position remains unchanged. As discussed with the Auditor, the Department has an approved budget from the State of California which includes administrative costs. In discussions with the State Department of Alcohol and Drug, it is the State's opinion that the counties may exceed the 5% limitation on the condition that the State as a whole remains within the 5% limitation.

Item 2008-10 Multiple Programs – Known Fraud

Awarding Agency: United States Department of Agriculture
Passed Through: State of California Department of Social Services

Program	CFDA	Award Number	Award Year(s)
Food Stamps Cluster	10.551 10.561	Affects all awards	FYE 6/30/2007

Awarding Agency: United States Department of Health and Human Services
Passed Through: State of California Department of Social Services

Program	CFDA	Award Number	Award Year(s)
Temporary Aid to Needy Families	93.558	Affects all awards	FYE 6/30/2007

Criteria

OMB Circular A-133, §.510(a)(6) requires the auditor to report all:

> "Known fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to make an additional reporting when the auditor confirms that the fraud was reported outside of the auditor's reports under the direct reporting requirements of GAGAS."

Government Auditing Standards, issued by the Comptroller General of the United States, does not require the reporting of known fraud that is "clearly inconsequential." However, OMB Circular A-133 does not have such a reporting exception. Accordingly, auditors performing Single Audits in accordance with the requirements of OMB Circular A-133 are required to report all known fraud (even as low as $1), which is defined as a criminal conviction for acts of fraudulent financial reporting or misappropriation of assets.

Item 2008-10 Multiple Programs – Known Fraud (continued)

Condition Identified and Perspective

The County reported one case in which a County Social Services Agency employee was found guilty on or after July 1, 2007 in criminal court for acts of misappropriation of assets involving theft and subsequent use of an electronic benefit payment card.

Questioned Costs

Unknown, but the total amounts involved are expected to be less than $10,000.

Asserted Cause and/or Effect

The County believes these are random, isolated incidents.

Recommendation

We have no recommendation, as the County has already taken corrective action and this finding is solely to comply with the requirements of OMB Circular A-133, §.510(a)(6).

ALAMEDA COUNTY
AUDITOR-CONTROLLER AGENCY
PATRICK O'CONNELL
AUDITOR-CONTROLLER/CLERK-RECORDER

Summary Schedule of Prior Audit Findings
For 2007-2008 Single Audit

Item Number	Description	Status
2007-1	**Processing of Workers' Compensation Claims Internal Controls over Medi-Cal Reserve Analysis** (Financial Statement Finding)	Corrected
2007-2	**Segregation of Duties over Journal Entries** (Financial Statement Finding)	Corrected
2007-3	**Classification of Property Tax Increment Revenues** (Financial Statement Finding)	Corrected
2007-4	**Reporting of the Schedule of Expenditures of Federal Awards** (All CFDAs)	Not corrected – See Item 2008-2
2007-5	**Multiple Programs – Eligibility** (CFDA No: 10.551, 10.561, 93.558, 93.658 and 93.659))	Corrected
2007-6	**Food Stamps Cluster and Temporary Aid to Needy Families—Special Tests and Provisions** (CFDA No: 10.551, 10.561, & 93.558)	Not corrected – See Item 2008-3
2007-7	**Multiple Programs – Procurement** (CFDA No: 10.551, 10.561, 93.558, 93.658 and 93.659))	Not corrected – See Item 2008-4
2007-8	**Food Stamps Cluster, Temporary Aid to Needy Families, Foster Care Title IV, Adoption Assistance—Cash Management** (CFDA No: 10.551, 10.561, 93.558, 93.658, & 93.659)	Corrected
2007-9	**Special Education Cluster—Maintenance of Effort** (CFDA No: 84.027)	Not corrected – See Item 2008-5
2007-10	**Special Education Cluster and Substance Abuse Prevention and Treatment—Procurement** (CFDA No: 84.027 & 93.959)	Not corrected – See Item 2008-6
2007-11	**Special Education Cluster—Reporting** (CFDA No: 84.027)	Not corrected – See Item 2008-7

OFFICE OF THE AUDITOR-CONTROLLER
Steve Manning, Chief Deputy Auditor
1221 Oak St., Rm. 249
Oakland, CA 94612
Tel: (510) 272-6565
Fax: (510) 272-6502

ASSISTANT CONTROLLER
Connie Land
1221 Oak St., Rm. 238
Oakland, CA 94612
Tel: (510) 272-6565
Fax: (510) 267-9415

Summary Schedule of Prior Audit Findings
For 2007-2008 Single Audit

Item Number	Description	Status
2007-12	**Special Education Cluster—Subrecipient Monitoring** (CFDA No: 84.027)	Not corrected – See Item 2008-8
2007-13	**Help America Vote Act – Equipment and Real Property Management** (CFDA No.90.401)	Corrected
2007-14	**Temporary Aid to Needy Families—Eligibility** (CFDA No: 93.558)	Corrected
2007-15	**Foster Care Title IV – Allowable Costs** (CFDA No. 93.658)	Corrected
2007-16	**Foster Care Title IV – Eligibility** (CFDA No. 93.658)	Corrected
2007-17	**Adoption Assistance – Eligibility** (CFDA No. 93.658)	Corrected
2007-18	**Substance Abuse Prevention and Treatment — Earmarking** (CFDA No. 93.959)	Not corrected – See Item 2008-9

County of Alameda, California

Corrective Action Plan

For the Fiscal Year Ended June 30, 2008

I. Finding Related to Financial Statements

Finding 08-01: Significant Deficiency – Revenue Recognition for Grant Revenues

The Auditor-Controller Agency will work closely with the departments to provide timely estimate of whether the receivables will be collected during the availability period.

The Auditor-Controller Agency's Division Chief of General Accounting, Carol Gloria, is responsible for the corrective action. She can be contacted by telephone at (510) 272-6536 or by email to carol.gloria@acgov.org.

Finding 08-02: Multiple Programs – Reporting of the Schedule of Expenditures of Federal Awards

The Auditor-Controller's Office will perform the following to improve the reporting process and accuracy of reported expenditures:

- Review and update the Single Audit Handbook, as needed, to address any developments regarding the single audit.
- Enforce the advanced deadline for department datasheet and reconciliation submissions.
- Check datasheet reported expenditures against grant fact sheets, state grant face sheets, and program/grant audit reports whenever available.
- Brief departments at the annual single audit workshop of findings and issues affecting the single audit.
- Explore ways to improve the current process to ensure department are reporting expenditures correctly.

The Internal Audit Manager, Ricky Lau, is responsible for the corrective action. He can be contacted by telephone at (510) 272-6570 or by email to ricky.lau@acgov.org.

II. Findings and Questioned Costs Related to Federal Awards

Finding 08-03: Multiple Programs – Special Tests and Provisions

The management of the Social Services Agency (SSA) has taken the following actions to address this finding:

- The SSA has made progress regarding the expediting of processing IEVS matches to increase the referrals for potential recoveries. Active cases are being reviewed within the mandated 45-day processing period to identify potential discrepancies. Workers are conferencing with their supervisors at 15 and 30 days in order to meet these guidelines. The worker of records is being given all current employment information and income verification in order to update CalWIN and stop any future discrepancies from occurring. IEVS cases for prior periods of eligibility are being referred for overpayment computation.
- While we increased the IEVS overpayment staffing to two workers, we have also seen an increase in the number of referrals being forwarded to our IEVS overpayment staff for computation. We continue to look at our available resources to meet the increased demand for computations.
- SSA has met with both County ITD and the CalWIN Project team. At this time, ongoing IEVS and collections issues related to CalWIN are taken to the project for discussion and resolution at the consortium level. The consortium is responsible for prioritizing issues to be resolved in the upcoming releases.

SSA's Director of Finance, Daniel Kaplan, is responsible for the corrective action. He can be contacted by telephone at (510) 271-9130 or by email to dkaplan@acgov.org.

Finding 08-04: Multiple Programs – Procurement

For direct grants, the County has established procedures to not use local geographical preferences to comply with Section 36(c)(2) of the common rule in bid evaluations, unless it is specifically exempt by the common rule as follows:

- Architectural and engineering services when certain conditions are met,
- Cases where applicable Federal statutes expressly mandate or encourage geographic preference, or
- Exemptions outlined in Section 4, Applicability, of the common rule.

Regarding grants passed-through the State, California laws allow geographical preferences in bid evaluations for State purchases. Prohibiting the County's use of a similar program in a Federal subgrant means California small vendors are not given a geographical bid preference over and thus are competing against national and other state vendors. This is contrary to the State's intent for a geographic preference program, which is to promote and preserve free competitive enterprise within California. Also, such prohibition would allow the County to follow Federal rather than State laws, and thus would violate one of the common rule's requirements, which says under Section 37(a), "States shall follow state law and procedures when awarding and administering subgrants..."

For Federal subgrants passed-through the State, the common rule by its own terms does not require the County to follow Section 36(c)(2), and instead it requires the County to meet the requirements imposed by the State in passing the funds on to the County. Therefore, the County does not believe there is a need to seek legal opinion from the State as recommended by the auditor.

The Internal Audit Manager, Ricky Lau, is responsible for the corrective action. He can be contacted by telephone at (510) 272-6570 or by email to ricky.lau@acgov.org.

Finding 08-05: Special Education Cluster – Maintenance of Effort

The use of IDEA funds in support of AB3632 services was a State of California budget policy decision. The issue related to the supplantation of State funding is a State-wide issue that must be resolved at the State level, rather than the local level. The Behavioral Health Services Agency (BHCS) will continue to follow the guidelines and instructions established by the State in regards to AB3632 services funding.

BHCS' Financial Services Officer, Leda Frediani, is responsible for the corrective action. She can be contacted by telephone at (510) 383-1582 or by email to LFrediani@acbhcs.org.

Finding 08-06: Special Education Cluster and Substance Abuse Prevention and Treatment – Procurement

Behavioral Health Care Services (BHCS) has developed the following corrective action plan to ensure that all subrecipient procurements are evaluated to determine whether they qualify as sole-source procurements, and the evaluations are documented and approved to comply with County policy:

- When any new funding is awarded for new services or programs, BHCS will either follow the Request for Procurement process, or seek Board of Supervisors approval for the sole-source contract award.
- BHCS will consult with the General Services Agency's Purchasing Department and the County Administrator's Office to document the procurement policy that has been followed over the past years.

The corrective action plan will be completed by June 30, 2009.

BHCS' Financial Services Officer, Leda Frediani, is responsible for the corrective action. She can be contacted by telephone at (510) 383-1582 or by email to LFrediani@acbhcs.org.

Finding 08-07: Special Education Cluster – Reporting

Behavioral Health Care Services (BHCS) has been short staffed in the Finance Contracts Unit for some time. Additionally, the direct supervisor position of the unit was vacant for an extended period. The short staffing and lack of direct supervision added to the difficulty in timely completion of the DMH cost report. Efforts have been made to withhold payment for non-compliant CBO providers to encourage more timely submission of the cost report information. BHCS is making efforts to recruit for the vacant positions and will continue to make efforts to encourage providers to submit their final cost reports in a timely fashion and to complete the review process to ensure that DMH Cost Reports are completed in a timely manner, which will allow timely reporting for the Single Audit.

BHCS' Financial Services Officer, Leda Frediani, is responsible for the corrective action. She can be contacted by telephone at (510) 383-1582 or by email to LFrediani@acbhcs.org.

Finding 08-08: Special Education Cluster – Subrecipient Monitoring

To ensure that funding is correctly categorized, Behavioral Health Care Services (BHCS) will monitor:

- Composite Agency Budget – Revenue / Expense Summary documents returned by the CBOs
- Master Contract Exhibit A & B coversheets
- Funding input into the county AlcoLink contracts module
- SEFA reports received from CBO's

BHCS' Financial Services Officer, Leda Frediani, is responsible for the corrective action. She can be contacted by telephone at (510) 383-1582 or by email to LFrediani@acbhcs.org.

Finding 08-09: Substance Abuse Prevention and Treatment – Earmarking

The State Department of Alcohol and Drug opined that the counties may exceed the 5% limitation on the condition that the State as a whole remains within the 5% limitation. Behavioral Health Care Services (BHCS) will continue to follow the guidelines established by the State Department of Alcohol and Drug in establishing the Substance Abuse Prevention and Treatment administrative costs.

BHCS' Financial Services Officer, Leda Frediani, is responsible for the corrective action. She can be contacted by telephone at (510) 383-1582 or by email to LFrediani@acbhcs.org.

COUNTY OF ALAMEDA

Required Communications
and Recommendations

Fiscal Year Ended
June 30, 2008

COUNTY OF ALAMEDA

Required Communications and Recommendations
Fiscal Year Ended June 30, 2008

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MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

The Grand Jury and Honorable Members
of the Board of Supervisors
County of Alameda, California

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Alameda (the County) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency listed as Item #2008-1 in the Schedule of Comments and Responses to be a significant deficiency in internal control. In addition, we noted other matters involving the internal control and its operation that we have reported to management as listed in the table of contents.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. However, we do not believe that the significant deficiency listed as Item #2008-1 is a material weakness.

The County's written response to the findings identified in our audit is described in the Schedule of Comments and Responses. We did not audit the County's responses and, accordingly, we express no opinion on them. In addition, we have already discussed our comments and recommendations with various County personnel, and we would be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

Additionally, we have included in this letter a report on communications with the Grand Jury and the Board of Supervisors as required by auditing standards generally accepted in the United States of America.

This communication is intended solely for the information and use of management, the Grand Jury, the Board of Supervisors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

MACIAS GINI & O'CONNELL LLP

Macias Gini & O'Connell LLP

Certified Public Accountants
Walnut Creek, California

January 29, 2009

COUNTY OF ALAMEDA

Required Communications and Recommendations
Fiscal Year Ended June 30, 2008

REQUIRED COMMUNICATIONS

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Alameda (the County), which collectively comprise the County's basic financial statements (BFS) for the year ended June 30, 2008, and have issued our report thereon dated January 29, 2009. Professional standards require that we provide you with the following information related to our audit.

I. The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards and *OMB Circular A-133*

As stated in our Engagement Letter dated May 22, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program, in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

II. Other Information in Documents Containing Audited Financial Statements

During the year, the County included audited financial statements in various debt offering documents (e.g., Official Statements). We do not have an obligation to perform any procedures to corroborate other information contained in such debt offering documents. We were not associated with and did not have any involvement with such documents. Accordingly, we did not perform any procedures on these documents and provide no assurance as to the other information contained in the debt offering documents.

III. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 13, 2008.

REQUIRED COMMUNICATIONS (Continued)

IV. Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our contract with the County, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the County's basic financial statements. With the exception of the item described below, no new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008.

Postemployment Benefit Plans Reporting - As described in Note 1.A to the County's basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*.

We noted no transactions entered into by the County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Fair value of investments
- Estimated allowance for losses on accounts receivable
- Accrual and disclosure of self-insurance claims liabilities
- Depreciation estimates for capital assets, including depreciation methods and useful lives assigned to depreciable property
- Accrual and disclosure of compensated absences
- Pension and other postemployment benefit plans' employer contribution requirements

Management's judgments and estimates were based on the following:

- The County's investments are generally carried at fair value, which is defined as the amount that the County could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.
- Estimated allowances for losses on accounts receivable were based on historical experience.
- Liabilities for workers' compensation was based on the actuary and management's estimate obtained from information derived from the County's claims database system adjusted for a projection of unreported claims and discounted.
- Liabilities for general liability and other claims liabilities were determined by the actuary and attorney judgment about the ultimate outcome of the claim.
- Accrual and disclosures of compensated absences were based on accrued eligible hours of vacation and sick leave at current pay rates for eligible employees.
- Useful lives for depreciable property were determined by management based on the nature of the capital asset.
- Pension and other postemployment benefit plans' employer contributions requirements were based on actuarially determined contribution rates.

REQUIRED COMMUNICATIONS (Continued)

Qualitative Aspects of Accounting Practices (Continued)
We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial reporting units that collectively comprise the County's basic financial statements.

Difficulties in Performing the Audit
We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. An adjustment was made to defer approximately $37 million of State and federal program allocations rather than recognize the revenues in the current year. The adjustment was identified because the revenues were not collected within the period of availability. In our judgment, this adjustment indicates a matter that could have a significant effect on the County's financial reporting process.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated January 29, 2009.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

SCHEDULE OF COMMENTS AND RESPONSES

Item #2008-1 – Significant Deficiency
Revenue Recognition for State and Federal Program Allocations

The County Auditor-Controller's Office currently has post-closing procedures in place whereby departments with outstanding receivables near the end of the audit must estimate whether receivables are expected to be collected within the County's 180 day policy for revenue recognition. For the year ended June 30, 2008, this procedure was not effective, as Behavioral Health Care did not provide a timely response to this procedure, and accordingly, current year revenues and fund balance were overstated.

The County currently defines the period of availability for recognizing State and federal program allocations as 180 days subsequent to the end of the fiscal year. Historically, this has resulted in a period of availability that extends beyond the date of issuance for the basic financial statements. Due to an extended issuance date of January 29, 2009 for the fiscal year 2008 financial statements, we were able to physically examine collections to test the effectiveness of the County's cut-off procedures and ensure compliance with its 180 day policy. Based on our testing, we discovered that the County's receivables included $37 million in State and federal program allocations related to Behavioral Health Care that did not qualify to be recognized as revenues during the fiscal year because they were not collected within the period of availability (i.e., 180 days). The County agreed and deferred $37 million in State and federal program allocations for the year ended June 30, 2008.

We recommend that the County emphasize the importance of this procedure to its departments and require departments to provide timely estimates prior to finalizing the basic financial statements.

Management Response:
Behavioral Care was unable to estimate collectability of the receivables due to the State's financial problems. However, management agrees with the recommendation and will work closely with the departments to provide a timely estimate of whether the receivables will be collected during the availability period.

Item #2008-2 – Other Matter #1
Risk Assessment over Financial Reporting

During FY 2008, the County took an initial step to align its system of internal controls with the new auditing standards by reviewing and formally documenting the design of the County's significant internal control cycles in order to evaluate its design. The County has a fiduciary responsibility as a steward of public funds. In order to fulfill this responsibility, it has implemented internal controls that serve as the first line of defense in safeguarding assets. Additionally, these controls are designed to ensure: (1) effective and efficient operations, (2) reliable financial reporting, and (3) compliance with applicable laws and regulations. The Committee on Sponsoring Organizations of the Treadway Commission (COSO) has established a nationally recognized framework for internal control in its *Internal Control – Integrated Framework* and its related *Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting*. The COSO framework establishes five elements of internal control: (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring. Risk Assessment and Monitoring are integral parts of internal control and management should periodically evaluate the risks and monitor the changes facing the County. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

We recommend the County continue its progress in evaluating the effectiveness of the internal control design by monitoring and testing the systems of internal controls in place.

SCHEDULE OF COMMENTS AND RESPONSES (Continued)

Management Response:
Since the publication of COSO's Internal Control Integrated Framework, the Internal Audit (IA) Unit, when performing audits, has been using the COSO framework to evaluate and document the County's internal controls. Our audit programs always include procedures to test internal control effectiveness. All of the internal auditors are familiar with the COSO framework and the Auditing Standard Board's risk assessment standards.

The County also has a Control Self-Assessment (CSA) Program which requires County departments to evaluate their internal controls every three years. The IA Unit monitors this program, reviews the CSA reports submitted by departments, and validates the information on the reports.

The IA Unit is currently developing a long-range audit plan. Based on our review of the County's revenue and expenditure cycles, as well as the County's functional activities, we identified over 40 auditable entities. We will assess the risks of each auditable entity using a number of risk factors including, but not limited to, financial risk and control risk. The auditable entities that have the highest risk ratings will be included in the fiscal year 09-10 audit plan. Because the risks for auditable entities may change over time, this long-range audit plan will be reviewed every year.

The IA Unit will continue to work with the General Accounting Division to improve the County's internal control over financial reporting.

Item #2008-3 – Other Matter #2
GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund-Type Definitions

The GASB has issued new rules that will significantly change the accounting and financial reporting for the County's fund balance classifications and categorization of individual funds. This new rule will require the County to evaluate and recast its fund balance classifications based on a hierarchy weighted on the extent to which the County is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The rule also provides guidance for classifying stabilization ("rainy day") amounts on the face of the balance sheet and would require disclosure of certain information about stabilization arrangements in the notes to the financial statements. In addition, the definitions of individual governmental fund types would be clarified whereby the County's use of special revenue funds and capital project funds could be recast. The requirements of this rule will be effective for fiscal year 2011.

It is likely that these rules would dramatically change the County's current fund structure and account groupings in the County's general ledger system. We recommend the County evaluate the reporting requirements of this accounting standard and design account groupings to facilitate future financial reporting requirements.

Management Response:
The County participated in the field test of the exposure draft, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the County is already aware of the requirements of the new accounting standard. Account groups will be established as necessary to comply with the new accounting standard.

STATUS OF PRIOR YEAR'S COMMMENTS

Comment #2007-1: ***Processing of Workers' Compensation Claims***

The County's third party administrator for workers' compensation claims, Sedgwick Claims Management Services (Sedgwick), was using the revolving fund to reimburse its own expenses as well as pay workers' compensation claims. This process circumvented the County's purchasing policies. We recommended that the County review and approve Sedgwick's expenses prior to reimbursement.

Status: Implemented

Comment #2007-2: ***Segregation of Duties over Journal Entries***

Journal entries were being posted into the general ledger prior to approval because there are no system limitations and the manual controls were not being followed. We recommended that the County enforce the manual controls requiring approval prior to posting.

Status: Implemented

Comment #2007-3: ***Classification of Property Tax Increment Revenues***

Property tax increment revenues were not classified to the appropriate revenue account. We recommended that the County classify these revenues as tax revenues.

Status: Implemented

Comment #2007-4: ***Reporting of the Schedule of Expenditures of Federal Awards***

Reporting of the Schedule of Expenditures of Federal Awards (SEFA) is incomplete because departments do not report all of their federal awards. We recommend that the County implement procedures to ensure that all grant awards are recorded appropriately.

Status: In process

Comment #2007-5: ***Active Directory Configurations***

Not all of the County Departments are using the Active Directory maintained centrally by the IT Department. We recommend that the County require these departments to use this Active Directory rather than an alternative Active Directory that may not be in compliance with County policies.

Status: Not implemented, but the County has alternative procedures as described in its response to the prior year comment that mitigate this risk.

Comment #2007-6: ***Zone 7 Water Enterprise Fund***

The County and the Zone 7 Water Enterprise Fund (Zone 7) are inconsistent in their application of generally accepted accounting principles to certain Zone 7 transactions. Based on our review of these transactions, we agree with the County's position on all of them. In addition, we were not aware of any legal requirement for Zone 7 to contract for a separate audit. We recommended that the County and Zone 7 reconcile their differences in reporting and determine whether a separate audit is necessary.

Status: In process, the County is reviewing the legal requirements regarding the identification of Zone 7 as a component unit. The County and Zone 7 have not resolved their differences in application of accounting principles.

Comment #2007-7: ***Pension Contributions to the Debt Service Fund***

The County was presenting the pension contributions as functional expenses paid from the General Fund and as charges for services in the Debt Service Fund. The appropriate presentation for this transaction is to record it as a transfer between funds.

Status: Implemented.

Comment #2007-8: ***Capitalization Policy for Computer Software***

The County has established a threshold for the capitalization of computer software of $1,000,000. We recommend that the threshold be lowered to $250,000.

Status: Implemented.

Comment #2007-9: ***Deposit Journals***

Deposit journals are subject to the same internal controls as other journal entries but most are sent by the preparer directly to the Auditor-Controller's Department for posting with a carbon copy sent to the approver. Since this process does not create an audit trail for approval, we recommend that the Auditor-Controller's Department obtain written approval prior to posting.

Status: Implemented.

Comment #2007-10: ***New Risk Assessment Standards***

Implementation of the new risk assessment standards requires additional work to be performed to understand and document internal controls. We recommended that the County start its own process of implementing these standards through internal documentation and testing of controls.

Status: In process, see Item #2008-2.