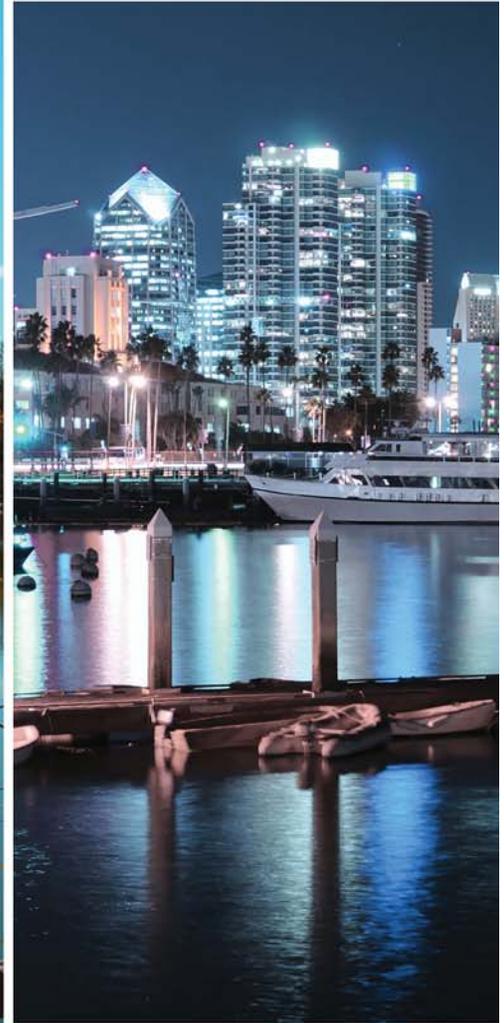
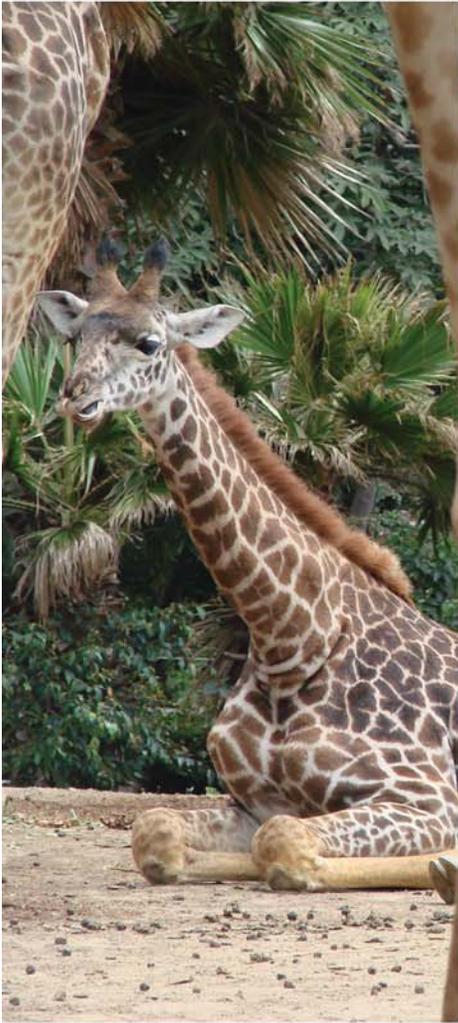


County of

San Diego

California



Comprehensive Annual Financial Report For the fiscal year ended June 30, 2008

Performance with Distinction



County of San Diego, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2008



Board of Supervisors

GREG COX	First District
DIANNE JACOB	Second District
PAM SLATER-PRICE	Third District
RON ROBERTS	Fourth District
BILL HORN	Fifth District

WALTER F. EKARD
Chief Administrative Officer

Compiled under the direction of
Donald F. Steuer
Chief Financial Officer
Tracy M. Sandoval
Auditor and Controller



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County of San Diego

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December 10, 2008

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the County of San Diego (County) for the fiscal year ended June 30, 2008, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Macias Gini & O'Connell LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of

transmittal and should be read in conjunction with it.

COUNTY PROFILE

San Diego County is the southernmost major metropolitan area in the State of California and covers 4,261 square miles, extending 70 miles along the Pacific Coast from Mexico to Orange County, and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern boundary. The County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most resources and population are located. The average annual rainfall in the coastal areas is 10 inches, so the County is highly dependent on imported water.

The County population in January 2008 was estimated to be 3,146,274, an increase of 1.5% over the January 2007 estimated figure of 3,098,269, and it is the second largest county by population in California behind Los Angeles county. There are 18 incorporated cities in the County; of them, the City of San Diego is the



largest, with a population of approximately 1.337 million, and Del Mar is the smallest, with a population of approximately 4.6 thousand. In addition, Tijuana, Mexico, with a population of approximately 1.5 million, is a substantial urban neighbor with a shared border, workforce, and economy.

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

COUNTY GOVERNMENT, ECONOMY AND OUTLOOK

County Government

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

Many of the County's functions are required under County ordinances or by state or federal mandate, as County government is the delivery system for federal and state as well as local programs. The County supports a wide range of services to its residents including regional services such as elections, public health and welfare, and environmental services. The County also provides municipal services to the unincorporated areas including law

enforcement, land use planning, parks, and infrastructure such as roads and waste disposal. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, with eligible costs subject to reimbursement according to specific guidelines; however, not all mandated costs are reimbursed.

Economy and Outlook

In mid-September, 2008, after several months of economic uncertainty, the financial markets in the U.S. began experiencing considerable turmoil to which the federal government has responded with a plan to restore liquidity and unlock the credit markets that was set in motion on October 3, 2008. The liquidity and credit crisis has spread to the international market as well. County of San Diego management continues to monitor and assess the national and international economic and financial events. The implications of these events are being examined to evaluate the impact these conditions have on the local economy, the cost of and demand for County services, and the resources available to provide them.

In recent years, the County has enjoyed economic stability. Much of San Diego's economic strength has been derived from employment gains, commercial and industrial development, and steady population growth. For example, the unemployment rate for the County has been lower than that of the State for the last 8 years. While the unemployment rate has remained lower than the State rate, the County's unemployment rate has increased from 4.59% in 2007 to 6.4% as of July 2008. The State unemployment rate as of July 2008 is 7.6%. Since the early 1990's San Diego County has seen an increasing diversification of economic activity into research and development and product manufacturing in the telecommunications, biotechnology, military products, electronics and information technology areas. This diversification is expected to help maintain overall stability despite the increase in unemployment rates.

The County's economic base consists of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of



the region, and a considerable defense-related presence. Highlights of County employment as of July 2008 are listed below:

- ◆ Non-agricultural employment totaled 1,302,800 jobs. This represents a loss of 4,600 jobs from the adjusted July 2007 employment figures.
- ◆ The services industry constitutes the largest employment sector and accounted for approximately 46.5% of non-agricultural employment, with a total of 605,700 employed.
- ◆ The wholesale and retail trade industries were the second largest, with the non-government sector, comprising approximately 14.7% of non-agricultural employment totaling of 191,300 jobs.
- ◆ Government accounted for approximately 16.6% of non-agricultural employment. Due to San Diego's military presence, it is anticipated to remain relatively stable.
- ◆ Manufacturing accounted for an additional 7.8% of non-agricultural employment.
- ◆ The construction sector is greatly influenced by the general health of the economy, and in particular, population and housing growth. Construction employment, which accounted for 6.2% of total non-agricultural employment or 81,300 jobs, was down 7,500 jobs from July 2007. Continued slowing in residential building permits, increased foreclosures and declining home prices are all expected to continue to negatively impact construction jobs through the end of 2008 and into 2009.
- ◆ The financial sector, including finance, insurance, real estate and related employment, represents 5.8% of non-agriculture employment. Financial activities experienced a reduction of 4,700 jobs since July 2007.
- ◆ Agriculture accounted for approximately 0.84% of total employment.
- ◆ As noted above, from July 2007 to July 2008, the San Diego County region experienced a net job loss of 4,600. This compares to an increase of 11,500 jobs the previous year. It is projected that the economy will continue to

contract and the downturn will extend into the first two quarters of 2009 and perhaps beyond.

County revenues that are affected by the state of the local economies include property taxes, sales taxes, and charges for services. Key factors impacting these revenues include real estate activity and consumer spending which are in turn greatly influenced by interest rates and the general economy. Although short and long-term interest rates are low by historical standards and are expected to moderate further, there is continued uncertainty about the general direction that the national, state and local economies are headed in 2009 given the distress in the financial markets.

An impact of the overall housing market decline is an improvement in the California Association of Realtors index for first-time buyers throughout California. Based on the California Association of Realtors' First Time Buyer Housing Affordability Index, San Diego's housing affordability index, (the percentage of households that can afford to purchase an entry-level home) increased to 41% in March, up from 31% in December 2007, and up from 21% in June 2006. This index is based on an adjustable rate mortgage and assumes a 10% down payment and a first-time buyer purchase of a home equal to 85% of the prevailing median price. The improvement in the percentage of households that could afford to buy an entry-level home in San Diego was based on the market driven drop in entry-level priced homes and the corresponding adjustment to the monthly payment needed (including taxes and insurance) and an adjustment to the qualifying income level for the lower priced entry-level homes. Availability of credit and uncertainty about the future direction of home prices, however, has constrained the market.

Sources: State of California Department of Finance, San Diego Association of Governments (SANDAG) - San Diego's Regional Planning Agency, the State of California Employment Development Department, and the California Association of Realtors.



GENERAL MANAGEMENT SYSTEM

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

The County had an adopted annual budget of \$4.73 billion and about seventeen thousand employees (staff years) who serve about three million residents spread over more than 4,000 square miles. Coordination, fiscal and operational discipline, and shared commitment are vital. The GMS facilitates and organizes the goal setting process. The GMS then links goal setting and long-range planning and resource allocation to goal attainment, which includes monitoring, evaluation, cooperation, motivation, and recognition. The GMS helps ensure that County employees adhere to core principles, promoting a culture that values our employees, partners, and customers and institutionalizes continuous improvement and innovation.

The GMS process begins with a long-range, five-year strategic planning process. This is followed by the short-term, two-year operational planning process, which encompasses the budget process, wherein each department's strategic objectives and resources allocated to achieving them are detailed. Monitoring and control take place throughout the year. Evaluation mechanisms are used to ensure that goals are tracked, plans followed, and risks identified. Functional threading maximizes

efficient use of personnel and material resources by coordinating staff and linking the functions they perform. Motivation, rewards, and recognition encourage continuing progress by rewarding those who meet and exceed goals. The system completes a full circle in a fiscal year and begins again with a review of the Strategic Plan and development of a new Operational Plan.

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

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

STRATEGIC AND OPERATIONAL PLANNING (BUDGETARY) PROCESS

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



reviews the status of the County's performance against budget in a quarterly status report to the Board of Supervisors.

FINANCIAL (BUDGETARY) POLICIES

Government Code Sections §29000 through §30200 provide the statutory requirements pertaining to the form and content of the County's Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing".

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

County Administrative Code Article VII establishes the components and timeline for the budget process and establishes the Chief Administrative Officer as responsible for budget estimates and submitting recommendations to the Board of Supervisors.

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

Board of Supervisors Policies

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

B-29 Fees, Grants, Revenue Contract: Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-71 Fund Balance and Reserves: Establishes guidelines regarding the use of fund balance and the maintenance of reserves in order to protect the fiscal health and stability of the County. Expenditures for services are subject to fluctuations in demand and revenues are

influenced by changes in the economy and by State and federal regulations. This policy ensures the County is prepared for unforeseen events by establishing and maintaining prudent levels of fund balance and reserves.

M-13 Legislative Policy: State-Mandated Local Program Costs: Calls on the State and Federal Legislature to encourage equitable reimbursement of mandated local program costs.

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

Administrative Manual

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

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

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

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

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

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



moneys in excess of those funds' requirements.

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

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

STRATEGIC INITIATIVES AND ACHIEVEMENTS

The failure of State government to develop a viable long-term solution to its budget imbalance remains a risk to funding and stability of County programs, since State aid is the primary source of County revenues. The widening gap between state funding and the cost of administering services is coupled with a slowing economy. The County faces the prospect of losing significant funding from the State, which is grappling with the economic downturn in the context of its lack of financial solvency and discipline while at the same time, revenues the County receives directly, such as property and sales taxes, are flattening or decreasing and the cost of fuel, building materials and other materials needed to provide services to the public continues to rise.

In spite of this, County government continues to follow the map of the five-year long-term Strategic Plan developed within the discipline of the GMS. The County's Strategic Plan defines broad organization-wide goals for the future, known as Strategic Initiatives, which help prioritize County efforts and programs and form the basis for allocating resources. The Strategic Initiatives are:

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

The Strategic Plan also sets forth key organizational disciplines necessary to maintain a high level of operational excellence and accomplish the Strategic Initiatives. The Required Disciplines serve as enablers to the Strategic Initiatives and encompass the remainder of County business. These Required Disciplines are:

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

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

Kids

- ◆ The Health and Human Services Agency reduced the numbers of children growing up in foster care through improved services to families and strong adoption efforts. Keeping children in their homes, with other family members and in their own communities, maintains stability and improves their odds for success in school. A total of 127 referrals of foster youth were made by year-end to San Pasqual Academy (SPA), a residential education campus for foster youth which is currently operating at full capacity. Graduating high school is critically important to the long-term success of these youth, and the rate for SPA youth and other foster youth exceeded our goal at 86% (diploma, certificate or equivalent). To promote long-term success beyond foster care, the Agency pursued and received \$4.0 million in



new State funding for transitional housing, added 122 new housing sites for youth, and signed an agreement with California State University San Marcos that gives foster youth guaranteed admission.

- ◆ The District Attorney's Office collaborated with the Superior Court, the Probation Department, and the San Diego Defense Bar to establish a family violence protocol that provides early treatment intervention for juveniles in custody.
- ◆ The Probation Department provided resources, services, and referrals that increased resiliency of juveniles and families and reduced the number of juveniles who entered or re-entered the juvenile justice system resulting in 88% of juvenile offenders successfully completing informal supervision and who did not re-offend within one year of completion of informal supervision.
- ◆ The Medical Examiner contributed to research efforts in childhood death by actively participating in the San Diego County Child Fatality Committee, the Methamphetamine Strike Force, the Medical Examiners and Coroners Alert Project, the National Institute of Child Health and Development, and the California Sudden Infant Death Syndrome (SIDS) Advisory Council.
- ◆ The Department of Child Support Services implemented the outbound auto-dialer which automatically contacted non-custodial parents' residential and cell phones. Auto-dialers were initiated for reminders of pending court dates, requests for delinquent child support payments, notification of the first payment due, requests to contact the office regarding legal documents, and notification of a potential license suspension.
- ◆ The Parks and Recreation Department supported the County's Childhood Obesity Action Plan and Greater San Diego Recreation and Parks Coalition for Health and Wellness by providing over 100 health-related events, classes, and activities

throughout the San Diego region for over 6,000 youth, exceeding the goal of providing 85 events and classes for 2,500 youth.

- ◆ The Parks and Recreation Department provided community service opportunities for youths to encourage community activism and involvement by facilitating 75 community volunteer projects for 600 youth participants.
- ◆ The Department of Public Works enhanced school children's safety throughout the unincorporated county.
 - * Worked with school administrations to analyze, identify, and implement school zone improvements for pedestrians, bicyclists, buses, and automobiles at 16 schools (goal was 13) (16% of all public schools in the unincorporated area).
 - * Repainted and re-marked crosswalks and roadway legends adjacent to all 116 public school locations throughout the unincorporated county.
 - * Completed construction or awarded construction contracts for seven Capital Improvement Projects that improve traffic flow around schools and provide safe routes to schools.
- ◆ The Department of Public Works educated children on watershed protection and water quality by conducting 182 presentations to school children (achieving goal) at 40% of the unincorporated county's 57 K-6 schools as a long-term strategy for achieving positive behavioral changes. They also taught children the value of conserving energy and helping the environment by promoting recycling and composting at 45 county schools by June 2008 (achieving goal), and by helping school administrators to implement or enhance recycling programs, which was completed at two schools.

The Environment

- ◆ The Office of Emergency Services led and coordinated the regional response for the County's three million residents to the devastating wildfires in October 2007. The County's Operational Area Emergency Operations Center was in full operation for 24



hours a day for three weeks with over 85 County, city, State, and federal agencies working to ensure regional coordination.

- ◆ The Department of Public Works took immediate action to respond to the October 2007 Firestorm and helped with the recovery efforts. Following are highlights of these accomplishments:
 - * Provided emergency base at Gillespie Airport for Cal Fire Aircraft and Base Camp Personnel: Supported 1,200 Cal Fire aircraft flights from Gillespie, Ramona, and Fallbrook Airports. Provided land at Gillespie Field for over 1,000 fire fighting personnel, 500 fire units and a large animal evacuation shelter for more than 100 displaced horses and other farm/domestic animals.
 - * In conjunction with the County Office of Emergency Services, developed unprecedented Reverse 911 capability for warning residents in areas with debris flow and flooding risks.
 - * Repaired fire damages in right-of-way within 15 to 60 days of fires (replaced traffic control signs, guardrail, culverts; removed fire-damaged trees; installed temporary bridge at Pamo Road; installed rock fence on Del Dios Highway).
 - * Installed check dams (temporary dams) across watercourses using more than 150,000 sandbags and gravel bags and constructed other temporary levees with the assistance of multiple California Conservation Corps crews; installed 45,000 feet of fiber rolls (woven tubular rolls) along hillsides and slopes; installed 12,000 feet of K-rails (temporary concrete barriers) along roadways, and hydro-mulched 500 acres to help control erosion.
 - * Installed erosion control devices protect homes and roads and operated erosion control centers to assist residents in burned areas. The department completed 1,038 property assessments and distributed 167,861 sandbags, 9,628 fiber rolls, 46,927 stakes, and 3,395 (2 lb.) bags of seed which were provided by the Department of Agriculture, Weights and Measures.
- ◆ The Parks and Recreation Department converted the Fallbrook Community Center into a Local Assistance Center (LAC) to help displaced fire victims during the October 2007 Firestorm. Nearly 8,200 evacuees used the LAC for assistance or resource from October 2007 to January 2008. The department reopened the majority of the 41 parks that were closed due to the impact of the October 2007 Firestorm within a month. Removed debris and made those repairs necessary to ensure public safety.
- ◆ The Department of Public Works conducted 449 watershed site investigations (goal was 340) to identify and help prioritize flood control projects that will ultimately reduce flooding risks in communities. These investigations provide crucial data for understanding the condition of receiving waters in all eight watersheds and how they are impacted by discharges from unincorporated communities.
- ◆ The Department of Public Works removed 29,580 cubic yards of debris (achieving goal) from culverts, drainage channels, and roads through a systematic cleaning program to prevent pollution of our rivers, bays, and ocean. In addition, the department cleaned 417 miles of sewer mains (goal was 400) within the County's sanitary sewer system to protect public health and the environment by minimizing the risk of sanitary sewer overflows.
- ◆ The Parks and Recreation Department expanded and protected park resources by acquiring 400 acres of additional parkland throughout the County and adding 10 miles of trails to the County Trails System. This exceeded the goal of acquiring 300 acres of parkland over two years. The Department is more than 50% complete in meeting its goal of adding 15 miles of trails over two years.
- ◆ The Parks and Recreation Department opened four new preserves including Barnett Ranch, Santa Margarita, Del Dios Highlands, and Lakeside Linkage which provide trail opportunities for the public.



Safe and Livable Communities

- ◆ The District Attorney, Sheriff's Department, and Probation Department continued to develop and implement innovative prisoner re-entry programs that aim to decrease the recidivistic behavior of offenders in local custody who re-enter society
- ◆ The Office of Emergency Services enhanced the region's ability to respond to emergencies by planning for the care of special needs populations during a disaster and by training 200 County staff to serve as emergency shelter workers. In addition, the department collaborated with the City of San Diego to create a joint plan for a next-generation regional communications system to improve communication among regional agencies.
- ◆ The District Attorney developed interagency procedures to promote proactive investigation of fraud and nursing home crimes against the elderly. The department developed a curriculum to increase law enforcement expertise in the area of human trafficking investigation and prosecution. They also provided sex offender related public safety educational forums and trainings for law enforcement, schools, and the community.
- ◆ The Probation Department increased public safety and offender accountability through intensive supervision, monitoring compliance with Court ordered conditions of Probation, and use of community and custodial interventions.
- ◆ To improve access to health care, HHSa continued to build upon the recommendations of the Healthcare Safety Net Study. A disease management program, targeting high-cost medical conditions of diabetes and high blood pressure, was initiated. HHSa issued a request for proposals for \$5.0 million to improve care coordination, implement best practices, and strengthen linkages between hospital and clinics. Furthermore, over 25 different State health care legislative proposals were reviewed to determine impact on the local health care safety net.
- ◆ The Department of Public Works provided enhanced crosswalk lighting and/or flashers to benefit pedestrian safety. In addition, they sought and obtained funding to retrofit six signalized intersections with countdown pedestrian indications that display a clear message to the pedestrian to enhance pedestrian safety. They also awarded construction contracts for eight (non school-related) Capital Improvement Projects in county communities that enhance safety and improve traffic flow, exceeding the goal of awarding seven projects.
- ◆ The Department of Public Works improved flood control by updating four new Drainage Master Plans (additional 40% of the county's special drainage areas) serving Spring Valley, Ramona, North County and Alpine. The plans identify and help prioritize flood control projects that will ultimately reduce flooding risks in communities.
- ◆ The Parks and Recreation Department enhanced nine local and nine regional parks for the public by completing eight major projects, five paving projects, and ten other park enhancement projects totaling \$17 million.
- ◆ The Parks and Recreation Department hosted ribbon cutting ceremonies for the opening of four new County park facilities including the Goodan Ranch Center, Otay Valley River Park Trails - Stage 1, Plaza Bonita Bikeway, and the Spring Valley Gym and Teen Center. They also hosted ground breaking ceremonies for the nature center at San Elijo Lagoon, the Lakeside Baseball Park, and new playground and picnic areas at Hilton Head Park.
- ◆ The County Library opened new branches in Encinitas and La Mesa and completed the first full year of operation of the 4-S Ranch branch west of Rancho Bernardo.
- ◆ The Housing and Community Development Department conducted 14,400 inspections, ensuring all assisted housing meets federal housing quality standards.



CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

OTHER AWARDS AND RECOGNITIONS

Even with the financial and environmental challenges of Fiscal Year 2008, the County was recognized for many activities that highlight progress in the Strategic Plan Initiatives. County programs received awards for operational and service delivery achievements, technological innovations, and prudent fiscal management.

- ♦ San Diego County received 39 awards at the 2008 annual Achievement Awards competition sponsored by the National Association of Counties (NACo). This was the fourth year in a row that the County has received more awards than any other U.S. county. The winning programs, which span all five County business groups, were recognized for being innovative and successful, and for promoting quality, efficiency, and a responsive county government. The programs receiving awards included Workforce Academy for Youth, Preschool Development Health Screening in Libraries, Ramona Grasslands and Santa Maria Creek Restoration, Firestorm 2007 Rebuilding Workshops, Web Referral for Aging and Independence Services,

Substance Abuse Recovery Management System, Prison Reentry Program and the Public Assistance Fraud Diversion Program.

- ♦ In May 2008, the County received the Golden Watchdog Award from the San Diego Taxpayers Association for its AlertSanDiego mass notification system. The Watchdog Award program honors agencies that exemplify efficient use of tax dollars. Capable of reaching 1.1 million households in San Diego within three hours, the internet-based AlertSanDiego program uses email, text, and phone messages to circulate emergency information county-wide. During Firestorm 2007, San Diego County used its newly implemented AlertSanDiego program to circulate emergency information to 500,000 county residents.
- ♦ The County of San Diego took top honors in the 2008 Digital Counties Survey conducted by the Center for Digital Government. The Center for Digital Government recognizes counties using information technology in increasingly innovative ways and improving service to their citizens.
- ♦ The Department of Parks and Recreation received a Project of the Year Award from the American Public Works Association for the Miracle Field at San Dieguito Park. The field opened in May 2007 and was the first Southern California baseball field designed to provide recreational opportunities for children with special needs. The award was granted based on the exemplary collaborative effort that took place between the County and the community in order to make the Miracle Field a reality. This project also received an Award of Excellence for Facility Design at the 2008 California Parks and Recreation Society (CPRS) Annual Conference.
- ♦ For the sixth consecutive year, the Government Finance Officers Association (GFOA) of the United States and Canada recognized the County with the Distinguished Budget Presentation Award for the Adopted Operational Plan: Fiscal Years 2007-08 & 2008-09.



- ◆ The Department of General Services' County Operations Center (COC) Campus Redevelopment Project was nominated for a Smart Growth Award by the Urban Land Institute of San Diego/Tijuana. The Project consolidates departments and functions from nine locations into a new COC campus. The Smart Growth Awards recognize planning and design achievements that fulfill and advance the principles of smart growth.
- ◆ The County Library's LEARN/Laubach ESL Program is one of 18 programs selected by NACo as a recipient of a 2008 Acts of Caring Awards. Acts of Caring Awards recognize the top county volunteer programs in the country. The program is a partnership between the Library's adult literacy program, LEARN (Libraries Empower All to Read Now), and the Laubach Literacy Council of San Diego County. Through this partnership, volunteer tutors are trained to teach English as a Second Language (ESL) to adult immigrants and non-English speakers in the County Library branches. By the end of its first year, 25 volunteer tutors were teaching 76 students at 6 library branches.
- ◆ The American Library Association (ALA) selected the Library's Gateway/Al Bawaba Project as the winner of the 2008 ALA/Information Today, Inc. Library of the Future Award. This national award honors the library that has developed the most innovative customer training program for information technology. The Gateway Project was developed to allow Middle Eastern immigrants to utilize the Library's free computer classes in their native Arabic language.
- ◆ The Water Quality Basin at Woodside Avenue in Lakeside received the American Public Works Association Award for Environmental Project of the Year in 2007. This water quality basin provides treatment to urban runoff from the surrounding community. The basin will help prevent pollutants within the urban runoff from entering these downstream waterways.
- ◆ The Department of Parks and Recreation's Ramona Grasslands Preserve Area Specific Management Directives (ASMDs) received the Outstanding Environmental Resources Document Award from the Association of Environmental Professionals San Diego Chapter. The award honors environmental documents which can serve as a resource for a wide range of environmental professionals. The goal of the Ramona Grasslands Preserve ASMDs is to balance preservation of the natural biological and cultural resources in the Preserve, while aligning with the management strategies of the North County Multiple Species Conservation Program.
- ◆ The Department of Media and Public Relations' County Television Network (CTN) received 14 awards at the National Association of Telecommunications Officers & Advisors conference in October 2007. The County was the recipient of an Honorable Mention in the category of Large Staff Overall Excellence. In addition, awards received included four First Place awards, four Second, and Third Place awards and Honorable Mentions for four additional programs. Programs awarded First Place honors include: "Count Me In: The Voting Process in San Diego County" - Profile of a City/County Department; "Sam the Cooking Guy" - Innovative Program; "Don't Fall for It" Seniors, and "Don't Mess with Asbestos" - Public Health.
- ◆ The San Diego Chapter of the American Society of Civil Engineers recognized the County's Department of Public Works with the awards for the following five projects: 1) an Outstanding Project Award for the Water Quality Basin at Woodside Avenue project in Lakeside which exemplified the water quality benefits that can be obtained with limited space in an urban environment; 2) an Award of Excellence for the Firestorm 2007 Emergency Flood/Erosion Protection Project which protected homes and roads by assessing sites and implementing erosion control measures over 500 acres of charred land; 3) an Award of Excellence for the Wildcat Canyon Road Improvements project which improved operational safety of the road, provided safe wildlife/equestrian under-road crossings, relieved traffic



congestion issues and minimized effects of potential increases in traffic volume; 4) an Award of Merit for the Central Avenue Flood Improvements project for which the County, with the help of a FEMA grant, constructed one of the largest flood control facilities in the unincorporated area; 5) and Award of Excellence for the Rancho San Diego State Routes 54 & 95 Widening project which widened portions of the two state routes from four lanes to six lanes and included bike lanes in both directions.

- ◆ The County's Rabies Detection Program received accolades at the World Rabies Day Conference sponsored by the Federal Centers for Disease Control and Prevention

(CDC). The unique partnership between the San Diego County Animal Disease Diagnostic Lab and the County Public Health Lab has resulted in the most comprehensive rabies monitoring and prevention program in the state and serves as a model for other jurisdictions.

- ◆ In September 2007, the County OES received accreditation from the Emergency Management Accreditation Program Commission. The County is the first state or local agency in California to receive this accreditation and one of only 14 nationwide. The accreditation recognizes the region's ability to prepare for and respond to disasters.

ACKNOWLEDGMENTS

We would like to express our appreciation to the accounting staff of County departments and the staff of the Auditor and Controller's department whose coordination, dedication and professionalism are responsible for the preparation of this report. We would also like to thank Macias Gini & O'Connell LLP for their

professional support in the preparation of the CAFR. Lastly, we thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staff for using sound business practices while conducting the financial operations of the County.

Respectfully,

DONALD F. STEUER
Chief Financial Officer

TRACY M. SANDOVAL
Auditor and Controller





Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Diego
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



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President

Jeffrey R. Emer

Executive Director



Greg Cox
District 1
Chairman



Dianne Jacob
District 2
Vice-Chairwoman



Pam Slater-Price
District 3



Ron Roberts
District 4

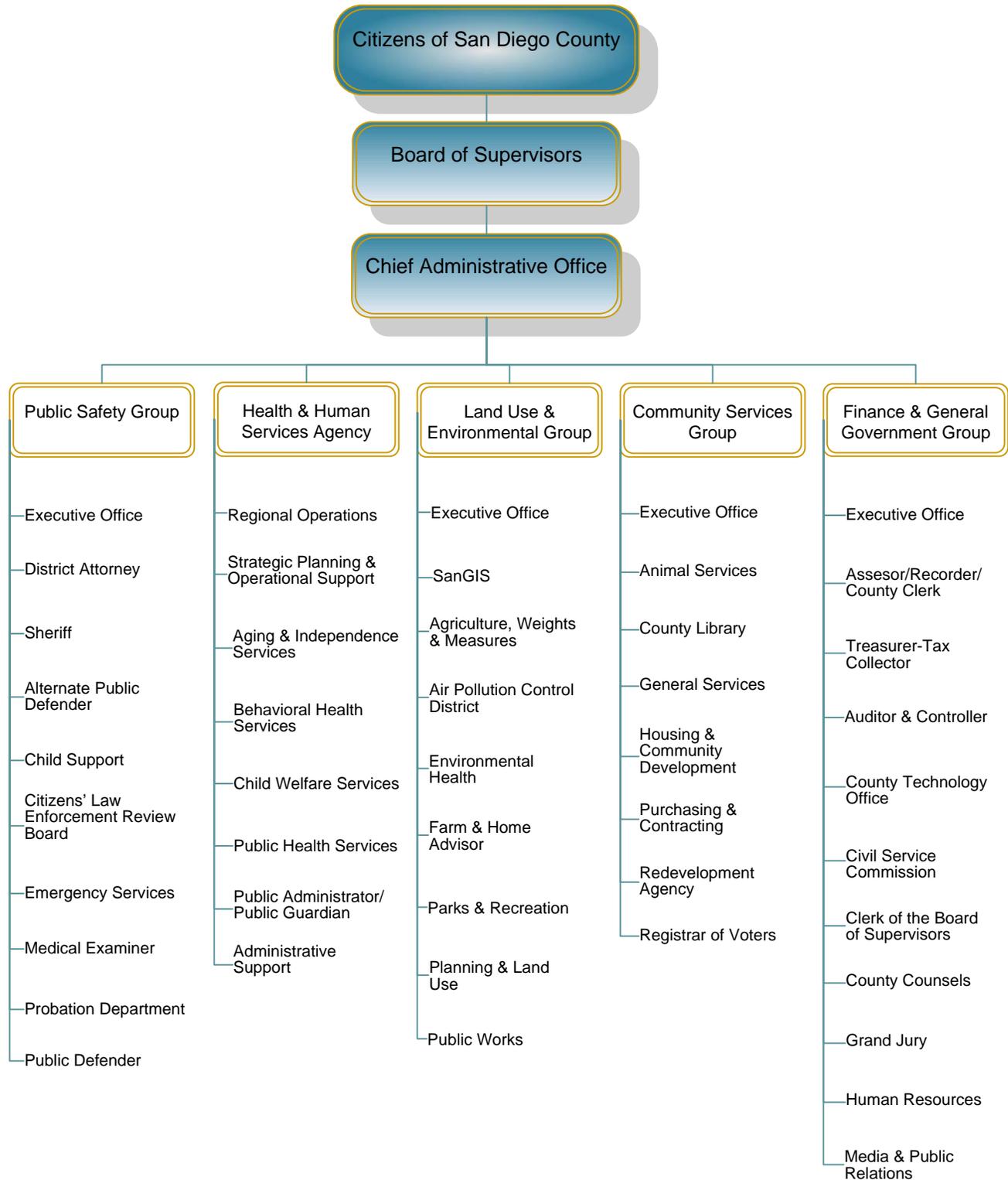


Bill Horn
District 5





Organizational Chart





Chief Administrative Office

Chief Administrative Officer Walt Ekard
 Assistant Chief Administrative Officer Helen N. Robbins-Meyer

Elected Officials

Assessor/Recorder/County Clerk Gregory Smith
 District Attorney Bonnie Dumanis
 Treasurer/Tax Collector Dan McAllister
 Sheriff Bill Kolender

General Managers

DCAO/General Manager Community Services Group Mikel D. Haas
 Chief Financial Officer/General Manager Finance & General Government Group Don Steuer
 Agency Director Health & Human Services Agency Nick Macchione
 DCAO/General Manager Land Use & Environment Group Chandra Wallar
 DCAO/General Manager Public Safety Group Ray Fernandez

Department Heads

Agriculture, Weights & Measures Robert Atkins
 Air Pollution Control District Bob Kard
 Alternate Public Defender Timothy A. Chandler
 Animal Services Dawn Danielson
 Auditor & Controller/ACFO Tracy Sandoval
 Chief of Staff - CAO Janice Graham
 Child Support Services Jeff Grissom
 Civil Service Commission Patt Zmary
 Clerk of the Board Thomas J. Pastuszka
 County Counsel John J. Sansone
 County Technology Office W. Harold Tuck, Jr.
 Emergency Services Ron Lane
 Environmental Health Gary Erbeck
 Farm & Home Advisor Terrell P. Salmon
 General Services April Heinze
 AIS & HHSA-East Region Pamela B. Smith
 HHSA-Central & South Regions Rene Santiago
 HHSA-North Coastal, Inland & Central Regions Donna Hand
 Public Health Officer Wilma Wooten, M.D.
 Adult & Children's Mental Health Alfredo Aguirre
 Housing & Community Development Cathy Trout Lichterman
 Human Resources Carlos Arauz
 Internal Affairs Eloy G. Villa
 Library Jose Aponte
 Media & Public Relations Michael Workman
 Medical Examiner Glenn Wagner
 Parks & Recreation Renee E. Bahl
 Planning & Land Use Eric Gibson
 Probation Mack Jenkins
 Public Defender Steve Carroll
 Public Works John L. Snyder
 Purchasing & Contracting Winston F. McColl
 Registrar of Voters Deborah Seiler
 Strategy & Intergovernmental Affairs Sarah Aghassi



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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of San Diego, California

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 San Diego, 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 First 5 Commission of San Diego (Commission), the discretely presented component unit, as of and for the year ended June 30, 2008. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission is based on the report 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. 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 express no such 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, 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 Note V.G to the 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*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future*



Revenues, and GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*, effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008, 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 and budgetary comparison information pages 19 through 34 and 92 through 97 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 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 introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Jini & O'Connell LLP

Certified Public Accountants

San Diego, California
December 10, 2008



This section of the County of San Diego's (County) Comprehensive Annual Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2008.

The intent of the information presented here, in conjunction with the Letter of Transmittal is to provide the reader with a clearer picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

Financial Highlights

- ◆ The assets of the County exceeded liabilities at the close of the fiscal year 2007-08 (2008) by \$3.22 billion (net assets). Of this amount, \$2.59 billion is invested in capital assets, net of related debt; \$181 million is restricted for specific purposes (restricted net assets); and the remaining portion represents unrestricted net assets of \$444 million.
- ◆ Total net assets increased by \$273 million. For governmental activities, revenues exceeded expenses by \$251 million. For business type activities, revenues exceeded expenses, before transfers, by \$22 million.
- ◆ General revenues for governmental activities were \$1.15 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for \$941 million or 81%; other taxes, sales and uses taxes, investment income and other general revenues accounted for \$214 million or 19%.
- ◆ Program revenues for governmental activities were \$2.66 billion. Of this amount, \$2.15 billion or 81% was attributable to operating grants and contributions while charges for services accounted for \$486 million or 18%.
- ◆ The total expenses for governmental activities were \$3.57 billion. Public protection accounted for \$1.18 billion or 33% of this amount, while public assistance accounted for \$1.11 billion or 31%. Additionally, health and sanitation accounted for \$639 million or 18%.

Overview of the Financial Statements

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

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

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

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

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



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



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

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

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

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

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.



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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial

statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

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

Government-wide Financial Analysis

Table 1

Net Assets June 30, 2008 and 2007 (In Thousands)	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
	ASSETS					
Current and other assets	\$ 2,680,527	2,888,810	98,107	87,186	2,778,634	2,975,996
Capital assets	2,821,553	2,755,506	128,492	115,100	2,950,045	2,870,606
Total assets	5,502,080	5,644,316	226,599	202,286	5,728,679	5,846,602
LIABILITIES						
Long-term liabilities	2,224,194	2,385,188	2,645	2,893	2,226,839	2,388,081
Other liabilities	277,220	509,529	5,031	2,065	282,251	511,594
Total liabilities	2,501,414	2,894,717	7,676	4,958	2,509,090	2,899,675
NET ASSETS						
Invested in capital assets, net of related debt	2,468,142	2,409,050	126,237	112,549	2,594,379	2,521,599
Restricted	181,198	162,318			181,198	162,318
Unrestricted	351,326	178,231	92,686	84,779	444,012	263,010
Total net assets	\$ 3,000,666	2,749,599	218,923	197,328	3,219,589	2,946,927



Analysis of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$3.22 billion at the close of fiscal year 2008, an increase of \$273 million or 9% over fiscal year 2007. This included an increase of \$200 million in the County's restricted and unrestricted net assets (a 47% increase over fiscal year 2007) and an increase of \$73 million in capital assets, net of related debt (a 3% increase over fiscal year 2007).

The aforementioned increase of \$273 million in net assets was composed of the following changes in total assets and liabilities:

- ◆ Total assets decreased by \$118 million. This included a decrease of \$197 million in current and other assets and a \$79 million increase in capital assets. The \$197 million decrease in current and other assets was primarily attributable to an increase in property taxes receivable of \$60 million and a decrease in restricted investments with fiscal agents of \$279 million, offset by an increase in other current and other assets of \$22 million. (The decrease in restricted investments with fiscal agents was chiefly due to the reduction of a \$220 million guaranteed investment contract outstanding at June 30, 2007 which was used to pay down the tax and revenue anticipation notes discussed below.)
- ◆ Total liabilities decreased by \$391 million. This included a decrease in long-term liabilities of \$161 million and a decrease in other liabilities of \$229 million. The decrease of \$161 million in long-term liabilities was primarily attributed to reductions in long-term debt (see Long-Term Liabilities discussion). The decrease in other liabilities of \$229 was primarily due to the liquidation of \$220 million in the amount due for tax and revenue anticipation notes.

The largest portion of the County's net assets (81%) reflects its investment of \$2.59 billion in capital assets, net of related debt (which includes: land, infrastructure, buildings, and equipment; less any related outstanding debt used to acquire those assets). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net assets, i.e. restricted net assets equaled \$181 million and represent resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments. The remaining portion of the County's net assets includes \$444 million in unrestricted net assets.



Table 2

**Changes in Net Assets
For the Years Ended
June 30, 2008 and 2007
(In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2008	2007 (1)	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 485,618	483,395	41,475	32,024	527,093	515,419
Operating grants and contributions	2,152,380	2,113,585	7,725	8,257	2,160,105	2,121,842
Capital grants and contributions	24,474	22,682		464	24,474	23,146
General revenues:						
Property taxes	637,491	559,726			637,491	559,726
Other taxes	20,374	26,760			20,374	26,760
Property taxes in lieu of vehicle license fees	303,348	277,930			303,348	277,930
Sales and use taxes	24,872	26,534			24,872	26,534
Investment Income	87,554	88,974	4,113	4,189	91,667	93,163
Other	80,804	95,343	105	2,909	80,909	98,252
Total revenues	3,816,915	3,694,929	53,418	47,843	3,870,333	3,742,772
Expenses:						
Governmental Activities:						
General government	298,607	295,097			298,607	295,097
Public protection	1,180,114	1,079,320			1,180,114	1,079,320
Public ways and facilities	144,452	133,148			144,452	133,148
Health and sanitation	638,869	580,384			638,869	580,384
Public assistance	1,114,453	1,043,454			1,114,453	1,043,454
Education	36,355	33,223			36,355	33,223
Recreation and cultural	33,941	28,469			33,941	28,469
Interest expense	119,138	146,997			119,138	146,997
Business-type Activities:						
Airport			8,848	8,209	8,848	8,209
Wastewater Management			5,320	4,422	5,320	4,422
Sanitation Districts			17,574	15,620	17,574	15,620
Total expenses	3,565,929	3,340,092	31,742	28,251	3,597,671	3,368,343
Changes in net assets before transfers	250,986	354,837	21,676	19,592	272,662	374,429
Transfers	81	601	(81)	(601)		
Change in net assets	251,067	355,438	21,595	18,991	272,662	374,429
Net assets at beginning of year	2,749,599	2,394,161	197,328	178,337	2,946,927	2,572,498
Net assets at end of year	\$ 3,000,666	2,749,599	218,923	197,328	3,219,589	2,946,927

(1) Note: 2007 Reclassifications for Comparative Purposes

Certain fiscal year 2007 balances were reclassified to conform to the proper current year presentation. As a result, adjustments were made in Table 2, 2007 line items for comparative purposes as indicated below:

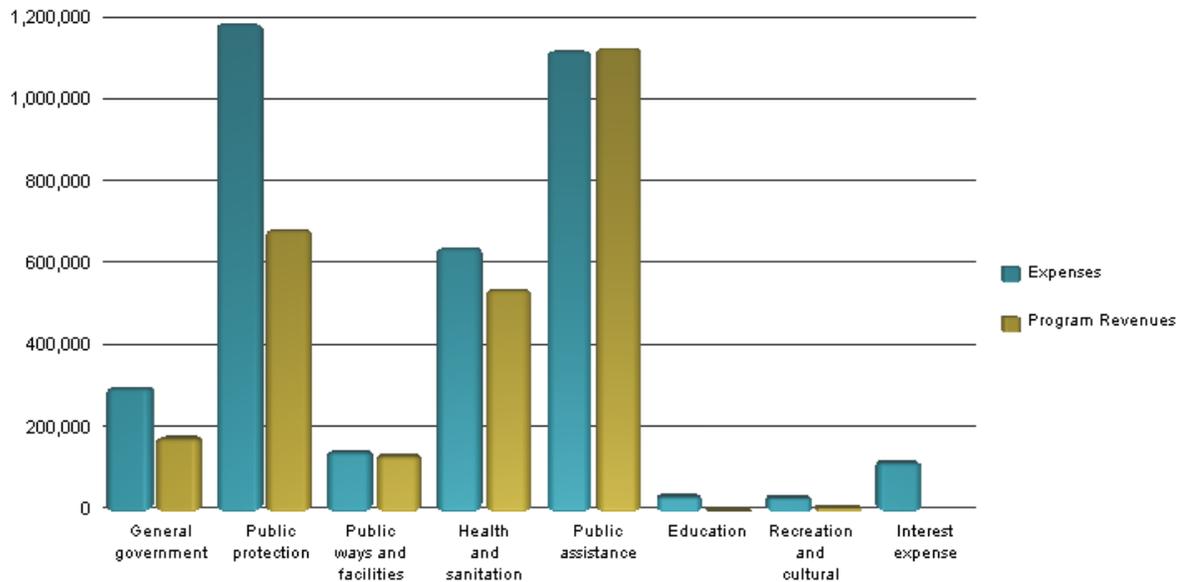
- ◆ Transfers of \$45 million were reclassified to General Government expense to reflect lease payments from the General Fund to the SANCAL Debt Service Funds and lease revenue (charges for services) in the SANCAL Debt Service Fund. In 2007, these transactions were treated as Transfers.
- ◆ Charges for services of \$15 million were reclassified to Capital grants and contributions to reflect assets donated to the County.
- ◆ Intergovernmental restricted: Sales and use taxes of \$292 million were reclassified to Operating grants and contributions to reflect shared revenues from the State.

Analysis of Changes in Net Assets

At June 30, 2008, changes in net assets before transfers (revenues minus expenses) equaled \$273 million, a \$102 million or 27% decrease from the previous year. Principal revenue sources contributing to the change in net assets were operating grants and contributions of \$2.15 billion and taxes of \$941 million (including: property taxes and property taxes in lieu of vehicle license fees.) These revenue categories accounted for 81% of total revenues. Principal expenses were in the following areas: public protection, \$1.18 billion; public assistance, \$1.11 billion; and health and sanitation, \$639 million. These expense categories accounted for 82% of total expenses.



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



Governmental activities

Governmental activities increased the County’s net assets by \$251 million, accounting for 92% of the total increase in net assets (Business-type activities accounted for the remaining 8%, \$22 million).

Expenses:

- ◆ Total expenses for governmental activities were \$3.57 billion, an increase of \$226 million or 7% (\$254 million increase in functional expenses and \$28 million decrease in interest expense) over the prior year. Public protection was the largest functional expense (33%), followed by public assistance (31%) and health and sanitation (18%).

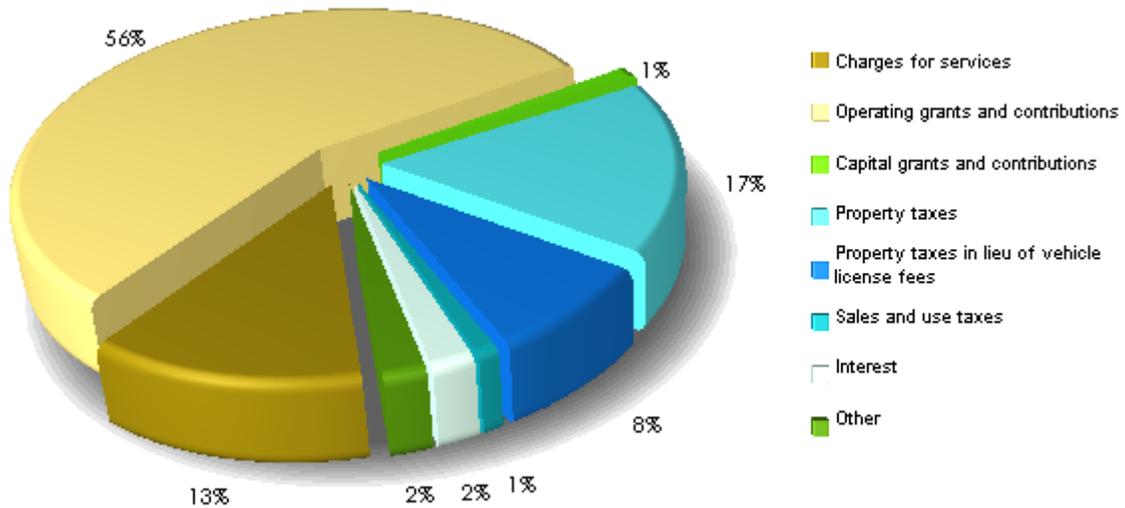
Increases in program expenses were attributed to the following:

- ◆ \$133 million was due to an increase in contracted services including the following items: 1) \$30 million in public works activities attributable to the costs of the 2007 County Firestorm debris removal in fiscal year 2007-08; 2) \$26 million in mental health activities including: a) \$16 million for the expansion of mental health services associated with the Mental Health Services Act funding; b) \$5 million was for Medi-Cal/EPSDT services (Children Medi-Cal mental health services); c) \$1 million was for firestorm related services, and d) \$4 million for various other mental health program services provided; 3) \$23 million in increased individual provider costs in the In-Home Supportive Services program; 4) \$22 million in information technology related activities; 5) \$14 million in aid to families with dependent children activities due in part to the growth in the Health and Human Services Agency’s (HHS) CalWorks program related expenditures including assistance payments and unemployed parent assistance payments; 6) \$6 million due to increased costs for the County’s Medical Services program; 7) \$5 million attributable to the growth in the aid to adoptive children case levels growth and costs per case; 8) \$3 million in HHS participation benefits; 9) \$2 million in HHS Aid for severely emotionally disturbed persons; and 10) \$2 million in support and care of persons: a) \$1million HHS and b) \$1 million Sheriff’s department.



- ◆ \$96 million was attributable to an increase in salaries and benefit costs of approximately 7% over the previous year. As a service delivery entity, the County's major cost component is salaries and benefits, which accounts for approximately 42% of the total expenses. The County's overall strategy of deleting, freezing and temporarily funding positions has minimized the impact of negotiated salary increases and increased benefit costs.
- ◆ \$10 million in depreciation due to an overall increase in depreciable capital assets.
- ◆ \$9 million increase in various other County program activities.
- ◆ \$4 million in equipment rentals related to various activities.
- ◆ \$2 million in fuel costs due to the rising costs of gasoline.
- ◆ \$28 million in interest expense decreases primarily occurred as a result of decreased amortization of debt issuance related costs such as issuance discounts and deferred amounts on refundings, and decreased interest accrued on outstanding debt.

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



Revenues:

Total revenues for governmental activities were \$3.82 billion, an increase of 3% or \$122 million from the previous year.

Program revenues increased by \$43 million. This increase was primarily due to increases in operating grants and contributions in public assistance (Health and Human Services Agency social administration and other assistance).

General revenues increased overall by \$79 million. This increase was primarily due to the following:

- ◆ \$15 million decrease in other revenues primarily due to a decrease in Tobacco Settlement Revenues (TSR) as a result of the County's implementation of Governmental Accounting Standards Board Technical Bulletin 2004-01, "Tobacco Settlement Recognition and Financial Reporting Entity Issues" paragraph 15, in fiscal year 2007, which changed the way in which the County estimated its accrued TSR, thus resulting in additional revenues recognized in fiscal year 2007.
- ◆ \$7 million decrease in real property transfer tax attributable to the decline in real estate sales.
- ◆ \$2 million decrease in general sales and use taxes.



- ◆ \$2 million decrease in investment income due to a decrease in the annual County pool investment earnings rate from 5% to 4.61%.
- ◆ \$78 million increase in current and delinquent property taxes attributable to the growth in assessed property values.
- ◆ \$25 million increase in property taxes in lieu of vehicle license fees attributable to an increase in the gross taxable property assessed values.

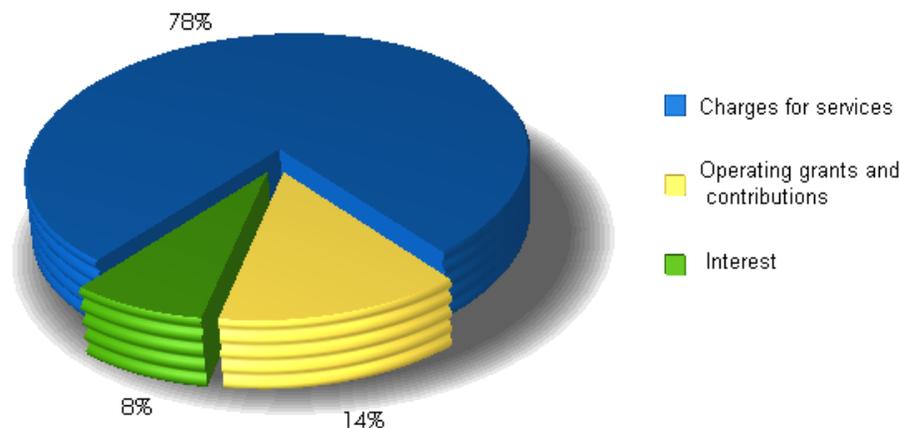
The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in **Chart 2**, operating grants and contributions of \$2.15 billion accounted for 56%, the largest share of this revenue. These monies are received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating grants and contributions include State and Federal revenue for public assistance programs and health and sanitation programs.

Property taxes and property taxes in lieu of vehicle license fees are not shown by program, but are effectively used to support program activities County-wide. Combined, these general revenues of \$941 million account for 25% of governmental activities. Additionally, \$486 million applicable to charges for services accounted for 13%.

At the end of fiscal year 2008, total revenues for the governmental activities were \$3.82 billion, while total expenses for governmental activities were \$3.57 billion.

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

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



Business-type Activities:

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in **Chart 3**, charges for services represent \$41 million or 78% while grants (\$8 million) and investment income (\$4 million) represent 14% and 8% of total revenues respectively.

Net assets of business-type activities increased by \$21 million or 11%. This increase primarily included: a) an \$11 million increase in current and other assets due to: i) a \$6 million increase in airport receivables, chiefly as a result of reversionary interest and leasehold improvement income and ii) a \$5 million increase in pooled cash and investments; b) a \$13 million increase in capital assets principally due to airport and sewer improvements; and c) a \$3 million increase in other liabilities, due to increases primarily in accounts payable.



Financial Analysis of the County Funds

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

Governmental Funds:

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the County include the General Fund, the Public Safety Special Revenue Fund and the Tobacco Securitization Special Revenue Fund. Nonmajor governmental funds include special revenue funds, debt service funds, and capital project funds.

As of the end of fiscal year 2008, the County's governmental funds reported combined ending fund balances of \$2.12 billion, a decrease of \$5 million in comparison with the prior year fund balance. Of the total June 30, 2008 amount, \$1.65 billion constitutes unreserved fund balance, which is available for spending at the County's discretion. The remaining \$472 million of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. These reservations of fund balances include: (1) \$312 million reserved for other purposes; (2) \$92 million reserved for debt service; (3) \$58 million reserved for loans, advances and prepaids; and \$10 million reserved for: inventories (\$9 million); and landfill closure costs (\$1 million).

Governmental revenues overall totaled \$3.76 billion representing a 4% increase. Governmental expenditures totaled \$3.77 billion, a 10% increase from the fiscal year ended June 30, 2007.

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2008, the unreserved fund balance of the General Fund

was \$947 million, while total fund balance was \$1.22 billion, an increase of \$65 million from fiscal year 2007.

- ◆ This was primarily attributed to: a \$66 million increase in current, delinquent and other property taxes principally due to the growth in assessed property values; an \$81 million increase in Aid from other governmental agencies - Federal, attributable to the increase in Welfare-to-Work contracts and reimbursements for the costs incurred for CALWORKs Assistance payments and In-Home Support Services; a \$7 million decrease in Aid from other governmental agencies - Other related to Sheriff police protection; offset by increased expenditures including, \$30 million in public works activities attributable to the costs of the 2007 County Firestorm debris removal in fiscal year 2007-08; \$15 million in Sheriff police protection activities; \$13 million in District Attorney judicial expenditures; \$11 million in Sheriff adult detention expenditures; and \$6 million in Probation detention and correction activities. 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 31% of total General Fund expenditures of \$3.04 billion, while total fund balance represents 40% of that same amount.

Public Safety Special Revenue Fund:

This fund was established to account for Proposition 172 half-cent sales taxes collected and apportioned to the County by the State Board of Equalization to fund public safety activities. Per Government Code 30052, a "maintenance of effort" (pre-Proposition 172 public safety funding level) must be maintained by the County to comply with the statute's spending requirements. In accordance with the Code, funds are allocated to the Sheriff, District Attorney and Probation departments. Transfers-out of this fund subsidize the following types of public safety activities: juvenile detention services; facilities maintenance and support; capital projects, equipment and other one-time expenditures; on-going technology initiatives; and various region-wide services. As of June 30, 2008, the total (unreserved) fund balance in the Public Safety Special Revenue Fund was \$4 million, a decrease of \$3.9 million from the prior



fiscal year attributed to a decrease in State allocation of one-half sales and use tax due to the slowing economy during fiscal year 2008.

Tobacco Securitization Special Revenue Fund:

This special revenue fund is used to account for the \$411 million the County received from the Tobacco Asset Securitization Corporation (Corporation) related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002; and an additional \$123 million the County received from Corporation resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds in fiscal year 2006. The County will continue to invest these funds in investment products to maximize the sustained long-term use of these dollars. At the end of fiscal year 2008, fund balance was \$428 million, a decrease of \$2 million from fiscal year 2007. This decrease was attributable to investment income of \$22 million; offset by transfers out of \$24 million to support health related program expenditures.

Other Governmental Funds:

Other governmental funds consist of nonmajor funds, which include special revenue funds, debt service funds, and capital project funds. Individual fund data for each of these nonmajor governmental funds is provided in the combining financial statements/schedules and supplemental information section of this report. As of the end of fiscal year 2008, the fund balances of the other governmental funds totaled \$470 million, a net decrease of \$64 million over the prior year. This \$64 million net decrease to these fund balances was primarily due to the following:

Decreases to the Other Governmental Funds' fund balances totaling \$69 million were principally due to the activity in the following funds: an \$11 million decrease in SANCAL Debt Service fund other financing sources' face value of bonds issued (in fiscal year 2007 SANCAL issued certificates of participation to finance the completion of the new Edgemoor Skilled Nursing Facility for which there were no new debt issuances in fiscal year 2008) offset by a \$2 million decrease in principal and bond issuance costs; a \$48 million decrease in the SANCAL Capital Projects fund resulting from a \$31 million decrease in other financing sources' face value

of bonds related to the aforementioned completion of the Edgemoor Skilled Nursing Facility for which there were no new debt issuances in fiscal year 2008, coupled with an approximately \$20 million increase in Transfers Out attributable the accelerated schedule for payment of construction costs in fiscal year 2008 offset by investment income of \$2 million and \$1 million Transfers In; \$12 million net decrease in Pension Obligation Bonds Debt Service fund due to the increase in principal debt service payments attributed to a \$100 million prepayment for the Series 2002C PINES and a \$20 million prepayment attributed to the Series 2002 B Pension Obligation Bonds, offset by a \$95 million Transfer In from the General Fund to fund the aforementioned prepayments, and an overall decrease in other debt service payments of approximately \$13 million.

The \$5 million increase to the Other Governmental Funds' fund balance was principally attributable to the Road Fund. The increase to its fund balance resulted from tax revenues, intergovernmental revenues from the State and other revenue sources totaling \$120 million, offset by \$71 million of expenditures incurred for road related activities, \$42 million in capital outlay expenditures, and \$2 million transfers to the Pension Obligation Debt Service Fund for its share of pension obligation bond payment costs.

Proprietary Funds:

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

Enterprise Funds:

See previous discussion above regarding Business-type activities "Revenues by Source."

Internal Service Funds:

Net Assets of the internal service funds (ISF) totaled \$104 million, a net decrease of \$2 million from the prior year. This decrease included a combined decrease of \$23 million which



included \$19 million and \$4 million decreases in the Information Technology Fund and Public Liability Insurance Fund respectively. This decrease was offset by increases of \$21 million which were attributable to increases of \$19 million in the Employee Benefits Fund and a net increase of \$2 million in various other ISF funds.

The \$19 million decrease in the information Technology Fund net assets was essentially due to increases in expenses for contracted services while the \$19 million increase in Employee Benefits Fund net assets was due in large part to decreases in claims and judgment expenses.

Fiduciary Funds:

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

Investment Trust Fund:

This Fund was established for the purpose of reporting pooled and specific investments. The Investment Trust Fund's net assets totaled \$3.62 billion, an increase in net assets of \$657 million, primarily due to contributions on investments of \$6.492 billion and investment earnings of \$169 million offset by distribution from investments of \$6.004 billion.

Agency Funds:

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

General Fund Budgetary Highlights

The County's final budget differs from the original budget (see Notes to required supplementary information) in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as transfers of appropriations, budget corrections, re-budgets, and account reclassifications. For the fiscal year ended June 30, 2008 net expenditure appropriations increased by \$104.1 million and appropriations for transfers-out increased by \$33.3 million for a net increase of \$137.4 million.

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

- ◆ \$42.1 million in the Department of Public Works to fund a comprehensive debris management program for Firestorm 2007 based on \$35.1 million in revenue from the State Office of Emergency Services, the Federal Emergency Management Agency (FEMA) and \$7.0 million in fund balance. The funds were used for debris removal contracts and contract administration to remove hazardous materials and debris from private property to eliminate further risk to public health and safety.
- ◆ \$4.4 million in the Department of Public Works for erosion control services related to Firestorm 2007, funded by fund balance.
- ◆ \$6.6 million for the County Operations Center and Annex Redevelopment project for environmental review, planning and design, Disposition and Development Agreement and relocation site searches, funded by fund balance.
- ◆ \$6.6 million for Homeland Security in various departments including the Office of Emergency Services, Sheriff, Health and Human Services and the Medical Examiner for emergency planning, continued development of an exercise program, equipment purchases regional projects and grant administration based on revenue from the California Office of Homeland Security.
- ◆ \$11.2 million for the construction of the Ramona Library, funded by fund balance. The total cost for the project is projected to be \$11.6 million.
- ◆ \$7.0 million for the construction of the Fallbrook Library, funded by fund balance. The total cost for the project is projected to be \$10.3 million.
- ◆ \$25.2 million for salaries and benefits for incentives earned through the County's Fiscal Year 2006-07 Quality First program, funded by fund balance.
- ◆ \$2.9 million in the Probation Department to increase staffing which will enable the department to open additional units and alleviate overpopulation in the detention facilities to comply with State mandated programs and regulations, based on \$1.5 million in revenue from the Youthful Offender Block Grant and \$1.4 million in fund balance.
- ◆ \$2.8 million in the Land Use and Environment Group Executive Office for software licensing and implementation and source selection services for a Business Case Management System, funded by fund balance.



- ◆ \$3.0 million for increased design and construction costs for the Edgemoor Skilled Nursing Facility, funded by fund balance.
- ◆ \$2.2 million in the District Attorney's Office for the purchase of IT equipment to support the upgrade and enhancement of the department's network infrastructure, funded by fund balance.
- ◆ \$2.0 million for completion of the environmental documentation and to begin the programming/design phase for the replacement of the Las Colinas Detention Facility, based on fund balance available in the Sheriff Capital Projects fund balance designation.

Actual revenues fell short of the final budgeted amounts by \$45.2 million, while actual expenditures were less than the budgeted amount by \$417.8 million. The combination of the revenue and expenditure shortfalls resulted in a revenue over expenditure operating variance of \$372.6 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of \$153.2 million and there was no variance in the increase to the reserve for inventories of materials and supplies. These combined amounts resulted in a variance in the net change in fund balance of \$525.8 million.

Highlights of actuals compared to budgeted amounts are discussed below:

Health and Human Services Agency:

Funded by a combination of State, federal, and County revenues, most agency programs are carried out in the functional areas of health and sanitation and public assistance, with budget over expenditure variances of \$89.6 million and \$43.5 million respectively. The expenditure variances result from demand for services being less than the budgeted level. This includes Child Care payments, CalWORKs and Welfare to Work. It also includes aid payments for Severely Emotionally Disturbed, Foster Care, Aid to Adoptive Parents and KinGap in Child Welfare Services. These lowered expenditures were offset by corresponding reductions in federal and State revenue.

Salaries and Benefits:

In the continuing environment of uncertainty over State and federal funding, many County functions have deferred hiring staff for ongoing programs in anticipation of future budget constraints. In addition, the Sheriff's department

is having recruiting difficulties due to a nationwide shortage of peace officers. The total budget over expenditures variance across all functions in this category is \$46.2 million of which \$9.3 million is attributable to the Sheriff's department.

Delayed expenditures:

Many County projects, such as maintenance and information technology, take place over more than one fiscal year. However, at inception they are budgeted at full expected cost, resulting in budgeted over expenditure variances that are rebudgeted in the new fiscal year. For example, in the Department of Planning and Land Use, re-budgets include: \$1.1 million for consultant and acquisition costs related to the Fire Prevention Program to continue to supplement fire services and apparatus in the unincorporated area of the county; \$0.5 million for the Dead, Dying and Diseased Tree removal program; \$1.8 million for costs related to the General Plan Update and subsequent Zoning Ordinance revisions and \$0.6 million for various projects related to the Multiple Species Conservation Program. The Department of Parks and Recreation has rebudgeted \$0.6 million for various projects in local parks. The Sheriff has rebudgeted 5.5 million for various law enforcement grants, including \$3.8 million for Homeland Security and \$0.9 million in Department Of Justice grants for violent and gang related crime. The District Attorney has rebudgeted \$3.0 million for the purchase and installation of IT network equipment to refresh and support current business requirements and the County Technology Office has rebudgeted \$2.0 million, also for IT initiatives, including Server Consolidation and the Integrated Property Tax System.

Management and Contingency Appropriations:

The County annually set up management and contingency appropriations based on both ongoing general purpose revenues and prior years' fund balance for a variety of one-time capital and operating expenditures as well as potential emergencies. Unexpended appropriations resulted in a budget over actual variance of \$38.4 million. In addition, in Fiscal Year 2008, the County set aside \$56.2 million for economic uncertainty with the intent that it not



be spent unless unusual needs arose; of that amount, \$49 million was unexpended at year end.

Capital Assets and Commitments

Capital Assets

At June 30, 2008, the County's capital assets for both governmental and business-type activities was \$2.82 billion and \$128 million, respectively, net of accumulated depreciation (See Note IV-D of the Notes to the Financial Statements for more detailed information). Investment in capital assets includes land, construction in progress, structures and improvements, equipment, and infrastructure (including roads, bridges, flood channels, and traffic signals). The significant capital asset activity in fiscal year 2008 was as follows:

Governmental Activities:

- ◆ \$50.1 million towards the construction of the Edgemoor Skilled Nursing Facility in Santee. Total project costs are estimated at \$121.8 million.
- ◆ \$41.6 million towards the construction and improvement of County maintained roads, bridges and other road related infrastructure. An additional \$16.6 million in infrastructure was donated by developers.
- ◆ \$12.4 million towards the construction of the Medical Examiner Building at the County Operation Center in Kearny Mesa. Total project costs are estimated at \$85.4 million.
- ◆ \$10.6 million for the acquisition of real property for the multi species conservation program.
- ◆ \$6.2 million towards construction of improvements at the County Operations Center. Total project costs are estimated at \$308.5 million.
- ◆ \$4.4 million towards the construction of Lakeside Baseball Park. Total project costs are estimated at \$10.6 million.
- ◆ \$3.8 million towards the construction of flood control drainage channels.
- ◆ \$3.2 million towards improvements at the Otay Valley Regional Park. Total project costs are estimated at \$10 million.
- ◆ \$2.1 million towards the construction of the Sheriff station in Alpine. Total projects costs are estimated at \$6.5 million.

- ◆ \$1.4 million towards the San Elijo Nature Center Expansion. Total project costs are estimated at \$5.7 million.
- ◆ \$8.6 million towards the construction of numerous other Capital Outlay Fund projects.

Business-type Activities:

- ◆ \$6.0 million towards improvements at the Palomar Airport Terminal, parking lot and road. Total project costs are estimated at \$18.2 million.
- ◆ \$2.5 million towards improvements at the Gillespie Field Airport parking lot. Total project costs are estimated at \$3.7 million.
- ◆ \$1.1 million towards improvements at the Spring Valley Outfall Sewer.

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

Capital Commitments:

As of June 30, 2008, capital commitments included the following:

- ◆ \$70 million for the construction of the Medical Examiner building, Valley Center Road, Edgemoor Skilled Nursing Facility, Lakeside Sports Complex, San Elijo Nature Center, and the acquisition of 2,827 acres of real property.
- ◆ \$15.7 million for the construction of improvements at Palomar Airport Terminal, Jamacha Boulevard Sewer Improvements and the Flow Monitoring Systems at Alpine, Lakeside, and Spring Valley Sanitation Districts.

Long-Term Liabilities

At June 30, 2008, for governmental activities, the County had outstanding long-term liabilities of \$2.22 billion (See Note IV-I of the Notes to the Financial Statements for more detailed information). Of this amount, \$330 million pertained to outstanding certificates of participation, and the remaining \$1.89 billion pertained to the following obligations: \$1.07 billion of taxable pension obligation bonds; \$581 million of Tobacco Settlement Asset-Backed Bonds; \$15 million of Redevelopment Agency



bonds; \$7 million for loans; \$7 million of unamortized issuance premiums; \$(20) million of unamortized issuance discounts; \$(19) million of unamortized deferred amounts on refundings; \$28 million for capital leases; \$106 million for claims and judgments; \$98 million for compensated absences; \$22 million for landfill closure and postclosure costs; and \$500 thousand for arbitrage.

Long-term liabilities for business-type activities totaled \$2.65 million and consisted of \$2.26 million for capital loans and \$390 thousand for compensated absences.

During fiscal year 2008, the County's total principal amount of COPs, bonds, and loans for governmental activities decreased by \$177.4 million, before giving effect to arbitrage, unamortized issuance premiums, unamortized issuance discounts and unamortized deferred amounts on refundings. The \$177.4 million net decrease was due to the following:

Increases - \$7.6 million

\$7.6 million of principal was accreted (added) to the outstanding CAB principal balances outstanding.

Decreases - \$185 million

Decreases to debt included \$185 million in principal debt service payments.

The long-term liabilities for business-type activities decreased by \$248 thousand due to \$296 thousand debt service payments on capital loans, and a net increase of \$48 thousand in compensated absences.

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

Table 3

Credit Ratings			
	Moody's	Standard & Poor's	Fitch
Issuer Rating	Aa2	AA+	AA+
Certificates of Participation	A1	AA	AA
Pension Obligation Bonds	Aa3	AA	AA

There were no changes to the previous year's credit ratings issued by Moody's and Fitch, while the credit ratings issued by Standard and Poor's increased in each category as compared to the previous fiscal year. The prior year's

Standard and Poor's ratings were as follows: AA Issuer rating; AA- Certificates of Participation rating; and, an AA Pension Obligation Bonds rating.

Economic Factors and Next Year's Budget and Rates

- ◆ The fiscal year 2008-09 (2009) General Fund budget utilizes as funding sources for one-time expenditures \$214.7 million out of \$571.4 million in unreserved undesignated fund balance and \$0.2 million out of \$375.9 million unreserved designated fund balance.
- ◆ The state of the economy plays a significant role in the cost of and demand for County services and the resources available to provide them. The fiscal year 2009 General Fund budget contains total appropriations of \$3.679 billion. This is an increase of \$158.6 million or 4.5% from the fiscal year 2008 General Fund budget. A number of risk factors continue to be tracked closely: the U.S. economy, the State of California's ability to operate within its 2009 budget and its projected budget imbalances for fiscal year 2010, 2011 and beyond; the slump in the housing sector; credit tightening; the weakening labor market; high energy and commodity prices; and a widening federal budget deficit.
- ◆ The U.S. economy's Gross Domestic Product (GDP) for 2007 showed an increase of 2.0% versus an adjusted growth rate of 2.8% in 2006. GDP growth for 2008 is projected to be weak, with projections ranging from 1.2% to 1.5%.
- ◆ The State of California's economy has deteriorated. In 2007, leading indicators have shown mixed results, payroll job growth dropped to 0.7%, real personal income growth came in at 2.7%, and adjusted taxable sales declined by 2.3%. California's economy in 2008 is expected to remain weak. Gross State Product (GSP) is projected to drop to 1.1%, the number of jobs is expected to improve marginally by 0.1%, taxable sales will continue to decline by 2.4%, and personal income is anticipated to grow by 1.5%.



- ◆ The San Diego economy continues to show positive growth (i.e., gross regional product at 6.1% for 2004, 3.3% in 2005, 3.6% in 2006, and 2.1% in 2007). Growth is forecasted to be 2.5% in 2008.
- ◆ A weakened real estate market affects the operations and program revenue of a number of County departments including the Assessor/Recorder/County Clerk in the area of document recordings. It challenges the Department of Planning and Land Use to balance construction activity fluctuations with fiscal and customer service stability. It impacts the Library's ability to maintain service hours and provide a collection that meets the needs of patrons. Other economic impacts can be seen in Parks and Recreation where a slowdown in land development delays the provision of park facilities slated to be funded from parkland dedication ordinance fees. A weakened real estate market also negatively affects general purpose revenue growth which is relied upon to sustain core local discretionary services and to provide new or expanded services in response to County residents' needs.
- ◆ The State's budget outlook continues to be strained by an ongoing structural imbalance between revenues and expenditures exacerbated by the housing slump and overall economic volatility.

The County's general purpose revenues continue to grow (with budgeted revenue anticipated to grow at 5.3%) but at a slower rate compared to recent trends of 6.2%. Specifically:

- ◆ The largest source of general purpose revenues is property taxes (\$543.1 million budgeted in fiscal year 2009), representing 53.5% of the total. For the last seven years, property tax growth has been high (9.7% average annual growth) due to the County's strong overall economy and healthy real estate market. In 2009, a more modest growth rate of 6.2% is based on the slowed demand for housing in the county as evidenced by the reduction in residential building permits, year over year decline in the median price of homes in the county, a significant increase in notices of default and foreclosures and slowing in total deeds recorded. Current property taxes consist of three components: current secured property taxes, current supplemental property taxes, and current unsecured property taxes.
- ◆ The budgeted amount of current secured property tax revenues (\$511.8 million) assumes a net assessed value growth of 6.0% over the prior year and includes an allowance for tax increment allocations to redevelopment agencies and an allowance for delinquent property tax payments. Actual gross assessed value growth fell short of the assumed net assessed value growth coming in at 4.5%. The actual current secured property tax revenues in fiscal year 2009 will likely come in lower than budget. Overall, property tax growth is expected to be low over the next two years.
- ◆ Current supplemental property taxes (\$15.0 million budgeted in Fiscal Year 2009) are derived from additions to the tax roll based on new construction and changes in ownership. The actual amount of these revenues in Fiscal Year 2008 was 32.7% less than budgeted (\$14.0 million actual versus \$20.8 million budgeted) as a result of weakness in assessed value growth from the slowing in the real estate market. The budget assumes that this weakness will continue through the next two fiscal years with the Fiscal Year 2009 budgeted figures remaining well below the higher amounts realized in fiscal years 2005 and 2006.
- ◆ Current unsecured property taxes (\$16.2 million budgeted in Fiscal Year 2009) do not build on a prior year base. The roll is forecasted based on trends and available information at the time the budget is developed. Growth of 1.1% is budgeted for Fiscal Year 2009 over the Fiscal Year 2008 adopted budget.
- ◆ Property taxes in lieu of vehicle license fees (VLF) comprises 31.6% (an estimated \$320.9 million) of budgeted general purpose revenues in fiscal year 2009. This revenue source was established by the state in fiscal year 2005 to replace the previous distribution of vehicle license fees to local governments. Growth in this revenue source is based on the growth in the County's gross taxable assessed value. The certified growth rate for 2009 is



4.4757%, but as for current secured property tax revenue, the rate of growth is expected to decline over the next two years.

- ◆ Real Property Transfer Tax Revenue (RPTT) for fiscal year 2009 is budgeted at \$17.7 million, which is 1.7% of general purpose revenues. RPTT is paid when any lands, tenements, or other realty exceeding \$100 in value are sold and granted, assigned, transferred or conveyed to the purchaser. The tax rate set by the State is \$1.10 per \$1,000 of assessed valuation. The County is entitled to 100% of the revenues from all transactions in the unincorporated area and 50% of the revenues from transactions in the incorporated areas.
- ◆ Sales & use tax revenue & in lieu local sales & use tax (\$24.8 million in fiscal year 2009) represents about 2.4% of budgeted general purpose revenues and is derived from taxable sales by businesses located in unincorporated County areas. Its growth is generally impacted by population and income, but is primarily due to economic development and new business formation in the County. These amounts reflect both the Sales Tax revenues and the in lieu local sales & use tax replacement funding that will be transferred from ERAF. Again, effective July 1, 2004, provisions of AB7 X1, one of the 2004 State budget bills referred to as the "triple flip", took effect. It enabled the state to redirect one-quarter cent of the local sales and use tax to the state to repay up to \$15 billion in bonds authorized by Proposition 57 (March 2004) to help the state refinance its past debt. In turn, the lost revenues are replaced on a dollar-for-dollar basis with countywide property tax revenues shifted back from the ERAF. Retail sales revenue has been growing moderately over the past few years in concert with population growth and new retail business formation in the unincorporated area. Currently, however, retail sales in the unincorporated area are following statewide flattening to marginally declining trends. The amount of budgeted revenue in 2009 is approximately \$0.03 million (0.1%) above the 2008 budgeted revenue.
- ◆ Other revenues budgeted for fiscal year 2009 total \$108.2 million. Various revenue sources make up this category including investment

income on deposits, fines, fees and forfeitures, redevelopment agency tax increment, prior year adjustments on property taxes, franchise revenue, payment from the City of San Diego in lieu of booking fees, and other miscellaneous revenues. The decrease in revenues is primarily due to anticipated lower investment income on deposits as a result of a decline in interest rates that is partially offset by growth in redevelopment agency tax increment.

The County's Operational Plan for Fiscal Year 2009 and for Fiscal Year 2010 can be found on the internet at <http://www.sdcounty.ca.gov/auditor/budinfo.html>.

Requests for Information

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

Basic Financial Statements





STATEMENT OF NET ASSETS
June 30, 2008
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	First 5 Commission Fund
ASSETS				
Pooled cash and investments	\$ 1,448,834	85,446	1,534,280	21,450
Cash with fiscal agents	494		494	
Investments with fiscal agents	51,402		51,402	177,475
Receivables, net	427,267	9,255	436,522	8,579
Property taxes receivables, net	219,042		219,042	
Internal balances	(3,406)	3,406		
Inventories	10,822		10,822	
Deposits with others	81		81	
Prepaid items	589		589	2
Deferred charges	16,868		16,868	
Restricted assets:				
Cash with fiscal agents	560		560	
Investments with fiscal agents	507,974		507,974	
Capital assets				
Land and construction in progress	553,134	61,192	614,326	
Other capital assets, net of accumulated depreciation	2,268,419	67,300	2,335,719	
Total assets	5,502,080	226,599	5,728,679	207,506
LIABILITIES				
Accounts payable	151,917	4,835	156,752	10,847
Accrued payroll	31,895	144	32,039	
Accrued interest	25,436		25,436	
Unearned revenue	67,972	52	68,024	
Noncurrent liabilities:				
Due within one year	130,268	373	130,641	25
Due in more than one year	2,093,926	2,272	2,096,198	66
Total liabilities	2,501,414	7,676	2,509,090	10,938
NET ASSETS				
Invested in capital assets, net of related debt	2,468,142	126,237	2,594,379	
Restricted for:				
Housing Assistance	49,069		49,069	
Donations	2,061		2,061	
Landfill closure costs	1,259		1,259	
Defray administrative costs, other general reserves	21,357		21,357	
Emergency medical services, various construction costs	16,514		16,514	
Mental health	69,233		69,233	
Social programs	5,939		5,939	
Domestic violence and child abuse prevention	5,254		5,254	
Sheriff vehicle maintenance and replacement	304		304	
Fingerprinting equipment purchase and operation	7,130		7,130	
Delinquency and juvenile crime prevention	2,670		2,670	
Housing repairs and improvements	408		408	
Unrestricted	351,326	92,686	444,012	196,568
Total net assets	\$ 3,000,666	218,923	3,219,589	196,568

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



STATEMENT OF ACTIVITIES
For the year ended June 30, 2008
(In Thousands)

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit First 5 Commission Fund
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- type Activities	Total	
Governmental Activities:								
General government	\$ 298,607	130,645	39,521	7,915	(120,526)		(120,526)	
Public protection	1,180,114	217,953	463,735	5	(498,421)		(498,421)	
Public ways and facilities	144,452	32,277	83,109	16,554	(12,512)		(12,512)	
Health and sanitation	638,869	86,166	451,169		(101,534)		(101,534)	
Public assistance	1,114,453	9,647	1,112,399		7,593		7,593	
Education	36,355	1,267	1,146		(33,942)		(33,942)	
Recreation and cultural	33,941	7,663	1,301		(24,977)		(24,977)	
Interest expense	119,138				(119,138)		(119,138)	
Total governmental activities	3,565,929	485,618	2,152,380	24,474	(903,457)		(903,457)	
Business-type Activities:								
Airport	8,848	16,097	7,708			14,957	14,957	
Wastewater management	5,320	5,318	17			15	15	
Sanitation districts	17,574	20,060				2,486	2,486	
Total business-type activities	31,742	41,475	7,725			17,458	17,458	
Total primary government	3,597,671	527,093	2,160,105	24,474	(903,457)	17,458	(885,999)	
Component Unit:								
First 5 Commission	\$ 44,348		44,058					(290)

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



STATEMENT OF ACTIVITIES
For the year ended June 30, 2008
(In Thousands)

(Continued)	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Unit First 5 Commission Fund
	Governmental Activities	Business-type Activities	Total	
Changes in net assets:				
Net (expense) revenue	\$ (903,457)	17,458	(885,999)	(290)
General revenues:				
Taxes:				
Property taxes	637,491		637,491	
Other taxes	20,374		20,374	
Property taxes in lieu of vehicle license fees	303,348		303,348	
Sales and use taxes	24,872		24,872	
Total general tax revenues	986,085		986,085	
Investment income	87,554	4,113	91,667	8,223
Other	80,804	105	80,909	
Total general revenues	1,154,443	4,218	1,158,661	8,223
Transfers	81	(81)		
Total general revenues and transfers	1,154,524	4,137	1,158,661	8,223
Change in net assets	251,067	21,595	272,662	7,933
Net assets at beginning of year (Component Unit restated)	2,749,599	197,328	2,946,927	188,635
Net assets at end of year	\$ 3,000,666	218,923	3,219,589	196,568

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



BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008
(In Thousands)

	General Fund	Public Safety Special Revenue Fund	Tobacco Securitization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled cash and investments	\$ 977,544	26,661	2,220	284,264	1,290,689
Cash with fiscal agents	19			475	494
Investments with fiscal agents	2			51,400	51,402
Receivables, net	270,900	39,561	5,789	108,233	424,483
Property taxes receivables, net	218,048			994	219,042
Due from other funds	79,915			23,947	103,862
Advances to other funds	7,203			43	7,246
Inventories	7,326			1,671	8,997
Deposits with others				81	81
Prepaid items	17			572	589
Restricted assets:					
Cash with fiscal agents	171			389	560
Investments with fiscal agents			421,482	86,492	507,974
Total assets	1,561,145	66,222	429,491	558,561	2,615,419
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	85,308			33,719	119,027
Accrued payroll	29,425			1,758	31,183
Due to other funds	42,169	62,119	1,117	14,375	119,780
Advances from other funds				8,743	8,743
Deferred revenues	123,470			23,171	146,641
Unearned revenue	60,307			6,938	67,245
Total liabilities	340,679	62,119	1,117	88,704	492,619
Fund balances					
Reserved fund balance:					
Reserved for loans, advances and prepaids	13,294			44,610	57,904
Reserved for deposits with others				81	81
Reserved for landfill closure costs	1,259				1,259
Reserved for inventories	7,326			1,671	8,997
Reserved for debt service				92,009	92,009
Reserved for other purposes	251,352			61,101	312,453
Unreserved:					
Designated for encumbrances	236,272	3,985			240,257
Designated for subsequent years' expenditures	138,729				138,729
Designated for landfill postclosure and landfill closure costs	854				854
Undesignated	571,380	118	428,374		999,872
Unreserved, reported in nonmajor:					
Special Revenue Funds					
Designated for encumbrances				22,342	22,342
Designated for subsequent years' expenditures				625	625
Designated for landfill postclosure and landfill closure costs				63,209	63,209
Undesignated				153,999	153,999
Capital Projects Funds					
Designated for encumbrances				4,961	4,961
Undesignated				25,249	25,249
Total fund balances	1,220,466	4,103	428,374	469,857	2,122,800
Total liabilities and fund balances	\$ 1,561,145	66,222	429,491	558,561	2,615,419

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



RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS June 30, 2008 (In Thousands)	
Total fund balances - governmental funds.	\$ 2,122,800
Capital assets used in governmental activities (excluding internal service funds) are not current financial resources and, therefore, are not reported in the balance sheet. This amount represents capital assets net of accumulated depreciation.	2,748,214
Accrued interest on long-term debt.	(25,433)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities.	146,641
Long-term liabilities, including bonds, notes, and loans payable, are not due and payable in the current period and, therefore, are not reported in the balance sheet.	(2,094,842)
Internal service funds are used by management to charge the costs of information technology, vehicle operations and maintenance, employee benefits, public liability, and communications services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	103,286
Net assets of governmental activities	\$ 3,000,666

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



**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2008
(In Thousands)

	General Fund	Public Safety Special Revenue Fund	Tobacco Securitization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 928,066			43,550	971,616
Licenses, permits and franchise fees	34,735			10,522	45,257
Fines, forfeitures and penalties	59,782			3,232	63,014
Revenue from use of money and property	48,381	147	21,711	67,724	137,963
Aid from other governmental agencies:					
State	849,783	227,563		92,296	1,169,642
Federal	792,430			116,152	908,582
Other	71,663			7,403	79,066
Charges for current services	267,624			44,394	312,018
Other revenue	30,705			43,040	73,745
Total revenues	3,083,169	227,710	21,711	428,313	3,760,903
Expenditures:					
Current:					
General government	270,236			7,050	277,286
Public protection	1,135,288	1,000		9,519	1,145,807
Public ways and facilities	5,907			74,144	80,051
Health and sanitation	593,104			40,278	633,382
Public assistance	987,730			123,971	1,111,701
Education	1,101			34,468	35,569
Recreation and cultural	29,606			2,436	32,042
Capital outlay	11,453			146,365	157,818
Debt service:					
Principal				184,614	184,614
Interest and fiscal charges	5,169			102,462	107,631
Total expenditures	3,039,594	1,000		725,307	3,765,901
Excess (deficiency) of revenues over (under) expenditures	43,575	226,710	21,711	(296,994)	(4,998)
Other financing sources (uses)					
Sale of capital assets	41			27	68
Transfers in	257,890			336,622	594,512
Transfers out	(236,400)	(230,534)	(24,200)	(103,748)	(594,882)
Total other financing sources (uses)	21,531	(230,534)	(24,200)	232,901	(302)
Net change in fund balances	65,106	(3,824)	(2,489)	(64,093)	(5,300)
Fund balances at beginning of year	1,155,082	7,927	430,863	534,153	2,128,025
Increase (decrease) in reserve for inventories	278			(203)	75
Fund balances at end of year	\$ 1,220,466	4,103	428,374	469,857	2,122,800

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



RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2008 (In Thousands)	
Net change in fund balances - total governmental funds	\$ (5,300)
Governmental funds accrue property tax revenue which is deemed collectible within 60 days. However, for the statement of activities the total amount estimated to ultimately be collected is accrued.	14,685
Revenues that do not provide current financial resources are not reported as revenues in the funds (deferred revenue) but are recognized as revenue in the statement of activities.	4,898
Adjustment to reserve for inventories.	75
Change in accounting estimate for closure and postclosure costs - (public protection function) - San Marcos Landfill.	1,418
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.	66,635
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	14,805
The issuance of long-term debt (e.g. bonds, notes, and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	186,152
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.	(30,630)
Internal service funds are used by management to charge the costs of centralized services to individual funds. The net revenue (or expense) of internal service funds is reported within governmental activities.	(1,671)
Change in net assets - governmental activities	\$ 251,067

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



**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008
(In Thousands)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Pooled cash and investments	\$ 85,446	158,145
Receivables, net	9,255	2,784
Due from other funds	2,073	21,698
Inventories		1,825
Total current assets	96,774	184,452
Noncurrent assets:		
Advances to other funds	3,363	148
Capital assets:		
Land	11,338	
Construction and contracts in progress	49,854	
Buildings and improvements	52,555	
Equipment	1,341	176,264
Road network	335	
Sewer network	68,994	
Accumulated depreciation	(55,925)	(102,925)
Total noncurrent assets	131,855	73,487
Total assets	228,629	257,939
LIABILITIES		
Current liabilities:		
Accounts payable	4,835	32,890
Accrued payroll	144	712
Accrued interest		3
Due to other funds	2,690	5,163
Unearned revenue	52	726
Bonds and loans payable	217	502
Compensated absences	156	957
Claims and judgments		29,471
Total current liabilities	8,094	70,424
Noncurrent liabilities:		
Advances from other funds	14	2,000
Bonds and loans payable	2,038	3,345
Compensated absences	234	1,437
Claims and judgments		76,773
Total noncurrent liabilities	2,286	83,555
Total liabilities	10,380	153,979
NET ASSETS		
Invested in capital assets, net of related debt	126,237	73,339
Unrestricted	92,012	30,621
Total net assets (deficits)	\$ 218,249	103,960

Reconciliation between net assets - enterprise funds and net assets of business-type activities as reported in the government-wide statement of net assets	
Total net assets (deficits)	\$ 218,249
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	674
Net assets of business type activities	\$ 218,923

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



**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008
(In Thousands)**

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Operating revenues:		
Charges for current services	\$ 41,475	301,531
Miscellaneous	105	660
Total operating revenues	41,580	302,191
Operating expenses:		
Salaries	6,271	33,216
Repairs and maintenance	5,202	36,142
Equipment rental	872	983
Sewage processing	9,828	
Contracted services	4,220	144,409
Depreciation	2,494	29,548
Utilities	141	17,865
Cost of material		1,659
Claims and judgments		15,167
Fuel		11,765
Other operating expenses	2,466	20,380
Total operating expenses	31,494	311,134
Operating income (loss)	10,086	(8,943)
Nonoperating revenues (expenses):		
Grants	7,725	777
Investment income	4,113	6,580
Interest expense	(159)	(171)
Gain or loss on disposal of assets		(455)
Total nonoperating revenues (expenses)	11,679	6,731
Income (loss) before contributions and transfers	21,765	(2,212)
Capital contributions		1
Transfers in	3,033	3,626
Transfers out	(3,114)	(3,175)
Change in net assets	21,684	(1,760)
Net assets (deficits) at beginning of year	196,565	105,720
Net assets (deficits) at end of year	\$ 218,249	103,960

Reconciliation between changes in net assets - enterprise funds and changes in net assets of business-type activities as reported in the government-wide statement of activities

Change in net assets	\$ 21,684
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(89)
Change in net assets of business-type activities	\$ 21,595

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



**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2008
 (In Thousands)**

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 33,238	13,900
Cash received from other funds	6,562	291,571
Cash payments to suppliers	(17,793)	(233,634)
Cash payments to employees	(6,191)	(32,946)
Cash payments to other funds	(8,314)	(8,782)
Cash paid for judgments and claims		(20,105)
Net cash provided (used) by operating activities	7,502	10,004
Cash flows from noncapital financing activities:		
Operating grants	4,133	625
Transfers from other funds	3,033	3,685
Transfers to other funds	(1,561)	(3,175)
Advances to other funds		67
Other noncapital (decreases)		(650)
Net cash provided (used) by noncapital financing activities	5,605	552
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(12,507)	(13,939)
Proceeds from sale of assets		639
Retirement of capital leases, bonds and loans	(478)	
Interest paid on long-term debt	(159)	
Net cash provided (used) by capital and related financing activities	(13,144)	(13,300)
Cash flows from investing activities:		
Investment income	4,455	7,100
Net increase (decrease) in cash and cash equivalents	4,418	4,356
Cash and cash equivalents - beginning of year	81,028	153,789
Cash and cash equivalents - end of year	85,446	158,145
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	10,086	(8,943)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Inc (dec) in compensated absences	48	180
Inc (dec) in accrued payroll	35	135
Inc (dec) in due to other funds	(1,500)	1,310
Inc (dec) in accounts payable	(369)	(8,203)
Inc (dec) in claims and judgments		(4,938)
Inc (dec) in unearned revenue	(79)	(2)
Dec (inc) in accounts and notes receivable	(2,786)	136
Dec (inc) in due from other funds	(427)	1,607
Dec (inc) in Inventories		(826)
Depreciation	2,494	29,548
Total adjustments	(2,584)	18,947
Net cash provided by (used in) operating activities	7,502	10,004
Noncash investing and capital financing activities:		
Capital acquisitions included in accounts payable	3,379	1,308
Governmental contributions of capital assets	\$	1

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



**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008
(In Thousands)**

	Investment Trust	Agency Funds
ASSETS		
Pooled cash and investments	\$ 3,119,116	406,676
Cash with fiscal agents	18	3,723
Investments with fiscal agents	468,588	
Receivables:		
Accounts receivable	13,114	
Investment income receivable	27,967	38,054
Total assets	3,628,803	448,453
LIABILITIES		
Accounts payable	6,095	33,711
Warrants outstanding		206,190
Due to other governments		208,552
Total liabilities	6,095	448,453
NET ASSETS		
Held in trust for other purposes	\$ 3,622,708	

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



**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2008
(In Thousands)**

	Investment Trust
ADDITIONS	
Contributions:	
Contributions on investments	\$ 6,491,717
Total contributions	6,491,717
Investment earnings:	
Net increase (decrease) in fair value of Investments	12,376
Investment income	157,099
Total investment earnings	169,475
Total additions	6,661,192
DEDUCTIONS	
Distribution from investments	6,004,041
Total deductions	6,004,041
Change in net assets	657,151
Net assets at beginning of year	2,965,557
Net assets at end of year	\$ 3,622,708

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





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I. Summary of Significant Accounting Policies

A. The Reporting Entity

The County of San Diego (the "County" or "CoSD"), is a political subdivision of the State of California (the "State") and as such can exercise the powers specified by the Constitution and laws of the State of California. The County operates under a charter and is governed by an elected five-member Board of Supervisors (the "Board").

The County provides a full range of general government services including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, inactive waste management, airport management and general financial and administrative support.

The County reporting entity includes all significant organizations, departments, and agencies over which the County is considered to be financially accountable. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. As required by generally accepted accounting principles in the United States of America (GAAP), the financial statements present the financial position of the County and its component units (entities for which the County is considered to be financially responsible).

Blended component units, although legally separate entities are, in substance, part of the County's operations and data from these component units are combined with the data from the primary government.

A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

1. Blended Component Units

The blended component units listed below are agencies and special districts whose governing board is the County Board of Supervisors. These

component units are fiscally dependent on the County and as such financial actions including the setting of rates, issuance of debt and the adoption of the annual budget remain with the County.

County of San Diego In-Home Supportive Services Public Authority (IHSS) - This authority was established to serve as the employer of record for the IHSS program which provides in-home assistance to low-income aged, blind, and disabled individuals enabling them to remain safely in their own homes and avoid institutionalization. The IHSS program is state-mandated. This fund is included as a *special revenue fund*.

San Diego County Housing Authority - This authority accounts for revenues and expenditures related to providing decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources. This fund is included as a *special revenue fund*.

San Diego County Redevelopment Agency - This agency was established to provide a method of eliminating slums and blighted areas, improving housing, expanding employment opportunities, and providing an environment for the social, economic and psychological growth, and well-being of all citizens of the County. This agency is included in the *debt service and capital projects funds*.

Air Pollution Control District - This district was established to provide for control of air pollution from motor vehicles and other sources in order to attain health-based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees. This fund is included as a *special revenue fund*.

County Service Districts - These special districts were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the county. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. These funds are included as *special revenue funds*.

Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)



Flood Control District - This district was established to account for revenues and expenditures related to providing flood control in the County. It is financed primarily by ad valorem property taxes and federal grants. This fund is included as a *special revenue fund*.

Lighting Maintenance District - This district was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. This fund is included as a *special revenue fund*.

Sanitation Districts - These districts are used to account for the activities of all individual sanitation districts governed by the County Board of Supervisors. They are included as *enterprise funds*.

Blended component units governed by boards other than the CoSD Board of Supervisors are listed below. These component units are, in substance, part of the County's operations due to their relationship with the County and the nature of their operations. Specifically, the CoSD Board appoints either all or a majority of their board members and the services they provide solely benefit the County.

San Diego County Capital Asset Leasing Corporation (SANCAL) - This corporation was established to finance the acquisition of County buildings and equipment. It is a nonprofit corporation governed by a five-member Board of Directors, which is appointed by the CoSD Board. This corporation is included in the *special revenue, debt service and capital projects funds*.

The San Diego County Tobacco Asset Securitization Corporation (Corporation) - This is a separate legal nonprofit public benefit corporation created under the California Nonprofit Public Benefit Corporation Law. It was established to purchase tobacco settlement payments allocated to the County from the State of California, pursuant to a Tobacco Master Settlement Agreement (see Note IV, 1-3. Tobacco Settlement Asset Backed Bonds).

The Corporation is governed by a Board of Directors consisting of three members, two of which are employees of the County of San

Diego and one independent director who is not an employee of the County. This fund is included as a *special revenue fund*.

The Tobacco Securitization Joint Powers Authority of Southern California (TSJPA) - This is a separate legal public entity created by a Joint Exercise of Powers Agreement between the County of San Diego and the County of Sacramento pursuant to Government Code Sections 6500 et seq. The Authority's purpose is to finance a loan to the San Diego County Tobacco Asset Securitization Corporation (the Corporation) via the sale of tobacco asset backed bonds. The Corporation in turn uses the loan proceeds to purchase the County's future tobacco settlement revenues under a purchase and sale agreement. The Authority is administered by a Board of Directors consisting of three members, two members who are appointed by the CoSD Board and the third member is appointed by the Sacramento County Board of Supervisors. This fund is included as a *Special Revenue Fund*.

Separately issued financial reports of the County's blended component units can be obtained from the County Auditor and Controller's Office located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

2. Discrete Component Unit

The *First 5 Commission of San Diego (Commission)* was established by the Board as a separate legal entity under the authority of the California Children and Families First Act and Sections 130100 et seq. of the Health and Safety Code. It administers the County's share of tobacco taxes levied by the State for the purpose of implementing early childhood development programs. The County appoints all of the Commission's board and can remove appointed members at will.

The Commission is discretely presented because its Board is not substantively the same as the County's and it does not provide services entirely or almost entirely to the County. A separately financial report can be obtained by writing to The First 5 Commission, 1495 Pacific Highway, Suite 202, (MS-A211), San Diego, CA, 92101-6466.



B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. The statement of activities presents function revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

2. Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural. Expenditures also include capital outlay and debt service.

The *Tobacco Securitization Special Revenue Fund* accounts for tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories.

Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)



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

The County reports the following additional funds and fund types:

Enterprise Funds account for airport, sanitation district and wastewater management activities, including operations and maintenance, sewage collection and treatment services.

Internal Service Funds account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); start up services for new and existing county service districts; the County's public liability and employee benefits activities; the financing of fleet services; facilities management activities; the financing of information technology services; and the financing of clothing and personal sundry items for persons institutionalized at various county facilities. Goods or services provided by servicing County departments are paid for on a cost reimbursement basis by receiving departments.

The following fiduciary funds account for resources that are held by the County as a trustee or agent for outside parties and cannot be used to support the County's programs.

Investment Trust Funds account for two types of investment activities on behalf of external entities and include: the portion of the County Treasurer's investment pool applicable to external entities (Pool Investments- Investment Trust Fund); and the total amount of individual investment accounts held on behalf of external entities by the Treasurer (Specific Investments -

Investment Trust Fund). In general, external entities include school districts, independent special districts and various other governments. The Specific Investments - Investment Trust Fund accounts for individual external entities investments which are offered as an alternative to a pooled position.

Agency Funds are custodial in nature, do not involve measurement of results of operations and account for assets held by the County as an agent for various local governments, organizations and individuals. Included are funds for child support payments; payroll taxes; public administrator and public guardian accounts; and apportioned taxes for other local governments.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, investment income, state and federal grants, and charges for services are accrued when their receipt occurs within 180 days following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is



due. General capital assets acquisitions and general principal payments are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for services. 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.

For governmental and business-type activities the County applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The County has elected not to apply the FASB standards issued subsequent to November 30, 1989. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental users.

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.

D. Assets, Liabilities, and Net Assets or Fund Balance

1. Cash and Investments

The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held in the County's Pool.

Investments are stated at fair value. The fair value of investments is determined monthly and is based on quoted market prices.

2. Receivables and Payables

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All property taxes and accounts receivable are shown net of an allowance for uncollectibles.

Secured property taxes are levied based upon the assessed valuation as of the previous January 1st, (lien date) and the tax levy is recorded on July 1st. They are payable in two equal installments due on November 1st and February 1st and are considered delinquent with ten percent penalties after December 10th and April 10th, respectively. An additional penalty of one and one-half percent per month begins to accrue on July 1st and November 1st on delinquent secured property taxes. Unsecured property taxes are due as of the January 1st lien date and become delinquent, with 10 percent penalties, after August 31st. An additional penalty of one and one-half percent per month begins to accrue on October 31st on delinquent unsecured property taxes.

Governmental funds' property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year end. Property tax revenues are also



recognized for unsecured and supplemental property taxes that are due at year end, and are collected within 60 days after the fiscal year end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule.

Pursuant to State law, in fiscal year 1994 the County adopted the Teeter Plan, an alternative method of distributing secured property taxes to local agencies. Under this tax distribution method, the County General Fund annually advances to participating agencies the full amount of their share of current delinquent property taxes on the secured roll. In exchange, the General Fund receives all future delinquent tax payments, penalties and interest. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, participating local agencies receive a stable cash flow and eliminate collection risk. Under the Teeter Plan, the County is required to establish a tax loss reserve fund, equal to 25% of the current year delinquent secured tax levy at June 30, 2008, to cover losses that may occur as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The tax loss reserve requirement for fiscal year 2008 was \$23.8M.

3. County Leased Property

The County leases real property to the private sector and other governmental agencies. In the government-wide and proprietary funds financial statements, non-cancelable and cancelable leases are reported in the applicable governmental activities or proprietary funds' statement of net assets.

4. Inventories and Prepaid Items

Inventories consisting of expendable supplies are stated at average cost. They are accounted for as expenditures at the time of purchase and reported in the balance sheet of the General Fund and the other governmental funds as an asset with an offsetting reserve. Proprietary fund types are carried at average cost and are expended when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the

government-wide and fund financial statements. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

5. Deferred Charges

Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. In the government-wide financial statements, deferred charges are reported as assets in the governmental activities.

6. Restricted Cash and Investments

Debt covenants require resources to be set aside to repay principal and interest thereon for tax and revenue anticipation notes, pension obligation bonds, SANCAL certificates of participation and Redevelopment Agency bonds as restricted assets. Additionally, Tobacco Securitization Special Revenue Fund resources have been restricted and set aside to fund new and existing programs.

7. Capital Assets

Capital assets are of a long-term character and include: land, buildings and improvements, construction in progress, equipment and infrastructure.

Infrastructure assets include roads, bridges, street lights, signals, flood channels and sewers.

Capital assets are recorded at *historical cost* if purchased or constructed. Donated capital assets are recorded at *estimated fair market value* at the date of donation. Capital assets with original unit costs equal to or greater than the *capitalization thresholds* shown in the following table are reported in the applicable *governmental* or *business-type activities* columns in the government-wide financial statements.

Table 1

Capitalization Thresholds	
Buildings and improvements	\$ 50
Infrastructure	25-50
Equipment	5

Depreciation is charged over the capital assets' estimated useful lives using the straight-line method for proprietary and governmental fund



types. Governmental fund type depreciation is only shown in the statement of activities. Proprietary fund type depreciation is shown both in the fund statements and the statement of activities. Estimated useful lives are shown in **Table 2**.

Table 2

Estimated Useful Lives	
Buildings and improvements	50 years
Infrastructure	10-15 years
Equipment	5-20 years

8. Deferred and Unearned Revenue

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue. Unearned revenue can be found in government-wide financial reporting as well as in governmental fund, proprietary fund, and fiduciary fund financial statements.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual (it must be both measurable and available to finance expenditures of the current fiscal period, see Note I.C above). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue. This type of deferred revenue is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

9. Lease Obligations

The County leases various assets under both *operating* and *capital* lease agreements. In the government-wide and proprietary funds financial statements, capital lease obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net assets.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary 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 type statement of net assets. Debt may be issued at par (face) value, with a premium (applicable to debt issued in excess of face value) or at a discount (applicable to debt issued at amounts less than the face value). On occasion, the County refunds some of its existing debt. When such an event occurs, the difference between the funds required to retire (reacquisition price of) the refunded debt and the net carrying amount of refunded debt results in a Deferred Amount on Refunding.

Capital Appreciation Bonds (CABs) issued by the County represent bonds that are issued at a deep discount, pay no current interest but accrete or compound in value from the date of issuance to the date of maturity. CABs are presented at their maturity value less the unaccrued appreciation. Unaccrued appreciation represents the difference between the maturity value of the debt and their par (face) value. The unaccrued appreciation is accreted as interest over the life of the CABs.

Bonds and certificates of participation payable are reported net of the applicable premium, discount, or deferred amount on refunding. In the fund financial statements, governmental fund types recognize bond and certificates of participation premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Debt premiums, discounts, deferred amounts on refundings and issuance costs are deferred and amortized over the life of the debt using the straight-line method. Premiums are amortized as a reduction of interest expense over the life of the debt issuance. Similarly, discounts and deferred amounts on refundings



are amortized as an increase to interest expense over the life of the debt issued. Issuance costs are amortized as an increase to the general function expense over the life of the debt issuance.

11. Employee Compensated Absences

The County's policy is to permit employees to accumulate *earned* but *unused* vacation, compensatory time, holiday and sick leave benefits. Each of these benefits is subject to certain limits based on employee class, except for sick leave and compensatory time that is subject to Fair Labor Standards Act (FLSA) rules or California Labor Code. All vacation pay and a certain portion of compensatory and sick pay for specified employee classes is accrued when incurred in the government-wide and proprietary funds financial statements. Except for specified employee classes, there is no liability for *unpaid accumulated* sick leave since the County does not cash out unused sick leave when employees separate from service with the County. However, employees eligible for retirement benefits that meet minimum balance requirements may apply unused sick leave toward determining their length of service for purposes of determining their retirement benefits.

Accumulated leave benefits including vacation, sick leave, and compensatory time worked, in the amount of approximately \$98.4 million for the governmental activities as of June 30, 2008, is recorded in the government-wide statement of net assets. Amounts recorded as accumulated leave benefits include the employer's share of Social Security and Medicare taxes. These amounts would not be expected to be liquidated from expendable available financial resources, but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

County employees in the unclassified service and certain employees hired prior to 1979 may receive up to 50% and 25%, respectively, of the cash value of all or a portion of their sick leave balances upon termination or retirement. The cash value of these benefits is included in the accumulated leave benefits above and totaled \$10.9 million at June 30, 2008. This

liability has been recorded in the current and long-term portion of compensated absences in the appropriate proprietary funds and government-wide statement of net assets.

California Labor Code 4850 entitles safety officers who meet certain criteria to receive full salary in lieu of temporary disability payments for the period of disability, not exceeding 365 days, or until such earlier date as he or she is retired on permanent disability pension. The Labor Code 4850 liability at June 30, 2008 amounting to \$11.3 million is accrued in the current and long-term portion of compensated absences.

All County employees who have completed at least five years of continuous service in the County retirement system, and have a sick leave balance of at least one hundred hours, may convert, at retirement, all or a portion of their sick leave balance to retirement service credits on a hour-for-hour basis. The impact of the conversion of sick leave balances to retirement service credits on the County's actuarial accrued liability, as part of its defined benefit pension plan, is not estimable, however, contribution requirements as determined in the actuarial valuation as of June 30, 2007 include assumptions regarding employee terminations, retirement, death, etc.

12. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. As the *lapse period* for encumbrance liquidation is not employed, encumbered amounts that are reappropriated as part of the following year's budget are presented as unreserved fund balance designated for encumbrances. Previously, these encumbrances were reported as reservations of fund balance.



13. Net Assets Invested in Capital Assets, Net of Related Debt

This amount represents capital assets net of accumulated depreciation less the outstanding principal of capital related debt (adjusted by any unamortized premiums, discounts, deferred amounts on refundings, and unspent proceeds related to debt), incurred by the County to buy or construct capital assets shown in the statement of net assets. Capital assets cannot readily be sold and converted to cash.

14. Restricted Net Assets

Restricted net assets arise when restrictions on the use of net assets are externally imposed by a creditor, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$181.198 million of restricted net assets. Of this amount \$49.069 million is restricted by grantors (Housing Assistance), \$2.061 million is restricted by donors, \$1.259 million is restricted for landfill closure costs, and the remaining \$128.809 million is restricted by laws or regulations of other governments.

15. Unrestricted Net Assets

These assets are resources of the County that can be used for any purpose, though they may not necessarily be liquid. In addition, assets in a restricted fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net assets.

16. Indirect Costs

Expenditures and expenses for functional activities include County indirect costs that are allocated to benefiting departments. Cost allocations are based on the annual *County-wide Cost Allocation Plan* which is prepared in accordance with Federal Office of Management and Budget Circular A-87.

17. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported

in the basic financial statements and accompanying notes. Actual results could differ from those estimates. Where significant estimates have been made in preparing these financial statements, they are described in the applicable footnotes.



II. Reconciliation of Government-Wide and Fund Financial Statements

A. Balance Sheet/Net Assets

Explanations of certain differences between the governmental funds balance sheet and the government-wide statement of net assets are detailed below:

Table 3

Governmental Fund Balance Sheet / Government-Wide Statement of Net Assets Reconciliation	
At June 30, 2008	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$2,094,842 difference are as follows:	
Bonds, notes and loans payable	\$ 2,250,777
Less: Unaccreted appreciation - capital appreciation bonds	(253,186)
Less: Unamortized deferred amounts on refundings (to be amortized as interest expense)	(18,906)
Less: Unamortized issuance discounts (to be amortized as interest expense)	(20,168)
Less: Unamortized issuance costs (to be amortized over the life of the debt)	(16,868)
Add: Unamortized issuance premiums	6,879
Capital lease obligations (excluding Internal Service Funds)	27,590
Arbitrage	498
Compensated absences (excluding Internal Service Funds)	96,027
Landfill closure and postclosure - San Marcos landfill	22,199
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 2,094,842
Internal Service Funds (See description of Internal Service Funds in Note I. B. 2. Fund Financial Statements, Internal Service Funds.) The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. The details of this \$103,286 difference are as follows:	
Net assets of the internal service funds	\$ 103,960
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(763)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	89
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 103,286



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

B. Statement of Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities

Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are detailed below:

Table 4

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities Reconciliation	
For the Year Ended June 30, 2008	
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 details of this \$66,635 difference are as follows:	
Capital outlay	\$ 157,818
Depreciation expense	(91,183)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 66,635
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. The details of this \$14,805 difference are as follows:	
The proceeds from the sale of capital assets provide current financial resources but have no effect on net assets	\$ (68)
The loss on the disposal of capital assets does not affect current financial resources but decreases net assets	(1,686)
Donations of assets to the County do not provide current financial resources but resources increase net assets	16,559
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ 14,805
The issuance of long-term debt (e.g. bonds, notes, and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$(186,152) difference are as follows:	
Debt issued or incurred:	
Principal repayments	\$ (184,615)
Capital lease payments	(2,033)
Arbitrage	496
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ (186,152)
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. The details of this(\$30,630) difference are as follows:	
Compensated absences	\$ (15,482)
Accrued interest	5,494
Accretion of capital appreciation bonds	(7,596)
Amortization of premium	472
Amortization of deferred amounts on refundings	(8,016)
Amortization of issuance costs	(4,308)
Amortization of discounts	(1,194)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ (30,630)
Internal Service Funds (See description of Internal Service Funds in Note 1. B. 2. Fund Financial Statements, Internal Service Funds.) The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this \$(1,671) difference are as follows:	
Change in net assets of the internal service funds	\$ (1,760)
Less: Loss from charges to business activities	89
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ (1,671)



III. Stewardship, Compliance and Accountability

A. Fund Deficits

Funds with accumulated deficits at June 30, 2008 are noted below:

Table 5

Fund Deficits - Various Funds At June 30, 2008	
Internal Service Funds:	
Employee Benefits Fund	\$ 7,002
Facilities Management	1,007

The deficit in the Employee Benefits fund resulted from the accrual of known and projected losses, allocated loss adjustment expenses and unallocated loss adjustment expenses based on actuarial studies. The deficit has decreased by \$19 million from the previous year due to investment income earned in the fund, an increase in the premium rate, and lower claims and other expenses. The County intends to reduce the deficit through increased premium rate charges to County departments by \$4 million per year.

The deficit within the Facilities Management Internal Service fund decreased from \$2.1 million at June 30, 2007 to \$1 million at June 30, 2008. The deficit is due to the use of California Energy Commission loans for expenses incurred for maintenance cost and energy conservation. The deficit will decrease annually as it is included in the utility rates calculation charged to the departments. The loans will be repaid by fiscal year 2016.

IV. Detailed Notes on all Funds

A. Deposits and Investments

The Treasurer is responsible for authorizing all County bank accounts and pursuant to Government Code Sections 27000.1 - 27000.5, 27130 - 27137, and 53600 - 53686 is responsible for conducting County investment activities of the County's investment pool (the Pool) as well as various individual investment accounts

outside of the Pool. Additionally, the Treasurer has oversight responsibilities for investments with fiscal agents.

The Pool is a County sponsored "external investment pool" wherein moneys of the County and other legally separate external entities, which are not part of the County Reporting Entity, are commingled (pooled) and invested on the participants' behalf. A separately issued annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 162, San Diego, California, 92101 and can also be accessed at [http:// www.sdtreastax.com](http://www.sdtreastax.com).

1. Deposits

Government Code 53652 et. seq. and the Treasurer's Pool Investment Policy (Pool Policy) prescribe the amount of collateral that is required to secure the deposit of public funds.

Federal Depository Insurance (FDIC) is available for funds deposited at any one financial institution up to a maximum of \$100,000 for demand deposits, time and savings deposits. The aforementioned Government Code and Pool Policy require that depositories collateralize public funds with securities having a market value of at least 10% in excess of the total amount of the deposits, reduced by the amount of FDIC insurance available. These securities shall be placed in the institution's pooled collateral account and monitored by a third party custodian bank.

a. Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized.

The Investment Pool does not have a formal policy regarding sweep (deposit) accounts, but the practice is to utilize national or state chartered banks where the excess over FDIC insurance is invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with California Government Code.



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

At June 30, 2008 the carrying amount of the County's demand and time deposits was \$54.705 million and the bank balance per various financial institutions was \$55.463 million.

Except as noted below, the County's deposits were not exposed to custodial credit risk as these deposits were either covered by FDIC insurance or collateralized with securities in accordance with the noted requirements:

\$19.933 million in the County's demand and time deposits was exposed to custodial credit risk as follows:

- a. \$.474 million in escrow retainage payments was not collateralized; and
- b. \$19.459 million collateralized by pledging bank's trust department was held in a named agent depository.

Future escrow contracts with financial institutions covering construction retainage payments will include requirements consistent with the aforementioned legal and policy provisions governing deposits.

2. Investments

Government Code 53601 governs the types of investments that may be purchased and makes certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss.

Permitted types of investments and financial instruments include: U.S. treasuries, Federal agencies, and local agency obligations; banker's acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; medium-term notes; collateralized certificates of deposit; money market mutual funds; mortgage pass-through securities; mortgage backed securities; and mortgage collateralized securities.

In addition to the above, the Board annually adopts a Pooled Money Fund Investment Policy. This policy is based on the criteria in Government Code 53601 but adds further specificity and restrictions to permitted investments.

In conjunction with the discussion below regarding investment risks, please refer to **Table 8** which details the types of securities held at fiscal year-end along with their fair value; interest rate and maturity ranges; weighted average maturity (days); security rating; and percentage of portfolio and **Table 9** which provides a comparison of Pool investment restrictions to investments permitted by the Government Code. Also please refer to **Table 10**, Deposits and Investments Reconciliation which summarizes these balances by fund type.

a. Interest Rate Risk - Investments

This is the risk that changes in interest rates will adversely affect the fair value of an investment.

Declines in the fair value of investments are managed by limiting the length of the maturity of securities. In general, the maximum maturity allowed is five years unless the Board has granted express authority either specifically or as part of an investment program. The policy related to the maturity structure of Pool requires that 50% of the portfolio include short-term instruments up to one year (25% maturing within 90 days and 25% maturing within 91 to 365 days) and no more than 50% to mature in 1 to 5 years. In addition, the Investment Pool limits the maximum effective duration of the portfolio to 18 months. In compliance with the policy, a weighted average of 56% of the Pool's investments had a maturity of 90 days or less at June 30, 2008.

Generally, investments with fiscal agents are structured in such a way that securities mature at the times and in the amounts that are necessary to meet scheduled expenditures and withdrawals.

b. Credit Risk - Investments

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations.

The Pool investment policy and the Government Code set minimum credit ratings for each type of security. Asset allocations with respect to the credit quality are based on Standard and Poor's Fund Credit Quality Rating Matrix as noted below:



Table 6

S & P Investment Rating		
Investment Pool		
Rating	Min. Fund%	Max. Fund%
AAA	67	100
AA	0	33
A	0	13
Investments with fiscal agents		
Short Term	A-1	
Long Term	A	

c. Concentration of Credit Risk - Investments

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Pool Investment policy limits the amount of exposure to any one single issuer to five percent. An exclusion to this limit is dependent upon the weighted average days to maturity for commercial paper. If the weighted average days is 5 days or less, the issuer limit can increase to ten percent of the total portfolio. Additionally, the maximum exposure to a single repurchase agreement (RP) is 10% of the portfolio value for RP's with maturities greater than 5 days and 15% of the portfolio for RP's maturing in 5 days or less. The Government Code requires specific percentage limitations for a particular category of investment and limits the purchase of commercial paper to no more than ten percent of the outstanding commercial paper of any single issuer. Investments are in compliance with State law and the Pooled Money Fund Investment Policy. Please refer to **Table 8**.

Instruments in any one issuer that represent 5% or more of the external investment pool or individual fund holdings as of June 30, 2008 are as follows:

Table 7

Issuer	External Investment Pool	Inactive Wastesites Fund
Federal home loan bank	\$ 1,047,146	\$ 32,534
Federal home loan mortgage Corporation	1,036,044	4,050
Federal national mortgage association (Fannie Mae)	841,707	5,317
MTNA General electric capital corporation	\$	4,992

d. Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

The County of San Diego utilizes third party delivery versus payment custodian which mitigates any custodial credit risk. No level three investments were held during the fiscal year ended June 30, 2008, and there was no securities lending.



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

Table 8

Investments At June 30, 2008	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
Pooled Investments						
US treasury notes	\$ 377,359	3.13% - 4.88%	09/08 - 04/13	857	N/A	7.45%
Federal farm credit bank notes	90,053	3.05% - 5.05%	10/09 - 10/11	720	AAA	1.78%
Federal home loan bank notes (1)	1,047,146	1.95% - 6.63%	07/08 - 01/13	651	AAA	20.68%
Federal national mortgage assn. notes (1)	841,707	1.90% - 5.00%	07/08 - 10/11	285	AAA	16.62%
Federal home loan mortgage corp. notes (1)	1,036,044	3.00% - 6.00%	07/08 - 02/13	706	AAA	20.46%
Medium-term notes	98,270	3.60% - 5.88%	10/08 - 03/12	740	AAA	1.94%
Commercial paper	619,295	2.36% - 2.66%	07/08 - 08/08	15	A-1/A-1+	12.23%
Bond funds	34,895	2.50%	07/08	1	AA	0.69%
Asset-backed notes (semi-annual)	25,410	5.30%	05/09	324	AAA	0.50%
Asset-backed notes (monthly)	14,113	4.35%	05/09	319	AAA	0.28%
Repurchase agreements	360,677	1.83% - 2.57%	07/08	1	N/A	7.12%
Negotiable certificates of deposit	375,035	2.40% - 5.36%	07/08 - 08/08	20	A-1/A-1+	7.41%
Open-end institutional money market funds	43,270	1.82% - 2.27%	07/08	1	AAA	0.85%
Collateralized certificates of deposit	35,000	2.60% - 2.85%	01/09	213	N/A	0.69%
Collateralized certificates of deposit	30,000	2.32% - 3.57%	11/08 - 05/09	236	N/A	0.59%
Time deposits	396	2.90% - 4.38%	08/07 - 05/08	194	N/A	0.01%
Time deposits	34,604	1.95% - 4.89%	07/08 - 05/09	100	N/A	0.68%
Total pooled investments	\$ 5,063,274			427		100.00%
County investments with fiscal agents						
Unrestricted:						
Federal home loan bank notes	\$ 32,536	3.00% - 6.79%	07/08 - 09/09	298	AAA	5.82%
Federal home loan mortgage corp. notes	4,050	5.25%	02/11	969	AAA	0.72%
Federal national mortgage assn. notes	5,317	7.25%	01/10	564	AAA	0.95%
Medium term notes	4,992	3.77%	10/08	122	AAA	0.89%
US treasury bills	2,829	1.85% - 1.95%	07/08 - 12/08	80	N/A	0.51%
Negotiable certificates of deposit	1,678	2.19% - 2.57%	09/08 - 11/08	108	A-1+	0.30%
Subtotal	51,402					
Restricted:						
Federal home loan bank discount notes	33,805	5.16%	8/08 - 11/08	151	N/A	6.04%
Fixed income tax exempt bonds	4,980	3.45%	04/35	9771	A-1	0.89%
Fixed income tax exempt bonds	10,382	5.75%	09/09	428	A-1+	1.86%
Fixed income tax exempt bonds	7,539	0% - 5.25%	07/11 - 09/12	1141	A+	1.35%
Fixed income tax exempt bonds	115,871	0% - 5.63%	10/08 - 08/15	1046	AA	20.71%
Fixed income tax exempt bonds	22,557	5.00% - 5.25%	05/10 - 5/12	969	AA-	4.03%
Fixed income tax exempt bonds	65,023	3.50% - 6.00%	07/08 - 01/15	1092	AA+	11.62%
Fixed income tax exempt bonds	163,758	0% - 8.95%	08/08 - 11/13	888	AAA	29.28%
Fixed income tax exempt bonds	1,372	5.90%	03/10	609	N/A	0.25%
Guaranteed investment contracts	32,521	4.11% - 5.27%	08/08 - 05/09	251	N/A	5.81%
Mutual funds	30,000	1.64%	07/08	1	N/A	5.36%
Money market funds	19,913	1.23% - 1.75%	07/08	1	AAAm	3.56%
Negotiable certificates of deposit	253	2.7% - 3.05%	08/08 - 11/08	102	N/A	0.05%
Subtotal	507,974					
Total County investments with fiscal agents	\$ 559,376					100.00%

Table continued on next page

Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)



Investments

At June 30, 2008

	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
Table continued from previous page						
External specific investments:						
Federal home loan bank notes	\$ 4,286	4.20% - 5.25%	10/09 - 1/13	1159	AAA	0.91%
Federal national mortgage assn. notes	2,015	4.90%	11/08	126	AAA	0.43%
Federal home loan mortgage corp. notes	1,517	4.48% - 4.75%	09/08 - 09/10	329	AAA	0.32%
Guaranteed investment contracts	454,628	4.26% - 5.20%	07/08 - 09/10	413	N/A	97.02%
Medium term notes	1,516	4.63% - 4.88%	09/09 - 10/10	576	AAA	0.32%
Money market funds	4,626	1.52% - 1.75%	07/08	1	AAAm	0.99%
Total external specific investments	\$ 468,588					100.00%
Total investments with fiscal agents	\$ 1,027,964					

(1) More than 5% of the Pool's investments are with U.S. agencies whose debt is not guaranteed by the U.S. government.

Table 9

Investment Pool Policy Restrictions versus Government Code 53601 Requirements

Investment Type	Maximum Maturity		Maximum% of Portfolio		Maximum% with One Issuer		Minimum Rating	
	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
US Treasury and agency obligations	5 years	5 years	None	None	None	25%	None	None
Local agency obligations	5 years	5 years	None	15%	None	10%	None	A
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	None	A
Commercial paper	270 days	270 days	40%	40%	10%	(1)	A-1	A-1
Negotiable certificates	5 years	5 years	30%	30%	30%	5%	None	A
Repurchase agreements	1 year	1 year	None	40%	None	(2)	None	None
Reverse repurchase agreements	92 days	92 days	20%	20%	None	5%	None	None
Local agency investment fund of California	N/A	N/A	None	10%	None	10%	None	None
Medium term notes/bonds	5 years	5 years	30%	30%	30%	5%	A	A
Mutual funds	N/A	N/A	20%	15%	10%	10%	AAA	AAA
Pass-through securities (3)	5 years	5 years	20%	20%	None	5%	A	A

(1) Maximum exposure per issuer - The maximum exposure to a single issuer shall be 5% of the portfolio when the dollar weighted average maturity is greater than 5 days, 10% of the portfolio when the dollar weighted average maturity is 5 days or less.

(2) Maximum exposure per issue - The maximum exposure to a single RP issue shall be 10% of the portfolio value for RP's with maturities greater than 5 days, 15% of the portfolio for RP's maturing in 5 days or less.

(3) Limited to equipment leasebacked certificates, consumer receivable pass-through certificates or consumer receivable-backed bonds.



Table 10

	Primary Government		Total Primary	First 5 Commission	Investment Trust	Agency Funds	Total
	Governmental Activities	Business-Type Activities					
Pooled cash and investments	\$ 1,448,834	85,446	1,534,280	21,450	3,119,116	406,676	5,081,522
Cash with fiscal agents:							
Unrestricted	494		494		18	3,723	4,235
Restricted	560		560				560
Total cash with fiscal agents	\$ 1,054		1,054		18	3,723	4,795
Investments with fiscal agents:							
Unrestricted	\$ 51,402		51,402				51,402
Restricted	507,974		507,974				507,974
Unrestricted Investment Trust					468,588		468,588
Subtotal investments with fiscal agents	559,376		559,376		468,588		1,027,964
First 5 Commission				177,475			177,475
Total investments with fiscal agents	\$ 559,376		559,376	177,475	468,588		1,205,439
Reconciliation of pooled cash and investments:							
Investments in county pool	\$ 5,028,274						
Add: Demand deposits	49,911						
Collection in transit	2,806						
Imprest cash	531						
Total pooled cash and investments	\$ 5,081,522						
Reconciliation of pooled investments to Table 8:							
Investments in county pool	\$ 5,028,274						
Add: Time deposits included in demand deposits above	35,000						
Investments in county pool - Table 8	\$ 5,063,274						

B. Receivables

Details of receivables reported in the government-wide Statement of Net Assets are presented on **Table 11**. Amounts that are not expected to be collected within the next fiscal year are identified below:

Due from Other Governmental Agencies - Governmental activities - \$39.247 million

This amount represents Senate Bill (SB) 90 cost reimbursements due the County for the provision of State mandated programs and services for fiscal years prior to 2004. The State Constitution requires reimbursement for these program costs and interest will accrue on the reimbursement claims until they are paid according to Government Code 17617 over a period not more than 15 years beginning in FY

2007. The State began to reimburse the County for these programs and services in FY 2007, but has not budgeted appropriations in the current year.

Loans - Governmental activities- \$50.069 million

This amount includes: \$23.768 million in housing rehabilitation loan programs for low-income or special need residents; \$22.215 million in community development block grant loans; and \$4.086 million in loans for low income housing down payments such as closing costs.

Loans- Business-type activities- \$4.262 million

This amount represents Airport Enterprise Fund (AEF) loans to Airport lessees for the purchase of AEF reversionary interests in leasehold improvements existing at the expiration of previous operating leases.



Table 11

Receivables Primary Government and Discretely Presented Component Unit At June 30, 2008								
	Accounts	Investment Income	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:								
General Fund	\$ 2,522	9,391	255,710	6,074		273,697	(2,797)	270,900
Public Safety Special Revenue Fund			39,561			39,561		39,561
Tobacco Securitization Special Revenue Fund		5,789				5,789		5,789
Other Governmental Funds	24,353	4,191	38,430	43,995	9	110,978	(2,745)	108,233
Internal Service Funds	717	1,151	1,089			2,957	(173)	2,784
Total governmental activities	\$ 27,592	20,522	334,790	50,069	9	432,982	(5,715)	427,267
Business-type activities:								
Enterprise Fund	\$ 502	734	3,757	4,262		9,255		9,255
Component Unit:								
First 5 Commission	\$ 6,316	2,263				8,579		8,579

C. County Property on Lease to Others

The County has *noncancelable* operating leases for certain properties which are not material to the County's governmental operations, with the exception of a sublease of a share of the Metropolitan Transit System (MTS) Towers. In this regard, the share of the County's property under this lease is an estimated \$12.74 million in land and structures and improvements with accumulated depreciation of \$5.0 million at June 30, 2008.

Additionally, the Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires. The Airport Enterprise Fund's property under operating leases includes an estimated \$2.48 million in land at June 30, 2008.

Lease revenue from noncancelable operating leases for the year ended June 30, 2008 was approximately \$15.6 million.

Future minimum *revenue* to be received under these noncancelable operating leases are noted below in **Table 12**.

Table 12

Lease Revenue County Property Leased To Others	
Fiscal Year	Minimum Lease Revenue
2009	\$ 15,994
2010	15,070
2011	13,869
2012	12,716
2013	12,348
2014-2077	173,533
Total	\$ 243,530



Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

D. Capital Assets

1. Changes in Capital Assets

Increases and decreases in the County's capital assets for governmental and business-type activities during the fiscal year were as follows:

Table 13

Capital Assets - Governmental Activities				
	Beginning Balance at July 1, 2007	Increases	Decreases	Ending Balance at June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 275,267	11,461	(1,087)	285,641
Construction and contracts in progress	198,503	99,459	(30,469)	267,493
Total capital assets, not being depreciated	473,770	110,920	(31,556)	553,134
Capital assets, being depreciated:				
Buildings and improvements	1,007,175	17,543	(437)	1,024,281
Equipment	273,330	29,684	(11,439)	291,575
Road infrastructure	2,244,086	60,722		2,304,808
Bridge infrastructure	43,296	1,226		44,522
Total capital assets, being depreciated	3,567,887	109,175	(11,876)	3,665,186
Less accumulated depreciation for:				
Buildings and improvements	(330,025)	(19,378)	125	(349,278)
Equipment	(134,632)	(37,745)	9,990	(162,387)
Road infrastructure	(807,558)	(62,783)		(870,341)
Bridge infrastructure	(13,936)	(825)		(14,761)
Total accumulated depreciation	(1,286,151)	(120,731)	10,115	(1,396,767)
Total capital assets, being depreciated, net	2,281,736	(11,556)	(1,761)	2,268,419
Governmental activities capital assets, net	\$ 2,755,506	99,364	(33,317)	2,821,553

Table 14

Capital Assets - Business-type Activities				
	Beginning Balance at July 1, 2007	Increases	Decreases	Ending Balance at June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 11,243	95		11,338
Construction and contracts in progress	42,583	15,889	(8,618)	49,854
Total capital assets, not being depreciated	53,826	15,984	(8,618)	61,192
Capital assets, being depreciated:				
Buildings and improvements	47,503	5,052		52,555
Equipment	1,341			1,341
Road infrastructure	235	100		335
Sewer infrastructure	65,626	3,368		68,994
Total capital assets, being depreciated	114,705	8,520		123,225
Less accumulated depreciation for:				
Buildings and improvements	(22,558)	(1,324)		(23,882)
Equipment	(1,004)	(58)		(1,062)
Road infrastructure	(6)	(5)		(11)
Sewer infrastructure	(29,863)	(1,107)		(30,970)
Total accumulated depreciation	(53,431)	(2,494)		(55,925)
Total capital assets, being depreciated, net	61,274	6,026		67,300
Business-type activities capital assets, net	\$ 115,100	22,010	(8,618)	128,492

2. Depreciation

Depreciation expense was charged to governmental activities and business-type activities as shown below.

Table 15

Depreciation Expense - Governmental Activities	
General government	\$ 2,120
Public protection	20,528
Public ways and facilities	63,078
Health and sanitation	2,332
Public assistance	1,097
Education	257
Recreation and cultural	1,771
Internal Service Funds	29,548
Total	\$ 120,731

Table 16

Depreciation Expense - Business-type Activities	
Airport Fund	\$ 1,111
Wastewater Management Fund	19
Sanitation Districts Fund	1,364
Total	\$ 2,494

Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)



3. Capital Commitments

At June 30, 2008, major contracts entered into for equipment, land, structures and improvements and other commitments listed by fund within governmental and business-type activities were as follows:

Table 17

Capital Commitments		Remaining
At June 30, 2008		Commitments
Governmental Activities		
Other Governmental Funds:		
Construction of Medical Examiner/Forensics Center	\$	34,985
Construction of Valley Center Road, Phase II		16,869
Acquisition of 2,837 Acres for Multi Species Conservation Program		6,174
Construction of Edgemoor Skilled Nursing Facility		4,963
Construction of Lakeside Sports Complex		4,500
Construction of San Elijo Lagoon Nature Center		2,767
Subtotal		70,258
Business-type Activities		
Enterprise Funds:		
Palomar Airport Terminal Redevelopment		13,676
Sanitation District Sewer and Flow Monitoring System Improvements		2,065
Subtotal		15,741
Total	\$	85,999

E. Interfund Transactions

The composition of interfund balances at fiscal year-end, was as follows:

1. Due To/Due From Other Funds

Due To/Due from Other Funds at year-end consisted of the following amounts on **Table 18** below.

Table 18

Due To/From Other Funds		DUE FROM						
At June 30, 2008		General Fund	Public Safety Special Revenue	Tobacco Securitization Special Revenue	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
DUE TO	General Fund	\$	\$ 62,104	\$ 1,117	\$ 11,911	\$ 228	\$ 4,555	\$ 79,915
	Nonmajor Governmental	22,413	15		1,100	297	122	23,947
	Nonmajor Enterprise	42			31	2,000		2,073
	Internal Service	19,714			1,333	165	486	21,698
	Total	\$ 42,169	\$ 62,119	\$ 1,117	\$ 14,375	\$ 2,690	\$ 5,163	\$ 127,633

Balances resulted from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

2. Advances

Advances to/advances from other funds at year-end are noted on **Table 19** below.

Table 19

Advances To/From At June 30, 2008		ADVANCES TO			
ADVANCES FROM		Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
	General Fund	\$ 5,189	\$ 14	\$ 2,000	\$ 7,203
	Nonmajor Governmental	43			43
	Nonmajor Enterprise	3,363			3,363
	Internal Service	148			148
	Total	\$ 8,743	\$ 14	\$ 2,000	\$ 10,757

Outstanding balances on loans from the General Fund and the Airport Enterprise Fund to the funds listed below were made for the following purposes:

General Fund loans:

\$4.5 million to the Housing and Community Development Special Revenue Fund and \$2 million to the Facilities Management Internal Service Fund (Major Maintenance) for working capital; and \$689 to the Redevelopment Agency Fund (Upper San Diego River Project) to provide funding for project improvements. Loan repayments are to be made out of tax increment.

Airport Enterprise loan:

\$3.363 million to the Redevelopment Agency Fund to fund airport projects. Loan repayments are based on the condition that the collection of property tax revenues per H.S. Code 33670 is sufficient to allow the payment of the loan.

3. Transfers In/Transfers Out

Transfers in/transfers out at fiscal year-end are noted in **Table 20** below.

Table 20

Transfers In/Transfers Out At June 30, 2008		TRANSFERS OUT						
TRANSFERS IN		General Fund	Public Safety Special Revenue	Tobacco Securitization Special Revenue	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
	General Fund	\$	\$ 230,519	\$ 24,200	\$ 2,549	\$ 622	\$	\$ 257,890
	Nonmajor Governmental	232,453	15		101,176	425	2,553	336,622
	Nonmajor Enterprise	321			23	2,689		3,033
	Internal Service	3,626						3,626
	Total	\$ 236,400	\$ 230,534	\$ 24,200	\$ 103,748	\$ 3,114	\$ 3,175	\$ 601,171

In general, transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations.

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Transfers made in FY 2008 for purposes other than those described above include a one-time transfer of \$95 million from the General Fund to the Pension Obligation Bond Debt Service Fund to prepay the 2002 Series C Pension Obligation Bonds.

F. Payables

The County's payables at fiscal year-end are shown below for the General Fund, other governmental funds, internal service funds, business type activities' funds, and the discrete component unit:

Table 21

Payables At June 30, 2008				
	Vendors	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:				
General Fund	\$ 71,651	10,643	3,014	85,308
Other Governmental Funds	29,656	2,958	1,105	33,719
Internal Service Funds	32,595	274	21	32,890
Total governmental activities	\$ 133,902	13,875	4,140	151,917
Business-type activities:				
Enterprise Funds	\$ 4,712	101	22	4,835
Component Unit:				
First 5 Commission	\$ 10,068	155	624	10,847

G. Short-Term Obligations

The County issues tax anticipation notes in advance of property tax collections, depositing the proceeds in the General Fund. These notes are necessary to fund the County's annual cash flow needs. The majority of property tax collections are received in December and April.

Short-term debt activity for the fiscal year was as follows:

Table 22

Short-Term Obligations				
	Beginning Balance at July 1, 2007	Issued	Redeemed	Ending Balance at June 30, 2008
Tax and revenue anticipation notes	\$ 220,000	95,200	(315,200)	\$ 0

H. Lease Obligations

1. Operating Leases

a. Real Property

The County has obligations under long-term operating lease agreements through fiscal year 2017 (Table 23 below). The County is the lessee under the terms of several non-cancelable operating leases for real property used to house certain County operations. The total rental expense for all real property leases for the year ended June 30, 2008 was approximately \$29.9 million, including \$12.8 million for non-cancelable leases.

The future minimum lease payments for these non-cancelable leases are as follows:

Table 23

Lease Commitments - Real Property	
Fiscal Year	Minimum Lease Payments
2009	\$ 12,379
2010	11,458
2011	10,726
2012	9,298
2013	4,309
2014-2017	7,065
Total	\$ 55,235

b. Personal Property

The County has also entered into operating leases for personal property, a large portion of which represents duplicating and heavy duty construction equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2008, was approximately \$4.5 million.

2. Capital Lease

a. Minimum Lease Payments

Land and a building have been leased from the San Diego Regional Building Authority. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is reflected as a liability in that statement. The County assumes responsibility for all maintenance, repair, and structural modifications under the terms of the lease



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agreement. Future minimum lease payments (Table 24 below) under this capital lease were as follows:

Table 24

Capital Leases - Future Minimum Lease Payments	
Fiscal Year	Amount
2009	\$ 3,068
2010	3,053
2011	3,130
2012	3,017
2013	3,083
2014-2018	15,263
2019-2020	6,126
Total minimum lease payments	36,740
Less: Amount representing interest	(9,150)
Net lease payments	\$ 27,590

b. Book Value

The book value of capital lease property consisted of the following:

Table 25

Capital Leases - Book Value At June 30, 2008			
Capital Lease Property	Original Cost	Accumulated Depreciation	Net Book Value
Land	\$ 2,221		2,221
Buildings and improvements	43,909	18,076	25,833
Total	\$ 46,130	18,076	28,054

I. Long-Term Debt

Governmental Activities:

1. Certificates of Participation (COPs)

Certificates of Participation (COPs) provide funds for the acquisition and construction of major capital facilities and equipment. The County's COPs are backed by a lease structure where the County leases certain properties to another entity, a lessor, which in turn leases the properties back to the County. At the County, this lessor is the San Diego Capital Asset Leasing Corporation (SANCAL), (see Note I. A. 1. "Blended Component Units.") COPs are secured by: a) annual base rental lease payments for the use of facilities constructed or equipment purchased with COPs proceeds made by the County primarily from the County General Fund to the lessor; and b) encumbrances on the facilities. Under lease terms, the County is required to make the necessary annual appropriations for lease

payments, except to the extent those payments are abated in accordance with the terms of the leases. COPs, which are executed and delivered by the trustee upon receipt of the proceeds generated by their sale, evidence a pro rata share in a specific pledged revenue stream and the certificates entitle the owners to receive a share, or participation, in the lease payments from a particular project. Lease payments are passed through the lessor to the certificate holders. The lessor assigns the lease and lease payments to a trustee, which distributes the lease payments to the certificate holders.

Details of COPs outstanding at June 30, 2008 are as follows:

Table 26

Certificates of Participation				
Issuance	Original Amount	Interest Rate	Final Maturity Date	Ending Balance at June 30, 2008
1993 Master Refunding	\$ 203,400	2.50 - 5.625%	2013	\$ 29,400
1997 Central Jail Refunding	80,675	4.00 - 5.42%	2026	60,670
1998 Downtown Courthouse Refunding	73,115	4.00 - 5.25%	2023	45,610
1999 East Mesa Refunding	15,010	3.60 - 4.75%	2010	3,550
2000 Information Technology Service Financing	51,620	4.50 - 5.125%	2010	12,435
2002 Motorola	26,060	2.00 - 5.00%	2011	9,530
2005 Edgemoor Project	83,510	3.00 - 5.00%	2030	81,300
2005 Regional Communications System Refunding	28,885	3.00 - 5.00%	2019	20,110
2005 North & East Justice Facilities Refunding	28,210	3.25 - 5.00%	2020	25,060
2006 Edgemoor Completion Project	42,390	4.00 - 5.00%	2030	42,390
Total	\$ 632,875			\$ 330,055

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Annual debt service requirements to maturity for COPs are as follows:

Table 27

Certificates of Participation - Debt Service Requirements to Maturity			
Fiscal Year	Principal	Interest	Total
2009	\$ 30,400	15,015	\$ 45,415
2010	32,065	13,588	45,653
2011	24,950	12,151	37,101
2012	18,400	11,210	29,610
2013	19,205	10,321	29,526
2014-2018	69,935	41,272	111,207
2019-2023	67,185	24,231	91,416
2024-2028	50,625	9,784	60,409
2029-2030	17,290	911	18,201
Subtotal	\$ 330,055	138,483	\$ 468,538
Add:			
Arbitrage	498		
Unamortized issuance premium	6,879		
Less:			
Unamortized issuance discount	(1,900)		
Total	\$ 335,532		

2. Taxable Pension Obligation Bonds (POBs)

POBs are issued by the County to reduce its pension unfunded actuarial liability and to achieve interest rate savings by issuing bonds at interest rates which are less than the assumed rate of return earned on proceeds placed in the San Diego County Employees Retirement Association's (SDCERA) pension plan. POBs also have been issued to refund previously issued POB debt. Because current federal tax law restricts the investment of the proceeds of tax-exempt bonds in higher-yielding taxable securities, POBs are issued on a taxable basis.

During fiscal year 2008, the County prepaid, in full, \$100 million 2002 Series C Pension Obligation Bonds; and \$20 million of its Series 2002 B1 Pension Obligation Bonds.

Details of POBs outstanding at June 30, 2008 are as follows:

Table 28

Taxable Pension Obligation Bonds				
Issuance	Original Amount	Interest Rate	Final Maturity Date	Ending Balance at June 30, 2008
1994 Series A	\$ 430,430	6.38 - 6.59%	2008	\$ -
2002 Series A	132,215	3.88 - 4.95%	2016	132,215
2002 Series B1	100,000	variable	2031	80,000
2002 Series B2-4	405,125	variable	2031	405,125
2002 Series C	100,000	6.13%	2033	
2004 Series A	241,360	3.28 - 5.86%	2023	223,095
2004 Series B1-2	147,825	5.91%	2025	147,825
2004 Series C CABs	64,928	4.66 - 5.76%	2016	100,170
2004 Series C Unaccreted Appreciation CABs				(20,230)
Total	\$1,621,883			\$1,068,200

Annual debt service requirements to maturity for POBs are shown below in **Table 29**. The variable rate used to calculate the interest due on the 2002 taxable pension obligation bonds Series B1 was 3.98% which represents the auction rate bond coupon for June 2008. The variable rate used for the 2002 taxable pension obligation bonds Series B2-4 was 3.97%, which represents the average auction rate bond coupon for June 2008. The maximum interest rate on these bonds shall not exceed 17% per annum.

Table 29

Taxable Pension Obligation Bonds - Debt Service Requirements to Maturity				
Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2009	\$ 24,900	4,265	45,096	\$ 74,261
2010	24,583	4,011	45,067	73,661
2011	25,662	3,591	44,381	73,634
2012	26,746	3,053	43,621	73,420
2013	27,820	2,386	42,813	73,019
2014-2018	190,012	2,924	194,291	387,227
2019-2023	324,915		129,742	454,657
2024-2028	288,750		43,962	332,712
2029-2033	119,800		4,947	124,747
Subtotal	\$1,053,188	20,230	593,920	\$ 1,667,338
Add:				
Accreted appreciation through June 30, 2008	15,012			
Total	\$1,068,200			



POB Interest Rate Swap

To manage interest rate risk and lower the County's borrowing cost for its 2002 Taxable Pension Obligation Bonds, the County entered into an interest rate swap on September 17, 2002 with two counterparties. The swap converts the variable interest rates on several subseries of the 2002 Taxable Pension Obligation Bonds to a single long-term fixed rate that was lower than the "natural" fixed rate available at the time of the swap. The interest rate swap with Citibank N.A. (Citibank) and Morgan Stanley Capital Services (Morgan Stanley), (together the "counterparties") is governed by the International Swaps and Derivatives Association, Inc. Master Agreement (the Agreement) and a Swap Confirmation. In fiscal year 2003, the County issued \$737.340 million of Pension Obligation Bonds including \$505.125 million of Series B Bonds Auction Rate Securities of which \$485.125 million are outstanding as of June 30, 2008 (see also Note V. F. "Subsequent Event, 2. Taxable Pension Obligation Bonds Series 2008 A and Series 2008 B"). Within the Series B Auction Rate Securities there are the following subseries: \$80 million of Series B-1, \$135.025 million of Series B-2, \$135.05 million Series of B-3 and \$135.05 million of Series B-4 bonds. The County swapped Series B-2, B-3 and B-4 totaling \$405.125 million of the Auction Rate Securities for a contractually agreed fixed interest rate of 5.30%. Of the \$405.125 million our exposure with Citibank is \$263.325 million and our exposure with Morgan Stanley is \$141.8 million notional amount.

Further details concerning this interest rate swap are discussed below. (See also Note V. F. "Subsequent Event, 2. Taxable Pension Obligation Bonds Series 2008 A and Series 2008 B").

i. Terms

County payments are due to bondholders semi-annually on August 15 and February 15, beginning February 15, 2003. The effective date of the swap was September 17, 2002 and the initial six-month calculation period began February 15, 2003. The Agreement and the Confirmation terminate on February 15, 2031 and the series B-2, B-3 and B-4 bonds mature on August 15, 2030. The County did not receive any

upfront payments but pursuant to the terms of the Agreement, each August 15 and February 15 the County will receive an amount from each of the counterparties based on the notional amount of principal outstanding for the past six months at an interest rate of one month London Interbank Offered Rate (LIBOR) and each February 15 the County will pay the counterparties the scheduled 5.30% of the notional amount outstanding. The February 15 payment due from the counterparties will be netted against the 5.30% County payment. The notional amount of the swap will begin to decline in fiscal year 2017 in direct proportion to the repayment of the bonds.

The obligations of the County to make payments to the counterparties under this Agreement constitute general obligations of the County, payable from taxes, income, revenue cash receipts and other monies of the County legally available in the General Fund. The payments due to the counterparties and the obligations of the County under this Agreement do not constitute any kind of indebtedness of the County as defined under and/or proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgement decree, or ruling.

As of June 30, 2008, the swap created a synthetic interest rate for the bonds as noted below:

Table 30

Interest Rate Swap - Synthetic Interest Rate		
	Terms	Rates
Fixed rate to counterparty	Fixed	5.300%
Variable rate from counterparty	1 month LIBOR	-2.460%
Net interest rate swap payments		2.840%
Average auction rate bond coupon payments		3.970%
Synthetic interest rate on bonds		6.810%

ii. Fair Value

As of June 30, 2008 the swaps had a mark to market fair value of \$(23.383) million. The mid-market or indicative unwind valuation was derived from a proprietary model using the zero coupon method. This model takes into consideration estimates about relevant present

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and future market consideration as well as the size and liquidity of the position and any related actual or potential hedging transaction.

The primary risks associated with this transaction are: Credit Risk, Termination Risk, and Basis Risk.

iii. Credit Risk

As of June 30, 2008 the County was not exposed to credit risk because the swap had a negative mark to market fair value of \$23.383 million. However, should interest rates change and the fair value of the swap becomes positive the County would be exposed to credit risk in the amount of the swap's fair value. Citibank is rated Aa1/AA/AA- by Moody's, Standard & Poors and Fitch, respectively and Morgan Stanley is rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch, respectively. Pursuant to the Agreement if the rating issued by Standard & Poors or Moody's of the senior unsecured debt obligations of the counterparties is suspended or withdrawn or falls below "A-" in the case of Standard & Poors or below "A3" in the case of Moody's, collateral is to be delivered to a third party.

iv. Termination Risk

The Agreement includes standard termination events such as failure to pay, bankruptcy and early termination. For this transaction, the swap and bond maturities match and carries an Interest Rate Swap Insurance Policy by MBIA Insurance Corporation (MBIA). If the Agreement is terminated for any of the conditions in the agreement, and at the time of the termination the swap has a negative fair value, the County would be liable to the counterparties for a payment equal to the swap's fair value. The swap can be terminated by the County for market value at any time. As of June 30, 2008 the fair value of the swap is \$(23.383) million. Value is predominantly tied to changes in the market for the fixed swap rate for the remaining swap term.

v. Basis Risk

The County's exposure to basis risk arises when the one-month LIBOR rate index received from the counterparties may be less than the applicable auction rate that is being paid to the bondholders, that is the cash flow being received by the counterparty is not equal to the

cash flow being paid to the variable rate bondholder. By using one month LIBOR, the County's objective is to mitigate the effect of the differential between the swap index and the bondholder variable rate. For fiscal year 2008, the differential was \$(123).

vi. Swap Payments and Associated Debt

Scheduled debt service requirements applicable to variable-rate debt and net swap payments presented in **Table 31** are based on current rates at June 30, 2008. (See also Note V. F. "Subsequent Event, 2. Taxable Pension Obligation Bonds Series 2008 A and Series 2008 B").

Table 31

Interest Rate Swap - SWAP Payments and Associated Debt				
Fiscal Year	Principal	Interest 3.97%	Interest Rates Swaps, Net 2.84%	Total
2009	\$	15,566	11,506	\$ 27,072
2010		16,082	11,506	27,588
2011		16,082	11,506	27,588
2012		16,082	11,506	27,588
2013		16,082	11,506	27,588
2014-2018	37,600	78,379	56,474	172,453
2019-2023	114,550	60,383	44,419	219,352
2024-2028	151,525	33,592	25,646	210,763
2029-2031	101,450	4,219	4,098	109,767
Total	\$ 405,125	256,467	188,167	\$ 849,759

3. Tobacco Settlement Asset-Backed Bonds (TSAB)

TSAB are issued by the Tobacco Securitization Joint Powers Authority of Southern California (Authority) to securitize future revenue streams available to the County pursuant to the agreements described below.

A 1998 Master Settlement Agreement (MSA) was originally entered into by the four major cigarette manufacturers, 46 states and six other U.S. jurisdictions (the "Settling States") to provide state governments (including California) with compensation for smoking related medical costs and to help reduce smoking in the United States. There is no limit to the yearly settlement payments, they are perpetual. Also, a Memorandum of Understanding (the "MOU") and a supplemental agreement (the "ARIMOU") was agreed to by the State of California and all California counties and four California cities, granting those California



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municipalities the right to receive tobacco settlement allocation payments (also known as Tobacco Settlement Revenues - TSRs).

In fiscal year 2002, the Authority issued \$446.86 million 2001 Tobacco Settlement Asset-Backed Bonds (Bonds), to fund the Authority's loan to the San Diego Tobacco Asset Securitization Corporation (Corporation), pursuant to a loan agreement between the Authority and the Corporation. (Both entities are blended component units of the County, See Note I.A.1. *Blended Component Units*). According to the loan agreement, the Corporation has pledged, assigned and granted to the Authority, a first priority perfected security interest in all rights, title and interest of the Corporation, to the TSRs the Corporation purchased from the County, and future TSRs. The Corporation used the net proceeds of the loan, \$411.913 million, to pay the County, in exchange for the County's transfer to the Corporation of all the County's rights, title and interest in the TSRs. Net proceeds have been placed in an endowment fund to fund healthcare-based programs pursuant to Board Policy E-14 and IRS regulations.

In May 2006, the Authority issued Series 2006 TSAB in the amount of \$583.631 million to refund the outstanding principal of the original 2001 bonds, noted above and to loan an additional \$123.515 million to the Corporation. The Series 2006 Bonds are limited obligations of the Authority, maturing in fiscal year 2035-36. The proceeds were placed into the endowment fund for the aforementioned purposes.

Under the terms of bond indentures, TSRs are pledged to the repayment of the bonds. Accordingly, the bonds are payable solely from certain funds held under the indenture, including payments of TSRs, and earnings on such funds (collections).

Details of TSAB outstanding at June 30, 2008 are as follows:

Table 32

Tobacco Settlement Asset-Backed Bonds				
Issuance	Original Amount	Interest Rate	Final Maturity Date	Ending Balance at June 30, 2008
Series 2006A Senior Current Interest Bonds	\$ 534,610	4.75 - 5.125%	2016-2030	\$ 524,645
Series 2006B CABs	19,770	6.25%	2032	92,241
2006B unaccreted appreciation CABs				(69,761)
Series 2006C CABs	8,686	6.40%	2033	46,186
2006C unaccreted appreciation CABs				(36,280)
Series 2006D CABs	20,565	7.10%	2036	150,704
2006D unaccreted appreciation CABs				(126,915)
Total	\$ 583,631			\$ 580,820

Annual debt service requirements to maturity for TSAB are as follows:

Table 33

Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity				
Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2009	\$ 9,670	3,790	26,235	\$ 39,695
2010	10,345	4,047	25,773	40,165
2011	11,265	4,321	25,278	40,864
2012	10,780	4,613	24,744	40,137
2013	11,685	4,926	24,229	40,840
2014-2018	76,325	30,118	111,785	218,228
2019-2023	122,445	41,822	88,295	252,562
2024-2028	173,775	58,099	52,316	284,190
2029-2033	130,308	66,480	7,500	204,288
2034-2036	17,068	14,740		31,808
Subtotal	\$ 573,666	232,956	386,155	\$ 1,192,777
Add:				
Accreted appreciation through June 30, 2008	7,154			
Subtotal	\$ 580,820			
Less:				
Unamortized issuance discount	(18,227)			
Unamortized deferred amounts on refundings	(18,906)			
Total	\$ 543,687			

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TSAB pledged revenue for the year ended June 30, 2008 was as follows:

Table 34

Pledged Revenues - Tobacco Settlement Asset-Backed Bonds				
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 Tobacco Settlement Asset-Backed Bonds	2036	\$ 1,202,120	\$ 33,464	\$ 30,959

4. San Diego County Redevelopment Agency (CRA) Revenue Refunding Bonds

In December 2005, the San Diego County Redevelopment Agency (CRA) issued \$16 million Revenue Refunding Bonds Series 2005A that mature in fiscal year 2032-33. The CRA has pledged property tax increment revenues generated within the Gillespie Field Project Area to pay for the bonds. Gillespie Field Airport revenues may also be used to fund debt service payments if there are insufficient property tax increment revenues to cover a particular fiscal year's debt service requirement. Bonds are also payable from funds held under the indenture, including earnings on such funds.

CRA revenue refunding bonds outstanding at June 30, 2008 were the following:

Table 35

CRA Revenue Refunding Bonds				
Issuance	Original Amount	Interest Rate	Final Maturity Date	Ending Balance at June 30, 2008
Revenue Refunding Bonds Series 2005A	\$ 16,000	3.65 - 5.75%	2033	\$ 15,320
Total	\$ 16,000			\$ 15,320

Annual debt service requirements to maturity for CRA bonds are as follows:

Table 36

CRA Revenue Refunding Bonds - Debt Service Requirements to Maturity			
Fiscal Year	Principal	Interest	Total
2009	\$ 335	811	\$ 1,146
2010	345	797	1,142
2011	360	782	1,142
2012	375	766	1,141
2013	395	748	1,143
2014-2018	2,275	3,420	5,695
2019-2023	2,915	2,756	5,671
2024-2028	3,790	1,847	5,637
2029-2033	4,530	621	5,151
Total	\$ 15,320	12,548	\$ 27,868
Less:			
Unamortized issuance discount	(41)		
Total	\$ 15,279		

CRA pledged revenue for the year ended June 30, 2008 was as follows:

Table 37

Pledged Revenues - CRA Revenue Refunding Bonds				
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2005A Revenue Refunding Bonds	2033	\$ 27,868	\$ 1,145	\$ 1,057

5. Loans - Governmental Activities

Loans for various governmental activities included: Permanent Road Division bank loans for road improvements and maintenance; a United States Department of Agriculture Farmers Home Administration loan for the construction of low income housing; and California Energy Commission loans to fund various projects in County facilities to increase energy efficiency.



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Details of loans outstanding at June 30, 2008 for governmental activities are as follows:

Table 38

Loans - Governmental Activities				
Loans	Original Amount	Interest Rate	Final Maturity Date	Ending Balance at June 30, 2008
Singing Trails Zone #1013	\$ 66	8.75%	2008	\$ 0
Pauma Heights PRD #21	160	7.75%	2009	32
Landavo Zone PRD #1015	344	8.25%	2016	118
El Sereno Way Zone PRD #1016	118	8.25%	2012	94
Firebird Manor	4,486	1.00%	2028	2,952
California Energy Comm Loan 1 (Facilities ISF)	1,977	4.00%	2015	1,348
California Energy Comm Loan 2 (Facilities ISF)	3,001	3.95%	2016	2,499
Total	\$ 10,152			\$ 7,043

Annual debt service requirements to maturity for loans - governmental activities are as follows:

Table 39

Loans - Governmental Activities Debt Service Requirements to Maturity			
Fiscal Year	Principal	Interest	Total
2009	\$ 727	195	\$ 922
2010	716	167	883
2011	739	140	879
2012	742	112	854
2013	728	86	814
2014-2018	1,852	151	2,003
2019-2023	761	62	823
2024-2028	778	23	801
Total	\$ 7,043	936	\$ 7,979

Business-Type Activities:

6. Loans - Business-Type Activities

Loans for business-type activities included California Department of Transportation loans for the construction of a sewer line and the installation of a control tower at the Ramona Airport.

Details of loans outstanding at June 30, 2008 for business-type activities are as follows:

Table 40

Loans - Business-type Activities				
Loan	Original Amount	Interest Rate	Final Maturity Date	Ending Balance at June 30, 2008
2001 Airport Development Loan - Ramona Sewer Line	\$ 2,388	5.63%	2017	\$ 1,502
2001 Airport Development Loan - Ramona Control Tower	1,196	5.63%	2017	753
2003 US Department of Agriculture	100	4.63%	2040	0
Total	\$ 3,684			\$ 2,255

Annual debt service requirements to maturity for loans - business-type activities are as follows:

Table 41

Loans - Business-type Activities Debt Service Requirements to Maturity			
Fiscal Year	Principal	Interest	Total
2009	\$ 217	127	\$ 344
2010	230	114	344
2011	242	102	344
2012	254	88	342
2013	267	74	341
2014 - 2017	1,045	139	1,184
Total	\$ 2,255	644	\$ 2,899

7. Prior Year Defeasance of Long-Term Debt

In prior years, the County defeased TSAB by placing the proceeds of the original issue plus additional County contributions in an irrevocable trust to provide for all future debt service payments on the old obligation. Accordingly, the trust account assets and the liability for the defeased obligation are not included in the County's financial statements. At June 30, 2008, \$420.050 million of bonds were legally defeased and remain outstanding.

8. Arbitrage

In compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, the County performed arbitrage rebate calculations via a third party to determine probable amounts due to the Federal government. At June 30, 2008, a \$498 estimate of probable arbitrage rebate liability has been included in the statement of net assets.



J. Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2008 were as follows:

Table 42

Changes in Long-Term Liabilities						
	Beginning Balance at July 1, 2007	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2008	Amounts Due Within One Year
Governmental Activities:						
COPs, bonds & loans						
Certificates of participation	\$ 364,355		(34,300)		330,055	\$ 30,400
Taxable pension obligation bonds	1,206,887		(142,735)	4,048	1,068,200	24,900
Tobacco settlement asset-backed bonds	584,137		(6,865)	3,548	580,820	9,670
CRA revenue refunding bonds	15,640		(320)		15,320	335
Loans - non-internal service funds	3,591		(395)		3,196	225
Loans - internal service funds (ISF)	4,329		(482)		3,847	502
Arbitrage	2	496			498	
Unamortized issuance premiums	7,351		(472)		6,879	472
Unamortized issuance discounts	(21,362)		1,194		(20,168)	(1,194)
Unamortized deferred amounts on refundings	(26,922)		8,016		(18,906)	(4,827)
Total COPs, bonds & loans	2,138,008	496	(176,359)	7,596	1,969,741	60,483
Other long-term liabilities:						
Capital Leases	29,623		(2,033)		27,590	1,725
Claims and judgments - ISF	111,182	15,167	(20,105)		106,244	29,471
Compensated absences - non-ISF	80,545	77,532	(62,050)		96,027	36,713
Compensated absences - ISF	2,214	1,617	(1,438)		2,393	957
Landfill closure and postclosure	23,617		(1,418)		22,199	919
Total Other long-term liabilities	247,181	94,316	(87,044)		254,453	69,785
Total Governmental Activities	\$ 2,385,189	94,812	(263,403)	7,596	2,224,194	\$ 130,268
Business-type activities:						
Loans	\$ 2,551		(296)		2,255	\$ 217
Compensated absences	342	306	(258)		390	156
Total Business-type activities	\$ 2,893	306	(554)		2,645	\$ 373

K. Conduit Debt Obligations

From time to time, the County has issued tax-exempt conduit debt under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California on behalf of qualified borrowers to provide financial assistance for projects deemed to be of public interest.

Conduit debt consisted of the following: a) fourteen certificates of participation (COPs) for the acquisition, construction, capital improvement and equipping of various facilities; b) three mortgage revenue bonds for the construction and permanent financing of multi-family residential rental projects located in the County to be partially occupied by persons

of low or moderate income; and c) one reassessment bond for infrastructure improvements. Conduit debt is secured by the property that is financed and is payable from the respective COPs base rentals; underlying payments on mortgage loans; and the related property tax assessments. Upon repayment of the debt, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance.

The County is not obligated in any manner for repayment of this debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

As of June 30, 2008, the aggregate conduit debt principal amount outstanding was \$344.503 million.



L. Landfill Site Closure and Postclosure Care Costs

State laws and regulations require the placement of final covers on all landfill sites that stopped accepting solid waste after October 9, 1991 and the performance of certain maintenance and monitoring functions at these sites for a minimum of 30 years after closure. Closure and postclosure care costs are paid near or after the date a landfill stops accepting waste. The San Marcos Landfill is the sole waste disposal site owned by the County that is subject to these regulations. It was operational and accepted solid waste from 1979 until March 11, 1997. Formal closure of this landfill spanned from July 2004 through March 2007. Post closure maintenance began in April 2007.

The County is required by GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", to report the projected closure and postclosure care costs as of each balance sheet date. The projected landfill closure and postclosure care liability at June 30, 2008 for the San Marcos Landfill was \$22.199 million. This estimated amount is based on what it would cost to perform all closure and postclosure care in calendar year 2008 dollars and is subject to change as a result of such factors including but not limited to: inflation; deflation; advancements in technology; and amendments to laws and regulations.

In addition to the above, state regulations require that landfill closure and postclosure maintenance costs be fully funded at the time of closure, unless a landfill owner/operator can demonstrate financial responsibility towards these activities by using other approved financial assurance alternatives. A pledge of revenue is one of various alternatives allowed to fund estimated postclosure costs. Under this alternative, the Board of Supervisors, on February 3, 1998, approved Minute Order No. 5 "Postclosure Maintenance Funding for the San Marcos Landfill", wherein the County entered into a pledge of revenue agreement with the California Integrated Waste Management Board (CIWMB). Pursuant to Resolution No. 98-24, adopted under Minute Order No. 5, the

Board directed that the amount of pledged revenue shall be equal to \$790 per year for the 30 year period of postclosure maintenance commencing upon completion of the final closure of the San Marcos Landfill. The pledged amount is a promise of existing funds rather than future revenues and may increase or decrease to match any adjustment to identified cost estimates that are mutually agreed to by the County and the CIWMB.

As of June 30, 2008, \$24.460 million has been spent on closure costs and \$1.259 of the net assets of the government-wide statement of net assets has been restricted for remaining closure costs of the San Marcos Landfill.

Regulations governing solid waste management are promulgated by government agencies on the federal and state levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Thus, the County has potential liability with respect to every landfill ever owned, operated, contracted to be operated, or into which the County disposed waste. Compliance with these regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs could increase.



M. Fund Balances Reserved For Other Purposes

At June 30, 2008, the fund balances reserved for other purposes are presented in **Table 43** as follows:

Table 43

Fund Balances Reserved For Other Purposes At June 30, 2008	
General Fund	
Unforeseen catastrophic events	\$ 55,500
Defray administrative costs, other general reserves	32,176
Improvement and maintenance of recorded document systems	12,688
Teeter tax losses	23,749
Emergency medical services, various construction costs	16,514
Mental health	69,233
Social programs	5,939
Vector control	10,652
Real estate fraud prosecution	773
Domestic violence and child abuse prevention	5,254
Sheriff vehicle maintenance and replacement	304
Fingerprinting equipment purchase and operation	7,130
Sheriff automated warrant system	4,609
Delinquency and juvenile crime prevention	2,670
Reserve for donations	4,161
Total General Fund	251,352
Special revenue funds	
Road-future road improvements	44,232
County service districts projects	1,271
Flood control-future drainage improvements	14,940
Housing repairs and improvements	408
Total Special revenue funds	60,851
Capital projects funds	
Edgemoor capital projects	250
Total Capital projects funds	250
Total Fund Balances Reserved for Other Purposes	\$ 312,453

N. Fund Balances Designated for Subsequent Years' Expenditures

At June 30, 2008, the fund balances designated for subsequent years' expenditures are presented in **Table 44** as follows:

Table 44

Fund Balances Designated for Subsequent Years' Expenditures At June 30, 2008	
General Fund	
Sheriff's department future capital expenditures	\$ 4,000
Assessor's department future expenditures	111
Clerk of the Board future expenditures	5
Department of Environmental Health future expenditures	7,049
Realignment health, mental health and social services	74,620
Housing Authority future lease payments	597
Management of conduit financing program	399
Preventative health care for children	847
South County Shelter capital improvements	37
Senior Volunteer Patrols Program in the unincorporated communities	74
Regional Communication System infrastructure enhancements	9,642
Replacement of Sheriff 's department helicopter	2,011
Edgemoor geriatric hospital reconstruction	2,799
Health based programs aimed at reducing adult and youth smoking	8,130
Equipment replacement/system enhancement- Caller ID Remote Access Network	1,160
Future lease payments	2,355
FEMA/other agencies' cost reimbursement for 2003/2007 County fires	24,893
Total General Fund	\$ 138,729
Special revenue funds	
Equipment acquisition	\$ 175
Building Maintenance	450
Total Special revenue funds	\$ 625

V. Other Information

A. Risk Management

The County operates a Risk Management Program, whereby it is self-insured for general liability (per Gov. Code 990), medical malpractice (per Gov. Code 990.9), automobile liability (per CA. DMV Code 16020(b)(4)) and workers' compensation (per Title 8 CCR 15203.4). The County purchases insurance coverage for all risk property losses, government crime insurance, including employee dishonesty and faithful performance, airport



Notes to the Financial Statements

(Amounts Expressed in Thousands Unless Otherwise Noted)

comprehensive liability, and aircraft hull and liability insurance. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. The County's Employee Benefits and Public Liability Insurance Internal Service Funds (ISF) are used to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected public liability and workers compensation claim liabilities.

At June 30, 2008, the amount of these liabilities, including an estimate for claims incurred but not reported and allocated and unallocated loss adjustment expenses was estimated at \$106.2 million, including \$19.4 million in public liability and \$86.8 million in workers' compensation. Changes in the balances of claim liabilities for fiscal year 2008 and 2007 are shown below:

Table 45

Risk Management - Changes in Claim Liabilities		
	2008	2007
Employee Benefits Fund		
Unpaid claims, July 1	\$ 94,686	\$ 91,297
Incurred claims	10,128	20,374
Claim payments	(18,012)	(16,985)
Unpaid claims, June 30	\$ 86,802	\$ 94,686
Public Liability Insurance Fund		
Unpaid claims, July 1	\$ 16,496	\$ 31,035
Incurred claims	5,039	(11,121)
Claim payments	(2,093)	(3,418)
Unpaid claims, June 30	\$ 19,442	\$ 16,496

B. Contingencies

1. Litigation

In addition to the accrued liability for litigation and workers compensation claims described in Note V-A, the County has a potential liability of \$25.6 million that could result if unfavorable final decisions were rendered in numerous lawsuits to which the County is a named defendant. Appropriations are budgeted annually for those portions of obligations coming due that fiscal

year. Estimates of potential liabilities described above (in Note V-A) include estimates of claims incurred but not reported at June 30, 2008.

2. Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately \$157.5 million in sick leave, holiday and compensatory time. These benefits are not payable to employees upon termination and are normally liquidated in future years as employees elect to use their benefits as prescribed by Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation have been recorded as current or long-term liabilities in the appropriate proprietary funds and the statement of net assets.

3. Federal and State Programs

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

C. Joint Ventures

The San Diego Geographic Information Source (SanGIS) was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are to create and maintain a geographic information system; marketing and licensing compiled digital geographic data and software; providing technical services; and publishing geographic and land related information for the City and the County, other public agencies, and the private sector. It is governed by a Board of Directors consisting of the City Manager and the Chief Administrative Officer. SanGIS relies mostly on an annual budget of \$1.5 million shared equally by the City and the County to supplement its operating revenues. In its latest report, SanGIS reported an increase in net assets of \$47.596 and ending net assets of \$82.089 for the fiscal year ending June



30, 2007. The financial report may be obtained by writing to SanGIS at 5469 Kearny Villa Rd. Suite 102, San Diego CA 92123 or by calling (858) 574-7000 or by E-mail at webmaster@sangis.org.

The County is a participant with eighteen incorporated cities to operate the Unified San Diego County Emergency Services Organization for the purpose of providing regional planning and mutual assistance in the event of an emergency in the region including accidents involving hazardous waste. The organization is governed by the Unified Disaster Council (UDC) with one voting member from San Diego County Board of Supervisors who serves as Chair of the Council, and a representative from each of the 18 incorporated cities. The County of San Diego Office of Emergency Services (OES) serves as staff to the UDC. OES is a liaison between the incorporated cities, the State Office of Emergency Services, the Federal Emergency Management Agency, and the American Red Cross. A contractual agreement requires that the cities and the County provide the total required funding each year; one half from the cities and the other half from the County. In its latest report, the organization reported an increase in net assets of \$1.2 million and ending net assets of \$3.2 million for the fiscal year ending June 30, 2007. Separate financial statements may be obtained from the Operational Area Emergency Operations Center, 5555 Overland Ave., Suite 1911, San Diego CA 92123 or by calling (858) 565-3490.

The City of San Diego and the County of San Diego jointly formed a Consortium under the Workforce Investment Act of 1998 to provide regional employment and training services. The Consortium is governed by a five member board consisting of two members designated from the County Board of Supervisors, two members designated from the San Diego City Council and one member from the Board of Directors of United Way, a charitable organization. The board assigned the San Diego Workforce Partnership, Inc. as grant recipient and the administrative entity to operate the San Diego Consortium. The City and the County agreed to share equally any debt or liability incurred with respect to State and Federal

grants. In its latest report, the Partnership reported a decrease in net assets of \$589.166 and ending net assets of \$457.942 for the fiscal year ending June 30, 2007. Complete financial reports may be obtained by writing to the San Diego Workforce Partnership, 3910 University Ave., Suite 400, San Diego CA 92105-1326 or by calling (619) 228-2900.

D. Pension and Retiree Health Plans

1. Pension Plan

a. Plan Description

The County contributes to the San Diego County Employees Retirement Association pension plan, (SDCERA-PP), a cost-sharing multiple-employer defined benefit pension plan that is administered by SDCERA. The SDCERA-PP has three Tiers and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier A is the current open system. Tier I is closed to new entrants but has active members and Tier II was eliminated for active members. The Retirement Act, (also referred to as the Retirement Law of 1937 and Government Code Section 31450 et.seq.) assigns the County Board of Supervisors, the authority to establish and amend benefit provisions and assigns the SDCERA Board of Retirement the authority to approve retiree members and beneficiaries cost-of-living increases. (See Note V.D.3. concerning SDCERA Financial Report information.)

b. Funding Policy

The Retirement Act requires that County and member contributions be actuarially determined to provide a specific level of benefit. Contribution rates are expressed as a percentage of covered payroll and member rates vary according to age at entry, benefit tier level and certain negotiated contracts that provide for the County to pay a portion of members' contributions.

The average member contribution rate was 10.23% for all categories combined (General Tier I, General Tier A and Safety members). The employer contribution rate for all categories combined was 23.28%. CoSD employer contributions to SDCERA-PP for the three years ended June 30, 2008 were the following:



Table 46

CoSD Employer Contributions - SDCERA-PP			
Fiscal Year Ended June 30	Contractually Required Contributions (CRC)	Contributions Made	Percentage of CRC Contributed
2008	\$ 214,665	\$ 214,665	100.0%
2007	213,119	233,314	109.5%
2006	189,257	217,667	115.0%

2. Retiree Health Plan

a. Plan Description

Effective July 1, 2007, the County commenced contributing to the SDCERA retiree health plan, (SDCERA-RHP) a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The Retirement Act assigns the authority to establish and amend health allowance benefits to the SDCERA Board of Retirement. The retiree health plan provides a non-taxable health insurance allowance to Tier I and Tier II retirees. Health insurance allowances range from \$200 per month to \$400 per month based on members' service credits. (See Note V.D.3. below concerning SDCERA Financial Report information.)

b. Funding Policy

The SDCERA-RHP was established and is administered as an Internal Revenue Code Section 401(h) account within the defined benefit pension plan under the authority granted by the Retirement Act to the SDCERA Board of Retirement. The SDCERA-RHP is funded by employer contributions that are based on an actuarially determined 20 year level dollar amortization schedule and equaled approximately 2.25% of the fiscal year's covered payroll. The health insurance allowance is not a vested benefit and may be reduced or discontinued at any time by the SDCERA Board of Retirement. Additionally, the total amount of employer contributions are limited by the provisions of 401(h).

CoSD's employer contribution to SDCERA-RHP for the year ended June 30, 2008 was \$21.3 million, equal to the required contribution for 2008.

3. SDCERA Financial Report

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-PP and the SDCERA-RHP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way Suite 200, San Diego, California 92108 or by calling (619) 515-0130.

E. Restatement

1. First 5 Commission

The beginning net asset balance of the First 5 Commission is restated as shown in **Table 47** below in the amount of \$971 resulting from 1) an adjustment to pooled cash and investments reflecting a year-end fair market value unrealized loss of \$888 and 2) a vacation accrual of \$83.

Table 47

Restatement - First 5 Commission	
Net asset balance as of June 30, 2007	\$ 187,664
Adjustment for restatement	971
Net asset balance, restated June 30, 2007	\$ 188,635

F. Subsequent Events

1. Tax and Revenue Anticipation Notes

In July 2008, the County issued tax and revenue anticipation notes (TRANS) totaling \$75.0 million due June 30, 2009 at a coupon rate of 3.50% and a yield of 1.57%. Proceeds from the notes will be used to meet fiscal year 2009 cash flow requirements. Fiscal year 2009 unrestricted revenues collateralize the notes.

2. Taxable Pension Obligation Bonds Series 2008 A and Series 2008 B

In August 2008, the County issued \$443.515 million of Taxable Pension Obligation Bonds as follows: 1) \$343.515 million fixed rate Series 2008A Taxable Pension Obligation Bonds consisting of \$240.100 million of Term Bonds that carry fixed interest rate of 6.029% with a maturity date of August 15, 2026; and \$103.415 million Serial Bonds that carry a fixed coupon minimum rate of 3.331% and a maximum coupon rate of 5.748% and final maturity dates ranging from August 15, 2009 through August 15, 2018; and 2)



\$100 million variable rate demand obligation Taxable Pension Obligation Bonds with a maturity date of August 15, 2007; \$50 million Series 2008B-1; and, \$50 million Series B-2.

Series 2008A Bond proceeds of \$343.515 and Series 2008B Bond proceeds of \$100 million along with approximately \$16.159 from funds held in the 2002 Series B2-4 indenture accounts and approximately \$61.195 of County monies were distributed as follows: 1) \$495.77 million (consisting of \$443.515 of new bond proceeds; \$16.159 from funds held in the 2002 Series B2-4 indenture accounts; and, \$36.096 of County monies) was transferred to the escrow bank for the bond refunding to advance refund the outstanding \$485.125 million 2002 Series B2-4 Taxable Pension Obligation Bonds (Refunded Bonds) and future interest payments. 2) \$21.991 was paid to two counterparties as follows: \$17.195 to terminate the two interest rate swap agreements relating to the hedged portion of the Refunded Bonds; and \$4.796 million for the accrued interest on the swap; and, 3) \$3.108 million to pay certain costs of issuance.

G. New Governmental Accounting Standards

1. Implementation Status

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An

employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

Please refer to Note V. D. 2 "Retiree Health Plan."

In June 2005, GASB issued Statement 47, *Accounting for Termination Benefits*. This Statement establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45.

The County does not provide termination benefits, consequently this is not applicable.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments - generally, a single lump sum. The financial reporting question addressed by this Statement is whether that transaction should be regarded as a sale or as a collateralized borrowing resulting in a liability. This statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Therefore, any assets (or future revenues) sold or donated within the same financial reporting entity should continue to be reported at their current carrying value when those assets or future revenues are transferred. Additionally, this statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and



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recourse provisions. This disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so.

Please refer to Note IV. I. 3. "Tobacco Settlement Asset-Backed Bonds, and 4. San Diego County Redevelopment Agency Revenue Refunding Bonds."

In May 2007, GASB issued Statement 50, Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27. This Statement amends GASB Statement 25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans (GASB Statement 25) and GASB Statement 27 Accounting for Pensions by State and Local Governmental Employers (GASB Statement 27) to require defined benefit pension plans to present notes to financial statements that disclose the funded status of the plan as of the most recent actuarial valuation date. Defined benefit pension plans also should disclose actuarial methods and significant assumptions used in the most recent actuarial valuation in notes to financial statements instead of in notes to required supplementary information (RSI).

This Statement amends GASB Statement 25 to require defined benefit pension plans to disclose in the notes to financial statements the methods and assumptions used to determine the fair value of investments, if the fair value is based on other than quoted market prices. This Statement amends GASB Statement 27 to require cost-sharing employers to include, in the note disclosure of the required contribution rates of the employer(s) in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, how the contractually required contribution rate is determined (for example, by statute or by contract, or on an actuarially determined basis) or that the cost-sharing plan is financed on a pay-as-you-go basis.

This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost

method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. In the initial year of implementation, defined benefit pension plans that use the aggregate actuarial cost method to determine the ARC are required to present elements of information in the schedule of funding progress using the entry age actuarial cost method as of the most recent actuarial valuation date. In subsequent years, plans and employers should add to that schedule information as of subsequent actuarial valuation dates until the requirements of Statements 25 and 27, as amended, with regard to the minimum number of years or actuarial valuations to be included have been met.

Please refer to Note V. D. 1 "Pension Plan," only the Cost-Sharing Multiple Employer Defined Benefit Pension Plan disclosure requirements of this Statement apply to the County.

In November 2007, GASB issued Statement 52, Land and Other Real Estate Held as Investments by Endowments. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement is effective for the County's fiscal year ending June 30, 2009.

The Statement does not apply to the County.

2. Under Analysis

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution

Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)



remediation. Liabilities and expenses would be estimated using an "expected cash flows" measurement technique, which is used by environmental professionals but will be employed for the first time by governments. Statement 49 also will require governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. This statement is effective for the County's fiscal year ending June 30, 2009.

In June 2007, GASB issued Statement 51, Accounting and Financial Reporting for Intangible Assets. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. This Statement also provides guidance on recognizing internally generated computer software as an intangible asset. This guidance serves as an application of the specified-conditions approach described above to the development cycle of computer software.

This Statement also establishes guidance specific to intangible assets related to amortization. This Statement provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. If there are no factors that limit the useful life of an intangible asset, the Statement provides that the intangible asset be considered to have an indefinite useful life.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those

considered to be internally generated. This statement is effective for the County's fiscal year ending June 30, 2010.

In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities.

Governments enter into derivative instruments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (that is, hedgeable items); or to lower the costs of borrowings. Governments often enter into derivative instruments with the intention of effectively fixing cash flows or synthetically fixing prices.

A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. For many derivative instruments, historical prices are zero because their terms are developed so that the instruments may be entered into without a payment being received or made. The changes in fair value of derivative instruments that are used for investment purposes or that are reported as investment derivative instruments because of ineffectiveness are reported within the investment revenue classification. Alternatively, the changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the statement of net assets as deferrals.



Notes to the Financial Statements (Amounts Expressed in Thousands Unless Otherwise Noted)

Derivative instruments associated with hedgeable items that are determined to be effective in reducing exposures to identified financial risks are considered hedging derivative instruments. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. In these instances, hedge accounting should be applied. Under hedge accounting, the changes in fair values of the hedging derivative instrument are reported as either deferred inflows or deferred outflows in a government's statement of net assets.

Much of this Statement describes the methods of evaluating effectiveness. The consistent critical terms method considers the terms of the potential hedging derivative instrument and the hedgeable item. If relevant terms match or in certain instances are similar, a potential hedging derivative instrument is determined to be effective. The other methods are based on quantitative analyses. The synthetic instrument method considers whether a fixed rate or price has been established within a prescribed range. The dollar-offset method evaluates changes in expected cash flows or fair values over time between the potential hedging derivative instrument and the hedgeable item. The regression analysis method considers the relationship between changes in the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item. In these methods, critical and quantitative values are evaluated to determine whether a potential hedging derivative instrument is effective. Quantitative methods other than those specified in the Statement are permitted, provided that they address whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

The disclosures required by Technical Bulletin No. 2003-1, Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets, have been incorporated into this Statement. The objectives, terms, and risks of hedging

derivative instruments are required disclosures. Disclosures also include a summary of derivative instrument activity that provides an indication of the location of fair value amounts reported on the financial statements. The disclosures for investment derivative instruments are similar to the disclosures of other investments. This statement is effective for the County's fiscal year ending June 30, 2010.



*Required
Supplementary
Information*





**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**

General Fund

For the Year Ended June 30, 2008

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 902,170	902,170	928,066
Licenses, permits and franchise fees	35,992	35,874	34,735
Fines, forfeitures and penalties	54,449	54,546	59,782
Revenue from use of money and property	34,514	34,514	48,381
Aid from other governmental agencies:			
State	914,905	958,340	849,783
Federal	755,067	777,825	792,430
Other	75,061	68,106	71,663
Charges for current services	277,774	271,298	267,624
Other revenue	25,836	25,684	30,705
Total revenues	3,075,768	3,128,357	3,083,169
Expenditures:			
Current:			
General government:			
Assessor/recorder/county clerk - finance	36,553	37,790	35,770
Auditor and controller	30,919	30,800	32,526
Auditor and controller - information technology mgt services	7,108	7,908	3,295
Board of supervisors district #1	1,223	1,399	1,130
Board of supervisors district #2	1,282	1,473	1,256
Board of supervisors district #3	1,170	1,238	1,167
Board of supervisors district #4	1,124	1,324	1,064
Board of supervisors district #5	1,302	1,502	1,163
Board of supervisors general office	1,216	1,216	898
CAC major maintenance	2,227	2,227	1,075
Chief Administrative office - legislative and administrative	4,593	4,685	4,178
Civil service commission	602	619	572
Clerk of the board of supervisors - legislative and administrative	2,952	3,054	2,755
Clerk of the board of supervisors - property management	3,892	3,893	3,194
Community enhancement	3,231	3,232	3,162
Community projects	12,016	10,820	8,815
Community services	12,350	13,110	4,451
Contributions to capital outlay	38,774	38,772	38,417
County counsel	21,507	22,190	20,352
County technology office	10,033	10,100	5,986
Countywide general expense	64,915	64,865	13,427
Financing and general government - legislative and administrative	33,738	33,822	3,524
Financing and general government - other general	142	142	4,443
Health and human services - legislative and administrative	416	416	402
Human resources - other general government	3,804	3,873	3,914
Human resources - personnel	18,962	19,255	17,295
Land use and environment - legislative and administrative	4,684	8,417	5,939
Public safety - legislative and administrative	22,829	18,874	6,945
Registrar of voters	40,631	40,716	26,229
Treasurer/tax collector	17,783	18,683	16,892
Total general government	401,978	406,415	270,236

Continued

See notes to required supplementary information.



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**

General Fund

For the Year Ended June 30, 2008

(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
Public protection:			
Agriculture weights and measures	\$ 14,850	16,663	13,746
Agriculture weights and measures - sealer	2,471	2,562	2,505
Alternate public defender	15,392	15,652	15,268
Assessor/recorder/county clerk - other protection	17,861	18,670	17,661
Child support	50,140	51,405	47,671
Citizens law enforcement review board	537	552	472
Contributions for trial courts	75,037	75,037	71,353
Defense attorney/contract administration	9,373	9,373	9,321
Department of animal services	13,890	14,265	12,751
District attorney-judicial	131,800	137,754	129,699
Grand jury	734	733	560
LAFCO administration	342	342	342
Land use and environment - other protection	1,043	1,043	949
Medical examiner	7,787	7,983	7,775
Office of emergency services	10,363	18,087	11,047
Planning and land use - fire protection	10,491	10,796	7,647
Planning and land use - other protection	26,984	29,532	23,522
Probation - adult detention	3,879	3,879	4,383
Probation - detention and correction	109,503	114,994	109,596
Probation - juvenile detention	32,340	33,847	35,193
Probation - police protection	2,422	2,422	2,518
Public defender	51,706	52,932	51,462
Public works, flood control, soil and water, general	5,115	5,493	1,923
Public works, general - other protection	156	42,256	31,472
Sheriff - adult detention	197,174	201,041	193,568
Sheriff - detention and correction	1,001	1,001	55
Sheriff - other protection	2,487	2,534	2,283
Sheriff - police protection	342,857	353,591	330,546
Total public protection	1,137,735	1,224,439	1,135,288
Public ways and facilities:			
Public Works, Dept of Gen	667	1,224	144
Public works, general - public ways	1,985	6,543	5,763
Total public ways and facilities	2,652	7,767	5,907
Health and sanitation:			
Environmental health	37,386	39,721	33,698
Health and human services agency - California children services	20,359	20,825	20,189
Health and human services agency - drug and alcohol abuse services	46,039	47,911	46,288
Health and human services agency - health	92,483	93,012	87,553
Health and human services agency - health administration	43,011	42,572	29,996
Health and human services agency - medical care	142,144	142,365	125,705
Health and human services agency - mental health	297,837	297,837	245,218
Public works, general - sanitation	4,837	4,824	4,457
Total health and sanitation	684,096	689,067	593,104

Continued

See notes to required supplementary information.



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**

General Fund

For the Year Ended June 30, 2008

(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
Public assistance:			
Health and human services agency - aid programs	\$ 45,536	45,536	44,287
Health and human services agency - other assistance	266,327	266,740	265,118
Health and human services agency - social administration	700,424	699,731	659,161
Health and human services agency - veterans' services	806	867	768
Housing Authority	9,679	9,679	8,955
Probation - care of court wards	9,528	9,528	9,441
Total public assistance	1,032,300	1,032,081	987,730
Education:			
Farm and home advisor	797	1,411	1,101
Total education	797	1,411	1,101
Recreation and cultural:			
Parks and recreation	38,276	38,360	29,606
Total recreational and cultural	38,276	38,360	29,606
Contingency reserve	20,000	17,000	
Capital outlay	22,754	28,167	11,453
Debt service:			
Interest and fiscal charges	12,700	12,702	5,169
Total expenditures	3,353,288	3,457,409	3,039,594
Excess (deficiency) of revenues over (under) expenditures	(277,520)	(329,052)	43,575
Other financing sources (uses)			
Sale of capital assets			41
Transfers in	281,398	269,598	257,890
Transfers out	(368,012)	(401,290)	(236,400)
Total other financing sources (uses)	(86,614)	(131,692)	21,531
Net change in fund balance	(364,134)	(460,744)	65,106
Fund balance at beginning of year	1,155,082	1,155,082	1,155,082
Increase (decrease) in reserve for inventories		278	278
Fund balance at end of year	790,948	694,616	1,220,466

See notes to required supplementary information.



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Public Safety Special Revenue Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		147
Aid from other governmental agencies:			
State	249,919	249,919	227,563
Total revenues	249,919	249,919	227,710
Expenditures:			
Current:			
Public protection:			
Public safety (Prop 172)	1,000	1,000	1,000
Total public protection	1,000	1,000	1,000
Total expenditures	1,000	1,000	1,000
Excess (deficiency) of revenues over (under) expenditures	248,919	248,919	226,710
Other financing sources (uses)			
Transfers out	(256,379)	(256,379)	(230,534)
Total other financing sources (uses)	(256,379)	(256,379)	(230,534)
Net change in fund balance	(7,460)	(7,460)	(3,824)
Fund balance at beginning of year	7,927	7,927	7,927
Fund balance at end of year	\$ 467	467	4,103

See notes to required supplementary information.



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Tobacco Securitization Special Revenue Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		21,711
Total revenues			21,711
Expenditures:			
Current:			
General government:			
Tobacco Settlement	3,300	3,300	
Total general government	3,300	3,300	
Total expenditures	3,300	3,300	
Excess (deficiency) of revenues over (under) expenditures	(3,300)	(3,300)	21,711
Other financing sources (uses)			
Transfers out	(24,200)	(24,200)	(24,200)
Total other financing sources (uses)	(24,200)	(24,200)	(24,200)
Net change in fund balance	(27,500)	(27,500)	(2,489)
Fund balance at beginning of year	430,863	430,863	430,863
Fund balance at end of year	\$ 403,363	403,363	428,374

See notes to required supplementary information.



Budgetary Information

General Budget Policies

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for: the Tobacco Securitization Joint Special Revenue Fund; SANCAL, a non-profit corporation, and the Debt Service and Capital Projects Funds (other governmental funds). Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year with the approval of the Board of Supervisors.

Appropriations may also be adjusted during the year with the approval of the Board of Supervisors. Additionally, the Chief Financial Officer is authorized to approve certain transfers and revisions of appropriations within a department. Such adjustments are reflected in the final budgetary data. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

The schedule of revenues, expenditures, and changes in fund balance - budget and actual for the General Fund, Public Safety Special Revenue Fund and the Tobacco Securitization Special Revenue Fund that is presented as Required Supplementary Information was prepared in accordance with generally accepted accounting principles (GAAP).

The Original Budget consists of the adopted budget plus the budget carried forward from the prior fiscal year. Accordingly, encumbrances that are subject to automatic re-appropriation are included as part of the original budget. The original budget is also adjusted to reflect reserves, transfers, allocations, and supplemental appropriations that may occur prior to the start of the fiscal year. The County adopts its budget subsequent to the start of the each new fiscal year by mid-

August. The final budget includes the original budget plus amended budget changes occurring during the fiscal year.

The Actual column represents the actual amounts of revenue and expenditures reported on a GAAP basis which is the same basis that is used to present the aforementioned original and final budget.





*Combining & Individual Fund
Information & Other
Supplementary Information*



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specific purposes.

AIR POLLUTION FUND

This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees.

ASSET FORFEITURE PROGRAM FUND

This fund was established to account for assets which have been seized by law enforcement agencies during the investigation of criminal activities. These monies and the investment income derived therefrom are used for the prevention, investigation, apprehension and prosecution of drug and other criminal law violators.

CABLE TV FUND

This fund was established to account for revenue earned and expenditures made for cable television related projects appropriated for the benefit of the cable subscribers who have paid the user fees for this fund.

COUNTY LIBRARY FUND

This fund was established to provide library services for the unincorporated area as well as 11 of the incorporated cities within the county. Property taxes provide most of the fund's revenues; federal aid, state aid and fines provide the remaining revenues.

COUNTY SERVICE DISTRICTS FUND

These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the County. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties.

FLOOD CONTROL DISTRICTS FUND

This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes and federal grants.

HOUSING AND COMMUNITY DEVELOPMENT FUND

The Housing and Community Development Fund was established to receive federal community development block grants as well as state grants. Expenditures are for special projects related to various housing programs within the County.

HOUSING AUTHORITY FUND

This fund was established to account for revenues and expenditures related to providing decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources.

IN HOME SUPPORT SERVICES (IHSS) PUBLIC AUTHORITY FUND

This authority was established for the administration of the IHSS registry, investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSS recipients and the provision for training of providers and recipients. Financing is provided by the Social Services realignment fund, federal and state programs.



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

INACTIVE WASTESITES FUND

This fund was established to receive one-time homeowner association deposits and residual funds from the sale of the County's Solid Waste System. Expenditures include repairs, maintenance and care for the County's inactive landfill sites in accordance with all applicable governmental regulations, laws and guidelines.

INMATE WELFARE PROGRAM FUND

This fund was established to receive telephone and other vending commissions and profits from stores operated in connection with the county jail and probation facilities. Fund expenditures, by law, must be solely for the benefit, education and welfare of confined inmates.

LIGHTING MAINTENANCE DISTRICT FUND

This fund was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners.

PARKLAND DEDICATION FUND

This fund was established to receive and expend special park land dedication fees to developers of land as a condition for approval of any development. The fees are then used for the purchase of land and the development of land for park or recreational facilities. These facilities serve the future residents of such developments. In lieu of the payment of these fees, the developer may dedicate land for park or recreational facilities.

ROAD FUND

This fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway user taxes and are supplemented by federal funds, vehicle code fines, and fees and reimbursements for engineering services provided.

SANCAL FUND

The nonprofit corporation fund, San Diego County Capital Asset Leasing Corporation, was established as a cost-effective means of financing the purchase of necessary equipment and the acquisition and construction of permanent buildings on behalf of the County through the sale of tax exempt certificates of participation.

TOBACCO SECURITIZATION JOINT SPECIAL REVENUE FUND

The Tobacco Securitization Joint Special Revenue Fund accounts for the transactions of the San Diego County Tobacco Asset Securitization Corporation and Tobacco Securitization Joint Powers Authority, two component units, that are blended into the County's financial statements.

OTHER SPECIAL DISTRICTS FUND

These funds were established to receive user fees, and land lease revenues, fines and state funding. Expenditures include retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purpose capital improvements and repairs.

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

PENSION OBLIGATION BONDS FUND

This fund receives payments from the County and other agencies for payment of principal and interest due on taxable pension obligation bonds. The debt issue was used to satisfy the County's requirement to amortize the unfunded actuarial accrued liability with respect to retirement benefits accruing to members of the association.



REDEVELOPMENT AGENCY FUND

This fund receives proceeds of redevelopment area incremental taxes and investment income based on a trust agreement between the agency and a trustee bank for payment of principal and interest due on revenue bonds. Pledged installments from the county airport system are deposited with a trustee and are available if taxes and investment income are insufficient to pay debt service payments. In addition to the pledged amounts, a bond reserve was funded with bond proceeds.

SANCAL FUND

This fund receives rental payments based on lease purchase agreements from the capital outlay fund and the general fund for payment of principal and interest due on certificates of participation. These debt issuances are legal obligations of a nonprofit corporation and were issued to finance the purchasing of necessary equipment and the acquisition and construction of permanent buildings by the County. Debt is secured by the lease purchase payments from the County.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds)

CAPITAL OUTLAY FUND

This fund is used exclusively to finance the acquisition, construction and completion of permanent public improvements including public buildings and for the costs of acquiring land and permanent improvements. The fund may also be used to make annual payments on bond indebtedness for the construction of public facilities and to acquire public facilities through lease purchases. Revenues are obtained from the sale of fixed assets, from lease or rental of county-owned facilities, and

from other funds such as grants and contributions when allocated by the Board of Supervisors to the fund.

EDGEMOOR DEVELOPMENT FUND

This fund is exclusively for assisting in the development of the Edgemoor property. The Edgemoor property represents approximately 375 acres of county owned land and 50 acres owned by the Grossmont Union High School District in the Santee area. Future development may include parks, a library, housing, a fire station, post office and others. Revenues are derived from the sale or lease of land within the Edgemoor property.

REDEVELOPMENT AGENCY FUND

This fund is used to count for the proceeds of redevelopment area incremental taxes, investment income and temporary loans. Redevelopment project expenditures, in accordance with California community redevelopment law, include redevelopment planning, design, improvement cost, professional services and administrative costs.

SANCAL FUND

This fund is used to account for the expenditures of the proceeds from the sale of nonprofit corporation certificates of participation for the purchase of various types of equipment and the acquisition and construction of permanent buildings by the County.



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Pooled cash and investments	\$ 244,389	11,687	28,188	284,264
Cash with fiscal agents			475	475
Investments with fiscal agents	46,893		4,507	51,400
Receivables, net	98,428	428	9,377	108,233
Property taxes receivables, net	693	191	110	994
Due from other funds	3,738	2,938	17,271	23,947
Advances to other funds		43		43
Inventories	1,671			1,671
Deposits with others	81			81
Prepaid items			572	572
Restricted assets:				
Cash with fiscal agents	382	7		389
Investments with fiscal agents	48,672	29,630	8,190	86,492
Total assets	444,947	44,924	68,690	558,561
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	14,168		19,551	33,719
Accrued payroll	1,758			1,758
Due to other funds	5,327	141	8,907	14,375
Advances from other funds	4,573		4,170	8,743
Deferred revenues	19,567	79	3,525	23,171
Unearned revenue	6,412	21	505	6,938
Total liabilities	51,805	241	36,658	88,704
Fund balances				
Reserved fund balance:				
Reserved for loans, advances and prepaids	42,995	43	1,572	44,610
Reserved for deposits with others	81			81
Reserved for inventories	1,671			1,671
Reserved for debt service	47,369	44,640		92,009
Reserved for other purposes	60,851		250	61,101
Unreserved:				
Designated for encumbrances	22,342		4,961	27,303
Designated for subsequent years' expenditures	625			625
Designated for landfill postclosure and landfill closure costs	63,209			63,209
Undesignated	153,999		25,249	179,248
Total fund balances	393,142	44,683	32,032	469,857
Total liabilities and fund balances	\$ 444,947	44,924	68,690	558,561

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2008
(In Thousands)**

	Air Pollution Fund	Asset Forfeiture Program Fund	Cable TV Fund	County Library Fund
ASSETS				
Pooled cash and investments	\$ 20,664	7,087	1,914	15,831
Investments with fiscal agents				
Receivables, net	2,216	63	16	131
Property taxes receivables, net				542
Due from other funds		414	20	192
Inventories	160	66	4	83
Deposits with others				
Restricted assets:				
Cash with fiscal agents				
Investments with fiscal agents				
Total assets	23,040	7,630	1,954	16,779
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	2,168	190	52	825
Accrued payroll	290		48	477
Due to other funds	352		26	508
Advances from other funds				
Deferred revenues				458
Unearned revenue	1,211			398
Total liabilities	4,021	190	126	2,666
Fund balances				
Reserved fund balance:				
Reserved for loans, advances and prepaids				
Reserved for deposits with others				
Reserved for inventories	160	66	4	83
Reserved for debt service				
Reserved for other purposes				
Unreserved:				
Designated for encumbrances	5,011	150	93	1,450
Designated for subsequent years' expenditures	450			86
Designated for landfill postclosure and landfill closure costs				
Undesignated	13,398	7,224	1,731	12,494
Total fund balances	19,019	7,440	1,828	14,113
Total liabilities and fund balances	\$ 23,040	7,630	1,954	16,779

Continued



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2008
(In Thousands)**

(Continued)	County Service Districts Fund	Flood Control District Fund	Housing and Community Development Fund	Housing Authority Fund
ASSETS				
Pooled cash and investments	\$ 19,376	23,758	1,458	31,301
Investments with fiscal agents				
Receivables, net	541	879	39,004	12,017
Property taxes receivables, net	67	67		
Due from other funds	33	27	366	27
Inventories				
Deposits with others				81
Restricted assets:				
Cash with fiscal agents				382
Investments with fiscal agents				412
Total assets	20,017	24,731	40,828	44,220
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,764	265	1,305	1,057
Accrued payroll				
Due to other funds	216	173	4	1,243
Advances from other funds	73		4,500	
Deferred revenues	57	57	9	2,688
Unearned revenue	206	57	1	2,443
Total liabilities	2,316	552	5,819	7,431
Fund balances				
Reserved fund balance:				
Reserved for loans, advances and prepaids			34,996	7,999
Reserved for deposits with others				81
Reserved for inventories				
Reserved for debt service				250
Reserved for other purposes	1,271	14,940		408
Unreserved:				
Designated for encumbrances	31	1,252		
Designated for subsequent years' expenditures	89			
Designated for landfill postclosure and landfill closure costs				
Undesignated	16,310	7,987	13	28,051
Total fund balances	17,701	24,179	35,009	36,789
Total liabilities and fund balances	\$ 20,017	24,731	40,828	44,220

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2008
(In Thousands)**

(Continued)	In Home Support Services Fund	Inactive Wastesites Fund	Inmate Welfare Program Fund	Lighting Maintenance District Fund	Park Land Dedication Fund
ASSETS					
Pooled cash and investments	\$ 164	20,747	5,678	1,052	10,862
Investments with fiscal agents		46,893			
Receivables, net	8	1,264	89	8	93
Property taxes receivables, net				17	
Due from other funds	33	6	51		4
Inventories			158		
Deposits with others					
Restricted assets:					
Cash with fiscal agents					
Investments with fiscal agents					
Total assets	205	68,910	5,976	1,077	10,959
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	68	1,063	120	198	301
Accrued payroll		41			
Due to other funds	49	137	155	17	59
Advances from other funds					
Deferred revenues				15	
Unearned revenue		647		15	
Total liabilities	117	1,888	275	245	360
Fund balances					
Reserved fund balance:					
Reserved for loans, advances and prepaids					
Reserved for deposits with others					
Reserved for inventories			158		
Reserved for debt service					
Reserved for other purposes					
Unreserved:					
Designated for encumbrances		681	46	9	1,518
Designated for subsequent years' expenditures					
Designated for landfill postclosure and landfill closure costs		63,209			
Undesignated	88	3,132	5,497	823	9,081
Total fund balances	88	67,022	5,701	832	10,599
Total liabilities and fund balances	\$ 205	68,910	5,976	1,077	10,959

Continued



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds
June 30, 2008
(In Thousands)**

(Continued)	Road Fund	SANCAL Fund	Tobacco Securitization Joint Special Revenue Fund	Other Special Districts Funds	Total Special Revenue Funds
ASSETS					
Pooled cash and investments	\$ 83,796	74		627	244,389
Investments with fiscal agents					46,893
Receivables, net	25,706		16,376	17	98,428
Property taxes receivables, net					693
Due from other funds	2,565				3,738
Inventories	1,200				1,671
Deposits with others					81
Restricted assets:					
Cash with fiscal agents					382
Investments with fiscal agents		1,037	47,223		48,672
Total assets	113,267	1,111	63,599	644	444,947
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	4,707	4	81		14,168
Accrued payroll	902				1,758
Due to other funds	2,387			1	5,327
Advances from other funds					4,573
Deferred revenues	62		16,221		19,567
Unearned revenue	1,434				6,412
Total liabilities	9,492	4	16,302	1	51,805
Fund balances					
Reserved fund balance:					
Reserved for loans, advances and prepaids					42,995
Reserved for deposits with others					81
Reserved for inventories	1,200				1,671
Reserved for debt service			47,119		47,369
Reserved for other purposes	44,232				60,851
Unreserved:					
Designated for encumbrances	12,101				22,342
Designated for subsequent years' expenditures					625
Designated for landfill postclosure and landfill closure costs					63,209
Undesignated	46,242	1,107	178	643	153,999
Total fund balances	103,775	1,107	47,297	643	393,142
Total liabilities and fund balances	\$ 113,267	1,111	63,599	644	444,947

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Debt Service Funds
June 30, 2008
(In Thousands)**

	Pension Obligation Bonds Fund	Redevelopment Agency Fund	SANCAL Fund	Total Debt Service Funds
ASSETS				
Pooled cash and investments	\$ 9,165	1,763	759	11,687
Receivables, net	55	16	357	428
Property taxes receivables, net		191		191
Due from other funds	2,938			2,938
Advances to other funds			43	43
Restricted assets:				
Cash with fiscal agents	7			7
Investments with fiscal agents	3,114	1,158	25,358	29,630
Total assets	15,279	3,128	26,517	44,924
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	31	110		141
Deferred revenues		79		79
Unearned revenue		21		21
Total liabilities	31	210		241
Fund balances				
Reserved fund balance:				
Reserved for loans, advances and prepaids			43	43
Reserved for debt service	15,248	2,918	26,474	44,640
Total fund balances	15,248	2,918	26,517	44,683
Total liabilities and fund balances	\$ 15,279	3,128	26,517	44,924



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Capital Projects Funds
June 30, 2008
(In Thousands)**

	Capital Outlay Fund	Edgemoor Development Fund	Redevelopment Agency Fund	SANCAL Fund	Total Capital Projects Funds
ASSETS					
Pooled cash and investments	\$ 2,887	19,365	5,936		28,188
Cash with fiscal agents	475				475
Investments with fiscal agents	4,507				4,507
Receivables, net	7,617	185	1,172	403	9,377
Property taxes receivables, net			110		110
Due from other funds	17,086	75	110		17,271
Prepaid items			572		572
Restricted assets:					
Investments with fiscal agents				8,190	8,190
Total assets	32,572	19,625	7,900	8,593	68,690
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	15,474	179		3,898	19,551
Due to other funds	8,838	6	63		8,907
Advances from other funds			4,170		4,170
Deferred revenues	3,320		205		3,525
Unearned revenue	482		23		505
Total liabilities	28,114	185	4,461	3,898	36,658
Fund balances					
Reserved fund balance:					
Reserved for loans, advances and prepaids			1,572		1,572
Reserved for other purposes		250			250
Unreserved:					
Designated for encumbrances		4,961			4,961
Undesignated	4,458	14,229	1,867	4,695	25,249
Total fund balances	4,458	19,440	3,439	4,695	32,032
Total liabilities and fund balances	\$ 32,572	19,625	7,900	8,593	68,690

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2008 (In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 39,736	2,181	1,633	43,550
Licenses, permits and franchise fees	10,522			10,522
Fines, forfeitures and penalties	3,232			3,232
Revenue from use of money and property	61,344	2,921	3,459	67,724
Aid from other governmental agencies:				
State	88,149		4,147	92,296
Federal	115,705		447	116,152
Other	7,403			7,403
Charges for current services	44,394			44,394
Other revenue	34,322	8,242	476	43,040
Total revenues	404,807	13,344	10,162	428,313
Expenditures:				
Current:				
General government	3,976	1,939	1,135	7,050
Public protection	9,091		428	9,519
Public ways and facilities	74,144			74,144
Health and sanitation	40,278			40,278
Public assistance	123,971			123,971
Education	34,468			34,468
Recreation and cultural	2,436			2,436
Capital outlay	46,905		99,460	146,365
Debt service:				
Principal	7,259	177,355		184,614
Interest and fiscal charges	26,670	75,792		102,462
Total expenditures	369,198	255,086	101,023	725,307
Excess (deficiency) of revenues over (under) expenditures	35,609	(241,742)	(90,861)	(296,994)
Other financing sources (uses)				
Sale of capital assets	27			27
Transfers in	20,395	223,829	92,398	336,622
Transfers out	(50,493)	(2,854)	(50,401)	(103,748)
Total other financing sources (uses)	(30,071)	220,975	41,997	232,901
Net change in fund balances	5,538	(20,767)	(48,864)	(64,093)
Fund balances at beginning of year	387,807	65,450	80,896	534,153
Increase (decrease) in reserve for inventories	(203)			(203)
Fund balances at end of year	\$ 393,142	44,683	32,032	469,857



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended June 30, 2008
(In Thousands)**

	Air Pollution Fund	Asset Forfeiture Program Fund	Cable TV Fund	County Library Fund
Revenues:				
Taxes	\$			30,381
Licenses, permits and franchise fees	6,932		2,409	
Fines, forfeitures and penalties	660	2,537		
Revenue from use of money and property	990	343	118	618
Aid from other governmental agencies:				
State	5,338			870
Federal	3,087			3
Other	5,042			
Charges for current services	402		174	1,229
Other revenue	671	42	16	371
Total revenues	23,122	2,922	2,717	33,472
Expenditures:				
Current:				
General government			2,936	
Public protection		1,268		
Public ways and facilities				
Health and sanitation	25,426			
Public assistance				
Education				34,468
Recreation and cultural				
Capital outlay	747	88	184	100
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures	26,173	1,356	3,120	34,568
Excess (deficiency) of revenues over (under) expenditures	(3,051)	1,566	(403)	(1,096)
Other financing sources (uses)				
Sale of capital assets	18	5		
Transfers in	850			5,146
Transfers out	(737)	(195)	(120)	(1,047)
Total other financing sources (uses)	131	(190)	(120)	4,099
Net change in fund balances	(2,920)	1,376	(523)	3,003
Fund balances at beginning of year	21,915	6,026	2,348	11,089
Increase (decrease) in reserve for inventories	24	38	3	21
Fund balances at end of year	\$ 19,019	7,440	1,828	14,113

Continued

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE For the Year Ended June 30, 2008 (In Thousands)

(Continued)	County Service Districts Fund	Flood Control District Fund	Housing and Community Development Fund	Housing Authority Fund
Revenues:				
Taxes	\$ 4,144	4,142		
Licenses, permits and franchise fees				
Fines, forfeitures and penalties		4		
Revenue from use of money and property	918	326	16	1,786
Aid from other governmental agencies:				
State	35	166	35	
Federal	33	1	8,802	98,949
Other	1,428		898	12
Charges for current services	7,190	1,173		1,936
Other revenue	109		565	346
Total revenues	13,857	5,812	10,316	103,029
Expenditures:				
Current:				
General government	861			
Public protection	905	4,263		
Public ways and facilities	1,343			
Health and sanitation	7,096			
Public assistance			8,008	103,914
Education				
Recreation and cultural	2,009			
Capital outlay	30	3,806		
Debt service:				
Principal	260			134
Interest and fiscal charges	41			30
Total expenditures	12,545	8,069	8,008	104,078
Excess (deficiency) of revenues over (under) expenditures	1,312	(2,257)	2,308	(1,049)
Other financing sources (uses)				
Sale of capital assets				
Transfers in		100		
Transfers out	(477)			
Total other financing sources (uses)	(477)	100		
Net change in fund balances	835	(2,157)	2,308	(1,049)
Fund balances at beginning of year	16,866	26,336	32,701	37,838
Increase (decrease) in reserve for inventories				
Fund balances at end of year	\$ 17,701	24,179	35,009	36,789

Continued



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended June 30, 2008
(In Thousands)**

(Continued)	In Home Support Services Fund	Inactive Wastesites Fund	Inmate Welfare Program Fund	Lighting Maintenance District Fund	Park Land Dedication Fund
Revenues:					
Taxes	\$			1,069	
Licenses, permits and franchise fees					946
Fines, forfeitures and penalties					
Revenue from use of money and property	78	3,698	3,722	34	523
Aid from other governmental agencies:					
State		422	11	10	
Federal		3			
Other					
Charges for current services		1,021	3	673	
Other revenue			592		
Total revenues	78	5,144	4,328	1,786	1,469
Expenditures:					
Current:					
General government					
Public protection			2,620		
Public ways and facilities				1,584	
Health and sanitation		7,756			
Public assistance	12,049				
Education					
Recreation and cultural					427
Capital outlay		19	85		
Debt service:					
Principal					
Interest and fiscal charges					
Total expenditures	12,049	7,775	2,705	1,584	427
Excess (deficiency) of revenues over (under) expenditures	(11,971)	(2,631)	1,623	202	1,042
Other financing sources (uses)					
Sale of capital assets			1		
Transfers in	12,033		850		
Transfers out		(103)	(1,876)		(289)
Total other financing sources (uses)	12,033	(103)	(1,025)		(289)
Net change in fund balances	62	(2,734)	598	202	753
Fund balances at beginning of year	26	69,756	5,112	630	9,846
Increase (decrease) in reserve for inventories			(9)		
Fund balances at end of year	\$ 88	67,022	5,701	832	10,599

Continued

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE For the Year Ended June 30, 2008 (In Thousands)

(Continued)

	Road Fund	SANCAL Fund	Tobacco Securitization Joint Special Revenue Fund	Other Special Districts Funds	Total Special Revenue Funds
Revenues:					
Taxes	\$				39,736
Licenses, permits and franchise fees	235				10,522
Fines, forfeitures and penalties	9			22	3,232
Revenue from use of money and property	3,583	42,162	2,425	4	61,344
Aid from other governmental agencies:					
State	81,151			111	88,149
Federal	4,827				115,705
Other		23			7,403
Charges for current services	30,493			100	44,394
Other revenue	504		31,106		34,322
Total revenues	120,802	42,185	33,531	237	404,807
Expenditures:					
Current:					
General government		33	146		3,976
Public protection				35	9,091
Public ways and facilities	71,122			95	74,144
Health and sanitation					40,278
Public assistance					123,971
Education					34,468
Recreation and cultural					2,436
Capital outlay	41,846				46,905
Debt service:					
Principal			6,865		7,259
Interest and fiscal charges			26,599		26,670
Total expenditures	112,968	33	33,610	130	369,198
Excess (deficiency) of revenues over (under) expenditures	7,834	42,152	(79)	107	35,609
Other financing sources (uses)					
Sale of capital assets	3				27
Transfers in	100	1,316			20,395
Transfers out	(2,251)	(43,398)			(50,493)
Total other financing sources (uses)	(2,148)	(42,082)			(30,071)
Net change in fund balances	5,686	70	(79)	107	5,538
Fund balances at beginning of year	98,369	1,037	47,376	536	387,807
Increase (decrease) in reserve for inventories	(280)				(203)
Fund balances at end of year	\$ 103,775	1,107	47,297	643	393,142



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
For the Year Ended June 30, 2008
(In Thousands)**

	Pension Obligation Bonds Fund	Redevelopment Agency Fund	SANCAL Fund	Total Debt Service Funds
Revenues:				
Taxes	\$	2,181		2,181
Revenue from use of money and property	1,331	121	1,469	2,921
Other revenue	8,242			8,242
Total revenues	9,573	2,302	1,469	13,344
Expenditures:				
Current:				
General government	1,461	458	20	1,939
Debt service:				
Principal	142,735	320	34,300	177,355
Interest and fiscal charges	57,888	825	17,079	75,792
Total expenditures	202,084	1,603	51,399	255,086
Excess (deficiency) of revenues over (under) expenditures	(192,511)	699	(49,930)	(241,742)
Other financing sources (uses)				
Transfers in	180,431		43,398	223,829
Transfers out		(665)	(2,189)	(2,854)
Total other financing sources (uses)	180,431	(665)	41,209	220,975
Net change in fund balances	(12,080)	34	(8,721)	(20,767)
Fund balances at beginning of year	27,328	2,884	35,238	65,450
Fund balances at end of year	\$ 15,248	2,918	26,517	44,683

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS For the Year Ended June 30, 2008 (In Thousands)

	Capital Outlay Fund	Edgemoor Development Fund	Redevelopment Agency Fund	SANCAL Fund	Total Capital Projects Funds
Revenues:					
Taxes	\$		1,633		1,633
Revenue from use of money and property	314	1,230	253	1,662	3,459
Aid from other governmental agencies:					
State	4,147				4,147
Federal	447				447
Other revenue	356	120			476
Total revenues	5,264	1,350	1,886	1,662	10,162
Expenditures:					
Current:					
General government	92	905	138		1,135
Public protection			428		428
Capital outlay	99,460				99,460
Total expenditures	99,552	905	566		101,023
Excess (deficiency) of revenues over (under) expenditures	(94,288)	445	1,320	1,662	(90,861)
Other financing sources (uses)					
Transfers in	90,883		642	873	92,398
Transfers out				(50,401)	(50,401)
Total other financing sources (uses)	90,883		642	(49,528)	41,997
Net change in fund balances	(3,405)	445	1,962	(47,866)	(48,864)
Fund balances at beginning of year	7,863	18,995	1,477	52,561	80,896
Fund balances at end of year	\$ 4,458	19,440	3,439	4,695	32,032



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Air Pollution Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 8,684	8,684	6,932
Fines, forfeitures and penalties	1,114	1,114	660
Revenue from use of money and property	238	238	990
Aid from other governmental agencies:			
State	5,322	5,459	5,338
Federal	3,026	3,026	3,087
Other	4,926	4,926	5,042
Charges for current services	919	919	402
Other revenue	191	191	671
Total revenues	24,420	24,557	23,122
Expenditures:			
Current:			
Health and sanitation:			
Air pollution control	18,755	18,953	16,873
Air pollution control, improvement trust	3,313	3,751	2,865
Air pollution control, moyer program	7,769	8,219	3,928
Air pollution control, power general mitigation	989	2,471	334
Air pollution control, school bus program	1,340	1,477	1,426
Total health and sanitation	32,166	34,871	25,426
Capital outlay	1,940	2,135	747
Debt service:			
Principal	27	27	
Total expenditures	34,133	37,033	26,173
Excess (deficiency) of revenues over (under) expenditures	(9,713)	(12,476)	(3,051)
Other financing sources (uses)			
Sale of capital assets			18
Transfers in	6,261	850	850
Transfers out	(6,008)	(598)	(737)
Total other financing sources (uses)	253	252	131
Net change in fund balance	(9,460)	(12,224)	(2,920)
Fund balance at beginning of year	21,915	21,915	21,915
Increase (decrease) in reserve for inventories		24	24
Fund balance at end of year	\$ 12,455	9,715	19,019

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Asset Forfeiture Program Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$ 900	900	2,537
Revenue from use of money and property	100	100	343
Other revenue			42
Total revenues	1,000	1,000	2,922
Expenditures:			
Current:			
Public protection:			
District attorney asset forfeiture program - federal	63	963	469
District attorney asset forfeiture program - state	200	200	172
Probation asset forfeiture program	50	120	99
Sheriff's asset forfeiture program	926	802	528
Total public protection	1,239	2,085	1,268
Capital outlay	200	200	88
Total expenditures	1,439	2,285	1,356
Excess (deficiency) of revenues over (under) expenditures	(439)	(1,285)	1,566
Other financing sources (uses)			
Sale of capital assets			5
Transfers out	(200)	(324)	(195)
Total other financing sources (uses)	(200)	(324)	(190)
Net change in fund balance	(639)	(1,609)	1,376
Fund balance at beginning of year	6,026	6,026	6,026
Increase (decrease) in reserve for inventories		38	38
Fund balance at end of year	\$ 5,387	4,455	7,440



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Cable TV Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 2,300	2,300	2,409
Revenue from use of money and property			118
Charges for current services	150	150	174
Other revenue			16
Total revenues	2,450	2,450	2,717
Expenditures:			
Current:			
General government:			
Media and public relation	3,212	3,235	2,936
Total general government	3,212	3,235	2,936
Capital outlay		184	184
Total expenditures	3,212	3,419	3,120
Excess (deficiency) of revenues over (under) expenditures	(762)	(969)	(403)
Other financing sources (uses)			
Transfers out	(83)	(83)	(120)
Total other financing sources (uses)	(83)	(83)	(120)
Net change in fund balance	(845)	(1,052)	(523)
Fund balance at beginning of year	2,348	2,348	2,348
Increase (decrease) in reserve for inventories		3	3
Fund balance at end of year	\$ 1,503	1,299	1,828

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Library Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 27,765	27,765	30,381
Revenue from use of money and property	343	343	618
Aid from other governmental agencies:			
State	816	816	870
Federal	5	5	3
Charges for current services	1,954	1,954	1,229
Other revenue	558	658	371
Total revenues	31,441	31,541	33,472
Expenditures:			
Current:			
Education:			
County library	41,074	44,406	34,468
Total education	41,074	44,406	34,468
Capital outlay	16	1,116	100
Total expenditures	41,090	45,522	34,568
Excess (deficiency) of revenues over (under) expenditures	(9,649)	(13,981)	(1,096)
Other financing sources (uses)			
Transfers in	5,077	5,237	5,146
Transfers out	(734)	(834)	(1,047)
Total other financing sources (uses)	4,343	4,403	4,099
Net change in fund balance	(5,306)	(9,578)	3,003
Fund balance at beginning of year	11,089	11,089	11,089
Increase (decrease) in reserve for inventories		21	21
Fund balance at end of year	\$ 5,783	1,532	14,113



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Service Districts Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 4,236	4,236	4,144
Revenue from use of money and property	197	197	918
Aid from other governmental agencies:			
State	25	25	35
Federal			33
Other	1,547	1,547	1,428
Charges for current services	7,249	7,393	7,190
Other revenue			109
Total revenues	13,254	13,398	13,857
Expenditures:			
Current:			
General government:			
Regional Communication System CSA 135	633	633	623
Regional Communication System CSA 135 Zone B Del Mar	60	60	55
Regional Communication System CSA 135 Zone F Poway	150	150	148
Regional Communications System CSA 135 Zone H Solana Beach	38	38	35
Total general government	881	881	861
Public protection:			
Fire protection, PRD 107 Elfin Forest	298	294	291
Fire protection, PRD 109 MT Laguna F	45	46	46
Fire protection, PRD 110 MT Palomar F	162	163	80
Fire protection, PRD 111 Boulevard F	86	86	11
Fire protection, PRD 112 Campo Fire	204	204	37
Fire protection, PRD 113 San Pasqual	125	125	76
Fire protection, PRD 115 Pepper Drive	364	364	364
Total public protection	1,284	1,282	905
Public ways and facilities:			
PRD 10 Davis Dr	25	25	4
PRD 100 Viejas View	18	18	4
PRD 1002 Sunny Acres	7	7	4
PRD 1003 Alamo Way	4	4	
PRD 1004 Butterfly	13	13	4
PRD 1005 Eden Valley	34	34	4
PRD 1008 Canter	22	22	4
PRD 1009 Golf Drive	2	2	
PRD 101 A Hi-Ridge R	26	26	4
PRD 101 Johnson LK	55	55	6
PRD 1010 Alpine Highlands ZN	152	152	16
PRD 1011 La Cuesta ZN	16	16	4
PRD 1012 8112 Millar	10	10	5
PRD 1013 Singing Trails	92	77	12
PRD 1015 Landavo Drive ET AL	71	66	18
PRD 1016 El Sereno Way	30	20	6
PRD 102 MTN Meadow	183	183	49
PRD 103 Alto Drive	134	134	5
PRD 104 Artesian RO	119	119	88
PRD 105 A Alta Loma D	31	31	5
PRD 105 Alta Loma D	28	28	4
PRD 106 Garrison Ay	48	48	4
PRD 11 A Bernardo RD	37	37	5
PRD 11 A Bernardo RD	38	38	4
PRD 11 D Bernardo RD	23	23	4
PRD 117 Legend Rock	26	26	14
PRD 12 Lomair	185	185	11
PRD 123 Mizpah Lane	29	29	4
PRD 125 Wrightwood	58	58	4

Continued

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Service Districts Fund
For the Year Ended June 30, 2008
(In Thousands)**

(Continued)	Original Budget	Final Budget	Actual
PRD 126 Sandhurst W	\$ 29	29	4
PRD 127 Singing Trails	33	33	5
PRD 13 A Pala Mesa	236	236	79
PRD 13 B Stewart Canyon	59	59	23
PRD 130 Wilkes Road	125	125	7
PRD 133 Rnch Creek Rd	26	26	4
PRD 134 Kenora Lane	35	35	4
PRD 14 Rancho Diego	4	4	4
PRD 16 Wynola	142	142	108
PRD 18 Harrison Park	182	182	6
PRD 20 Daily Road	359	359	10
PRD 21 Pauma Heights	129	129	12
PRD 22 W Dougherty St	18	18	4
PRD 23 Rock Terrace RD	7	7	4
PRD 24 MT Whitney RD	22	22	4
PRD 30 Royal Oaks-CAR	39	39	3
PRD 38 Gay Rio Terrace	49	49	4
PRD 39 Sunbeam Lane	12	12	4
PRD 45 Rincon Springs	152	152	91
PRD 46 Rocosco Road	28	28	4
PRD 49 Sunset Knls RD	24	24	4
PRD 50 Knoll Park LN	96	96	4
PRD 53 Knoll Park LN EX	166	166	4
PRD 54 MT Helix	61	61	4
PRD 55 Rainbow Crest	376	376	156
PRD 6 Pauma Valley	259	259	159
PRD 60 River Drive	51	51	4
PRD 61 GRN Meadow Way	167	167	5
PRD 63 Hillview Road	272	272	4
PRD 64 Lila Lane	11	11	5
PRD 70 El Camino Cort	30	30	5
PRD 75 A Gay Rio Drive	173	173	5
PRD 75 B Gay Rio Drive	267	267	6
PRD 76 Kingford CT	18	18	4
PRD 77 Montiel TRK TR	146	146	5
PRD 78 Gardena Ay	112	112	103
PRD 8 Magee RD-PAL	248	248	4
PRD 80 Harris TRK TRL	187	187	4
PRD 88 East Fifth St	54	54	4
PRD 9 B Santa Fe	70	70	52
PRD 90 South Cordov	53	53	27
PRD 94 Roble Grnde	398	398	79
PRD 95 Valle Del Sol	229	229	8
PRD 99 Via Allndra	35	35	5
Public works, PRD 1014 Lavender PT Lane	6	6	3
Total public ways and facilities	6,711	6,681	1,343
Health and sanitation:			
CSA 17 San Dieguito Ambulance	2,551	2,551	2,476
CSA 69 Heartland Paramedics	4,754	4,755	4,603

Continued



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
County Service Districts Fund
For the Year Ended June 30, 2008
(In Thousands)**

(Continued)	Original Budget	Final Budget	Actual
PRD 136 Sundance Detention Basin	\$ 88	88	12
Sanitation, PRD 122 Otay Mesa East	52	52	5
Total health and sanitation	7,445	7,446	7,096
Recreation and cultural:			
CSA 128 San Miguel Park	384	384	384
CSA 26 Rancho San Diego	234	234	234
CSA 26 San Diego landscape maintenance	125	125	125
CSA 81 Fallbrook Park	106	141	141
CSA 83 San Dieguito	550	520	464
CSA 83A 4S Ranch Park	774	774	347
PRD 26 A Cottonwood Village	247	247	143
PRD 26 B Monte Vista	361	361	171
Total recreation and cultural	2,781	2,786	2,009
Capital outlay	49	69	30
Debt service:			
Principal	188	368	260
Interest and fiscal charges	35	45	41
Total expenditures	19,374	19,558	12,545
Excess (deficiency) of revenues over (under) expenditures	(6,120)	(6,160)	1,312
Other financing sources (uses)			
Issuance of bonds and loans:			
Long-term debt proceeds	60	60	
Transfers in	185	181	
Transfers out	(662)	(658)	(477)
Total other financing sources (uses)	(417)	(417)	(477)
Net change in fund balance	(6,537)	(6,577)	835
Fund balance at beginning of year	16,866	16,866	16,866
Fund balance at end of year	\$ 10,329	10,289	17,701

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Flood Control Districts Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 3,946	3,946	4,142
Fines, forfeitures and penalties			4
Revenue from use of money and property	40	40	326
Aid from other governmental agencies:			
State			166
Federal			1
Charges for current services	8	8	1,173
Other revenue	4,962	6,351	
Total revenues	8,956	10,345	5,812
Expenditures:			
Current:			
Public protection:			
Flood control district	6,631	6,631	4,263
Stormwater Maint	8	8	
Total public protection	6,639	6,639	4,263
Capital outlay	3,806	3,806	3,806
Total expenditures	10,445	10,445	8,069
Excess (deficiency) of revenues over (under) expenditures	(1,489)	(100)	(2,257)
Other financing sources (uses)			
Transfers in	1,489	100	100
Total other financing sources (uses)	1,489	100	100
Net change in fund balance			(2,157)
Fund balance at beginning of year	26,336	26,336	26,336
Fund balance at end of year	\$ 26,336	26,336	24,179



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Housing and Community Development Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		16
Aid from other governmental agencies:			
State	1,000	1,000	35
Federal	33,204	30,958	8,802
Other	19	19	898
Other revenue	1,250	1,250	565
Total revenues	35,473	33,227	10,316
Expenditures:			
Current:			
Public assistance:			
Housing and community development	35,473	33,227	8,008
Total public assistance	35,473	33,227	8,008
Total expenditures	35,473	33,227	8,008
Excess (deficiency) of revenues over (under) expenditures			2,308
Net change in fund balance			2,308
Fund balance at beginning of year	32,701	32,701	32,701
Fund balance at end of year	\$ 32,701	32,701	35,009

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Housing Authority Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		1,786
Aid from other governmental agencies:			
Federal	98,584	100,610	98,949
Other	433	433	12
Charges for current services	4,002	5,287	1,936
Other revenue	1,916	390	346
Total revenues	104,935	106,720	103,029
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	104,770	106,555	103,914
Total public assistance	104,770	106,555	103,914
Debt service:			
Principal	133	133	134
Interest and fiscal charges	32	32	30
Total expenditures	104,935	106,720	104,078
Excess (deficiency) of revenues over (under) expenditures			(1,049)
Net change in fund balance			(1,049)
Fund balance at beginning of year	37,838	37,838	37,838
Fund balance at end of year	\$ 37,838	37,838	36,789



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
In Home Support Services Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		78
Total revenues			78
Expenditures:			
Current:			
Public assistance:			
IHSS Public authority	13,816	13,816	12,049
Total public assistance	13,816	13,816	12,049
Total expenditures	13,816	13,816	12,049
Excess (deficiency) of revenues over (under) expenditures	(13,816)	(13,816)	(11,971)
Other financing sources (uses)			
Transfers in	13,799	13,799	12,033
Total other financing sources (uses)	13,799	13,799	12,033
Net change in fund balance	(17)	(17)	62
Fund balance at beginning of year	26	26	26
Fund balance at end of year	\$ 9	9	88

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Inactive Wastesites Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 535	535	3,698
Aid from other governmental agencies:			
State	1,532	1,725	422
Federal			3
Charges for current services	850	851	1,021
Other revenue	11,227	11,147	
Total revenues	14,144	14,258	5,144
Expenditures:			
Current:			
Health and sanitation:			
Duck pond landfill cleanup	15	15	14
Hillsborough maintenance	251	252	157
Inactive waste site management	14,040	14,213	7,585
Total health and sanitation	14,306	14,480	7,756
Capital outlay	16	35	19
Total expenditures	14,322	14,515	7,775
Excess (deficiency) of revenues over (under) expenditures	(178)	(257)	(2,631)
Other financing sources (uses)			
Transfers out	(231)	(151)	(103)
Total other financing sources (uses)	(231)	(151)	(103)
Net change in fund balance	(409)	(408)	(2,734)
Fund balance at beginning of year	69,756	69,756	69,756
Fund balance at end of year	\$ 69,347	69,348	67,022



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Inmate Welfare Program Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 3,959	3,959	3,722
Aid from other governmental agencies:			
State	23	42	11
Charges for current services			3
Other revenue	100	100	592
Total revenues	4,082	4,101	4,328
Expenditures:			
Current:			
Public protection:			
Probation inmate welfare	226	226	189
Sheriff's inmate welfare	2,880	2,889	2,428
Sheriff Inmate Welfare	14	14	3
Total public protection	3,120	3,129	2,620
Capital outlay	82	91	85
Total expenditures	3,202	3,220	2,705
Excess (deficiency) of revenues over (under) expenditures	880	881	1,623
Other financing sources (uses)			
Sale of capital assets			1
Transfers in	850	850	850
Transfers out	(1,909)	(1,909)	(1,876)
Total other financing sources (uses)	(1,059)	(1,059)	(1,025)
Net change in fund balance	(179)	(178)	598
Fund balance at beginning of year	5,112	5,112	5,112
Increase (decrease) in reserve for inventories		(9)	(9)
Fund balance at end of year	\$ 4,933	4,925	5,701

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Lighting Maintenance District Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 920	920	1,069
Revenue from use of money and property	15	15	34
Aid from other governmental agencies:			
State	11	11	10
Charges for current services	627	627	673
Other revenue	5	5	
Total revenues	1,578	1,578	1,786
Expenditures:			
Current:			
Public ways and facilities:			
San Diego Lighting Maintenance	1,600	1,599	1,584
Total public ways and facilities	1,600	1,599	1,584
Total expenditures	1,600	1,599	1,584
Excess (deficiency) of revenues over (under) expenditures	(22)	(21)	202
Net change in fund balance	(22)	(21)	202
Fund balance at beginning of year	630	630	630
Fund balance at end of year	\$ 608	609	832



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Park Land Dedication Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 72	72	946
Revenue from use of money and property			523
Total revenues	72	72	1,469
Expenditures:			
Current:			
Recreation and cultural:			
Local Park Planning Area 15 Sweetwater	5	5	1
Local Park Planning Area 16 Otay	2	2	
Local Park Planning Area 19 Jamul	3	304	300
Local Park Planning Area 20 Spring Valley	2	2	2
Local Park Planning Area 25 Lakeside	3	3	3
Local Park Planning Area 26 Crest	3	203	1
Local Park Planning Area 27 Alpine	5	5	
Local Park Planning Area 28 Ramona	455	458	1
Local Park Planning Area 29 Escondido	3	3	
Local Park Planning Area 30 San Marcos	1	1	
Local Park Planning Area 31 San Dieguito	5	7	1
Local Park Planning Area 32 Carlsbad	1	1	
Local Park Planning Area 35 Fallbrook	39	45	32
Local Park Planning Area 36 Bonsall	3	3	
Local Park Planning Area 37 Vista	1	2	
Local Park Planning Area 38 Valley Center	107	164	85
Local Park Planning Area 39 Pauma	5	28	
Local Park Planning Area 4 Lincoln Acres	3	3	
Local Park Planning Area 40 Palomar-Julian	2	2	
Local Park Planning Area 41 Mount Empire	3	3	
Local Park Planning Area 42 Anza-Borrego	1	1	
Local Park Planning Central Mountain	3	3	
Local Park Planning Oceanside	1	1	
Local Park Planning Valle de Oro	2	2	1
Total recreational and cultural	658	1,251	427
Total expenditures	658	1,251	427
Excess (deficiency) of revenues over (under) expenditures	(586)	(1,179)	1,042
Other financing sources (uses)			
Transfers out	(1,103)	(1,400)	(289)
Total other financing sources (uses)	(1,103)	(1,400)	(289)
Net change in fund balance	(1,689)	(2,579)	753
Fund balance at beginning of year	9,846	9,846	9,846
Fund balance at end of year	\$ 8,157	7,267	10,599

Combining Financial Statements/Schedules - Nonmajor Governmental Funds



**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 42,831	45,724	
Licenses, permits and franchise fees	456	456	235
Fines, forfeitures and penalties	36	36	9
Revenue from use of money and property	1,407	1,407	3,583
Aid from other governmental agencies:			
State	74,322	82,160	81,151
Federal	5,089	12,798	4,827
Charges for current services	26,500	27,043	30,493
Other revenue	6	966	504
Total revenues	150,647	170,590	120,802
Expenditures:			
Current:			
Public ways and facilities:			
Public works, other budgetary entity			
Public works, road	131,571	154,162	71,122
Total public ways and facilities	131,571	154,162	71,122
Capital outlay	41,709	42,045	41,846
Total expenditures	173,280	196,207	112,968
Excess (deficiency) of revenues over (under) expenditures	(22,633)	(25,617)	7,834
Other financing sources (uses)			
Sale of capital assets			3
Transfers in	90		100
Transfers out	(1,709)	(1,709)	(2,251)
Total other financing sources (uses)	(1,619)	(1,709)	(2,148)
Net change in fund balance	(24,252)	(27,326)	5,686
Fund balance at beginning of year	98,369	98,369	98,369
Increase (decrease) in reserve for inventories		(280)	(280)
Fund balance at end of year	\$ 74,117	70,763	103,775



Combining Financial Statements/Schedules - Nonmajor Governmental Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
Other Special Districts Funds
For the Year Ended June 30, 2008
(In Thousands)**

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$ 16	16	22
Revenue from use of money and property	5	5	4
Aid from other governmental agencies:			
State	1,309	1,309	111
Charges for current services	90	90	100
Total revenues	1,420	1,420	237
Expenditures:			
Current:			
Public protection:			
Agriculture weights and Measure - Fish and Game	47	47	29
Public works, survey		90	6
Total public protection	47	137	35
Public ways and facilities:			
Special Aviation	1,313	1,313	95
Total public ways and facilities	1,313	1,313	95
Total expenditures	1,360	1,450	130
Excess (deficiency) of revenues over (under) expenditures	60	(30)	107
Other financing sources (uses)			
Transfers out	(90)		
Total other financing sources (uses)	(90)		
Net change in fund balance	(30)	(30)	107
Fund balance at beginning of year	536	536	536
Fund balance at end of year	\$ 506	506	643





ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

AIRPORT FUND

This fund is used to account for the maintenance, operations and development of County airports. A major objective of the airport program is to purchase and develop airport property in order to create tax revenues and create jobs in the private sector.

SANITATION DISTRICTS FUND

This fund is used to account for the activities of all individual sanitation districts governed by the County Board of Supervisors.

WASTEWATER MANAGEMENT

This fund is used to account for operational services and support provided to sanitation districts governed by the Board of Supervisors.



**COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
June 30, 2008
(In thousands)**

	Airport Fund	Sanitation Districts Fund	Wastewater Management Fund	Total Enterprise Funds
ASSETS				
Current assets:				
Pooled cash and investments	\$ 15,325	68,551	1,570	85,446
Receivables, net	8,238	1,001	16	9,255
Due from other funds	32	1,518	523	2,073
Total current assets	23,595	71,070	2,109	96,774
Noncurrent assets:				
Advances to other funds	3,363			3,363
Capital assets:				
Land	10,249	1,069	20	11,338
Construction and contracts in progress	32,037	17,817		49,854
Buildings and improvements	50,135	1,699	721	52,555
Equipment	525	594	222	1,341
Road network	335			335
Sewer network		68,994		68,994
Accumulated depreciation	(23,160)	(32,195)	(570)	(55,925)
Total noncurrent assets	73,484	57,978	393	131,855
Total assets	97,079	129,048	2,502	228,629
LIABILITIES				
Current liabilities:				
Accounts payable	4,401	327	107	4,835
Accrued payroll	67		77	144
Due to other funds	254	713	1,723	2,690
Advances from other funds				
Unearned revenue	50	2		52
Bonds and loans payable	217			217
Compensated absences	75		81	156
Total current liabilities	5,064	1,042	1,988	8,094
Noncurrent liabilities:				
Advances from other funds		14		14
Bonds and loans payable	2,038			2,038
Compensated absences	113		121	234
Total noncurrent liabilities	2,151	14	121	2,286
Total liabilities	7,215	1,056	2,109	10,380
NET ASSETS				
Invested in capital assets, net of related debt	67,866	57,978	393	126,237
Unrestricted	21,998	70,014		92,012
Total net assets (deficits)	\$ 89,864	127,992	393	218,249



Combining Financial Statements - Nonmajor Enterprise Funds

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - ENTERPRISE FUNDS
For the Year Ended June 30, 2008
(In Thousands)**

	Airport Fund	Sanitation Districts Fund	Wastewater Management Fund	Total Enterprise Funds
Operating revenues:				
Charges for current services	\$ 16,097	20,060	5,318	41,475
Miscellaneous	103	1	1	105
Total operating revenues	16,200	20,061	5,319	41,580
Operating expenses:				
Salaries	2,933		3,338	6,271
Repairs and maintenance	501	4,636	65	5,202
Equipment rental	415		457	872
Sewage processing		9,828		9,828
Contracted services	3,065		1,155	4,220
Depreciation	1,111	1,364	19	2,494
Utilities	139		2	141
Other operating expenses	516	1,716	234	2,466
Total operating expenses	8,680	17,544	5,270	31,494
Operating income (loss)	7,520	2,517	49	10,086
Nonoperating revenues (expenses):				
Grants	7,708		17	7,725
Investment income	880	3,130	103	4,113
Interest expense	(138)	(21)		(159)
Total nonoperating revenues (expenses)	8,450	3,109	120	11,679
Income (loss) before contributions and transfers	15,970	5,626	169	21,765
Transfers in	23	3,010		3,033
Transfers out	(155)	(100)	(2,859)	(3,114)
Change in net assets	15,838	8,536	(2,690)	21,684
Net assets (deficits) at beginning of year	74,026	119,456	3,083	196,565
Net assets (deficits) at end of year	\$ 89,864	127,992	393	218,249



**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2008
(In Thousands)**

	Airport Fund	Sanitation Districts Fund	Wastewater Management Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 13,268	19,938	32	33,238
Cash received from other funds	166		6,396	6,562
Other miscellaneous revenues				
Cash payments to suppliers	(4,360)	(11,824)	(1,609)	(17,793)
Cash payments to employees	(2,885)		(3,306)	(6,191)
Cash payments to other funds	(819)	(7,122)	(373)	(8,314)
Net cash provided (used) by operating activities	5,370	992	1,140	7,502
Cash flows from noncapital financing activities:				
Operating grants	4,116		17	4,133
Transfers from other funds	23	3,010		3,033
Transfers to other funds	(155)	(100)	(1,306)	(1,561)
Net cash provided (used) by noncapital financing activities	3,984	2,910	(1,289)	5,605
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(10,005)	(2,502)		(12,507)
Retirement of capital leases, bonds and loans	(205)	(273)		(478)
Interest paid on long-term debt	(138)	(21)		(159)
Net cash provided (used) by capital and related financing activities	(10,348)	(2,796)		(13,144)
Cash flows from investing activities:				
Investment income	936	3,402	117	4,455
Net increase (decrease) in cash and cash equivalents	(58)	4,508	(32)	4,418
Cash and cash equivalents - beginning of year	15,383	64,043	1,602	81,028
Cash and cash equivalents - end of year	15,325	68,551	1,570	85,446
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	7,520	2,517	49	10,086
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Inc (dec) in compensated absences	33		15	48
Inc (dec) in accrued payroll	17		18	35
Inc (dec) in due to other funds	(370)	(975)	(155)	(1,500)
Inc (dec) in accounts payable	(175)	(279)	85	(369)
Inc (dec) in unearned revenue	(79)			(79)
Dec (inc) in accounts and notes receivable	(2,661)	(124)	(1)	(2,786)
Dec (inc) in due from other funds	(26)	(1,511)	1,110	(427)
Depreciation	1,111	1,364	19	2,494
Total adjustments	(2,150)	(1,525)	1,091	(2,584)
Net cash provided by (used in) operating activities	5,370	992	1,140	7,502
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable	\$ 3,329	50		3,379



INTERNAL SERVICE FUNDS

Internal service funds are established to account for services furnished to other county departments and are financed primarily by these service charges. Because they are exempt from budgetary control, they are free to employ commercial accounting techniques, and are often used in situations where a more accurate determination of operating results is desired.

EMPLOYEE BENEFITS FUND

This fund was established to account for all of the county's workers' compensation program, unemployment insurance and medical.

FACILITIES MANAGEMENT FUND

This fund was established to account for the financing of public service utilities, property management, architectural and engineering services and mail services provided to other county departments on a cost reimbursement basis.

FLEET SERVICES FUND

This fund was established to account for the financing of General Services' Fleet vehicles provided to other County departments on a cost reimbursement basis.

INFORMATION TECHNOLOGY FUND

This fund was established to account for the financing of software applications for human resources, payroll, and financial systems as well as telecommunications services provided to other county departments on a cost reimbursement basis.

OTHER MISCELLANEOUS INTERNAL SERVICE FUND

This fund was established to provide for the financing of clothing and personal sundry items for persons institutionalized at various County facilities.

PUBLIC LIABILITY INSURANCE FUND

This fund was established to account for all of county's public liability claims and related expenses in compliance with the applicable provisions of the law.

PURCHASING FUND

This fund accounts for the financing of materials and supplies provided to county departments and provides printing and record storage services; all on a cost reimbursement basis.

ROAD AND COMMUNICATION EQUIPMENT FUND

This fund was established to account for the financing of public works and communications equipment provided to other county departments on a cost reimbursement basis.

SPECIAL DISTRICTS LOAN FUND

This fund was established to provide financing for start up services for new and existing county service districts on a cost reimbursement basis.

Combining Financial Statements - Internal Service Funds



**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008
(In Thousands)**

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
ASSETS					
Current assets:					
Pooled cash and investments	\$ 83,140	6,572	9,587	14,500	26,698
Receivables, net	707	459	377	881	235
Due from other funds	1,287	4,480	1,946	12,876	
Inventories		423	1,236		
Total current assets	85,134	11,934	13,146	28,257	26,933
Noncurrent assets:					
Advances to other funds					118
Capital assets:					
Equipment		577	91,662	55,480	
Accumulated depreciation		(429)	(49,543)	(36,988)	
Total noncurrent assets		148	42,119	18,492	118
Total assets	85,134	12,082	55,265	46,749	27,051
LIABILITIES					
Current liabilities:					
Accounts payable	2,432	3,859	2,922	21,363	463
Accrued payroll		510	91		
Accrued interest		3			
Due to other funds	2,902	431	17	183	1,177
Unearned revenue		725	1		
Bonds and loans payable		502			
Compensated absences		685	116		
Claims and judgments	19,874				9,597
Total current liabilities	25,208	6,715	3,147	21,546	11,237
Noncurrent liabilities:					
Advances from other funds		2,000			
Bonds and loans payable		3,345			
Compensated absences		1,029	174		
Claims and judgments	66,928				9,845
Total noncurrent liabilities	66,928	6,374	174		9,845
Total liabilities	92,136	13,089	3,321	21,546	21,082
NET ASSETS					
Invested in capital assets, net of related debt		148	42,119	18,492	
Unrestricted	(7,002)	(1,155)	9,825	6,711	5,969
Total net assets (deficits)	\$ (7,002)	(1,007)	51,944	25,203	5,969

Continued



Combining Financial Statements - Internal Service Funds

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008
(In Thousands)**

(Continued)

	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Other Miscellaneous Internal Service Funds	Total Internal Service Funds
ASSETS					
Current assets:					
Pooled cash and investments	\$ 4,667	7,827	878	4,276	158,145
Receivables, net	45	80			2,784
Due from other funds	138	970		1	21,698
Inventories	4			162	1,825
Total current assets	4,854	8,877	878	4,439	184,452
Noncurrent assets:					
Advances to other funds			30		148
Capital assets:					
Equipment	245	28,019		281	176,264
Accumulated depreciation	(23)	(15,671)		(271)	(102,925)
Total noncurrent assets	222	12,348	30	10	73,487
Total assets	5,076	21,225	908	4,449	257,939
LIABILITIES					
Current liabilities:					
Accounts payable	404	5		1,442	32,890
Accrued payroll	111				712
Accrued interest					3
Due to other funds	68	289		96	5,163
Unearned revenue					726
Bonds and loans payable					502
Compensated absences	156				957
Claims and judgments					29,471
Total current liabilities	739	294		1,538	70,424
Noncurrent liabilities:					
Advances from other funds					2,000
Bonds and loans payable					3,345
Compensated absences	234				1,437
Claims and judgments					76,773
Total noncurrent liabilities	234				83,555
Total liabilities	973	294		1,538	153,979
NET ASSETS					
Invested in capital assets, net of related debt	222	12,348		10	73,339
Unrestricted	3,881	8,583	908	2,901	30,621
Total net assets (deficits)	\$ 4,103	20,931	908	2,911	103,960



**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2008
(In Thousands)**

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Operating revenues:					
Charges for current services	\$ 33,193	97,057	32,268	114,193	7,000
Miscellaneous	113		229		52
Total operating revenues	33,306	97,057	32,497	114,193	7,052
Operating expenses:					
Salaries		23,588	4,426		
Repairs and maintenance		26,440	6,754		
Equipment rental		60	119		
Contracted services	7,830	9,785	922	116,752	6,795
Depreciation		72	9,289	18,494	
Utilities		17,575	280		
Cost of material		51	121		
Claims and judgments	10,128				5,039
Fuel		351	10,155		
Other operating expenses		18,790	938		3
Total operating expenses	17,958	96,712	33,004	135,246	11,837
Operating income (loss)	15,348	345	(507)	(21,053)	(4,785)
Nonoperating revenues (expenses):					
Grants		772	5		
Investment income	3,809	8	587	62	1,386
Interest expense		(171)			
Gain or loss on disposal of assets		(30)	(280)		
Total nonoperating revenues (expenses)	3,809	579	312	62	1,386
Income (loss) before contributions and transfers	19,157	924	(195)	(20,991)	(3,399)
Capital contributions			1		
Transfers in	204	1,376	257	1,605	
Transfers out		(1,209)	(214)		
Change in net assets	19,361	1,091	(151)	(19,386)	(3,399)
Net assets (deficits) at beginning of year	(26,363)	(2,098)	52,095	44,589	9,368
Net assets (deficits) at end of year	\$ (7,002)	(1,007)	51,944	25,203	5,969

Continued



Combining Financial Statements - Internal Service Funds

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2008
(In Thousands)**

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Other Miscellaneous Internal Service Funds	Total Internal Service Funds
Operating revenues:					
Charges for current services	\$ 7,139	5,941		4,740	301,531
Miscellaneous	263	3			660
Total operating revenues	7,402	5,944		4,740	302,191
Operating expenses:					
Salaries	5,202				33,216
Repairs and maintenance	125	2,808		15	36,142
Equipment rental	804				983
Contracted services	817	394		1,114	144,409
Depreciation	3	1,676		14	29,548
Utilities	10				17,865
Cost of material				1,487	1,659
Claims and judgments					15,167
Fuel	2	1,250		7	11,765
Other operating expenses	614			35	20,380
Total operating expenses	7,577	6,128		2,672	311,134
Operating income (loss)	(175)	(184)		2,068	(8,943)
Nonoperating revenues (expenses):					
Grants					777
Investment income	232	480	3	13	6,580
Interest expense					(171)
Gain or loss on disposal of assets	(1)	(144)			(455)
Total nonoperating revenues (expenses)	231	336	3	13	6,731
Income (loss) before contributions and transfers	56	152	3	2,081	(2,212)
Capital contributions					1
Transfers in	184				3,626
Transfers out	(280)			(1,472)	(3,175)
Change in net assets	(40)	152	3	609	(1,760)
Net assets (deficits) at beginning of year	4,143	20,779	905	2,302	105,720
Net assets (deficits) at end of year	\$ 4,103	20,931	908	2,911	103,960



COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2008
(In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Cash flows from operating activities:					
Cash received from customers	\$ 113	4,480	1,065	3,159	52
Cash received from other funds	34,143	96,834	31,170	108,965	7,312
Cash payments to suppliers	(7,230)	(72,172)	(19,627)	(123,955)	(6,449)
Cash payments to employees		(23,378)	(4,389)		
Cash payments to other funds		(2,552)	(1,116)		
Cash paid for judgments and claims	(18,012)				(2,093)
Net cash provided (used) by operating activities	9,014	3,212	7,103	(11,831)	(1,178)
Cash flows from noncapital financing activities:					
Operating grants		620	5		
Transfers from other funds	204	1,376	257	1,605	59
Transfers to other funds		(1,209)	(214)		
Advances to other funds					
Other noncapital (decreases)		(650)			
Net cash provided (used) by noncapital financing activities	204	137	48	1,605	59
Cash flows from capital and related financing activities:					
Acquisition of capital assets		(48)	(10,111)		
Proceeds from sale of assets			519		
Net cash provided (used) by capital and related financing activities		(48)	(9,592)		
Cash flows from investing activities:					
Investment income	4,029	7	688	62	1,524
Net increase (decrease) in cash and cash equivalents	13,247	3,308	(1,753)	(10,164)	405
Cash and cash equivalents - beginning of year	69,893	3,264	11,340	24,664	26,293
Cash and cash equivalents - end of year	83,140	6,572	9,587	14,500	26,698
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	15,348	345	(507)	(21,053)	(4,785)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Inc (dec) in compensated absences		137	20		
Inc (dec) in accrued payroll		101	17		
Inc (dec) in due to other funds	1,044	(95)	(145)	183	311
Inc (dec) in accounts payable	600	(1,440)	(652)	(7,203)	350
Inc (dec) in claims and judgments	(7,884)				2,946
Inc (dec) in unearned revenue			(2)		
Dec (inc) in accounts and notes receivable	(2)	208	(61)	(9)	
Dec (inc) in due from other funds	(92)	4,050	(199)	(2,243)	
Dec (inc) in Inventories		(166)	(657)		
Depreciation		72	9,289	18,494	
Total adjustments	(6,334)	2,867	7,610	9,222	3,607
Net cash provided by (used in) operating activities	9,014	3,212	7,103	(11,831)	(1,178)
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable			1,205		
Governmental contributions of capital assets	\$		1		

Continued



Combining Financial Statements - Internal Service Funds

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2008
(In Thousands)**

(Continued)

	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Other Miscellaneous Internal Service Funds	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 288	3		4,740	13,900
Cash received from other funds	7,629	5,518			291,571
Cash payments to suppliers	(1,686)	(435)		(2,080)	(233,634)
Cash payments to employees	(5,179)				(32,946)
Cash payments to other funds	(649)	(4,400)		(65)	(8,782)
Cash paid for judgments and claims					(20,105)
Net cash provided (used) by operating activities	403	686		2,595	10,004
Cash flows from noncapital financing activities:					
Operating grants					625
Transfers from other funds	184				3,685
Transfers to other funds	(280)			(1,472)	(3,175)
Advances to other funds			67		67
Other noncapital (decreases)					(650)
Net cash provided (used) by noncapital financing activities	(96)		67	(1,472)	552
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(111)	(3,669)			(13,939)
Proceeds from sale of assets		120			639
Net cash provided (used) by capital and related financing activities	(111)	(3,549)			(13,300)
Cash flows from investing activities:					
Investment income	248	526	3	13	7,100
Net increase (decrease) in cash and cash equivalents	444	(2,337)	70	1,136	4,356
Cash and cash equivalents - beginning of year	4,223	10,164	808	3,140	153,789
Cash and cash equivalents - end of year	4,667	7,827	878	4,276	158,145
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	(175)	(184)		2,068	(8,943)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Inc (dec) in compensated absences	23				180
Inc (dec) in accrued payroll	17				135
Inc (dec) in due to other funds	(73)	38		47	1,310
Inc (dec) in accounts payable	92	(421)		471	(8,203)
Inc (dec) in claims and judgments					(4,938)
Inc (dec) in unearned revenue					(2)
Dec (inc) in accounts and notes receivable					136
Dec (inc) in due from other funds	515	(423)		(1)	1,607
Dec (inc) in Inventories	1			(4)	(826)
Depreciation	3	1,676		14	29,548
Total adjustments	578	870		527	18,947
Net cash provided by (used in) operating activities	403	686		2,595	10,004
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable	103				1,308
Governmental contributions of capital assets	\$				1





INVESTMENT TRUST FUNDS

Investment trust funds are used to account for investments held on behalf of external entities in either the County pool or specific investments. These assets are held in a fiduciary capacity and accordingly, net assets reported in the Investment Trust funds are held in trust for other purposes.

SPECIFIC INVESTMENTS - INVESTMENT TRUST FUND

This Fund was created for the purpose of reporting individual investments which are offered as an alternative to a pooled position. It includes specific investments for the County; its component units and several legally separate governments.

POOL INVESTMENTS - INVESTMENT TRUST FUND

This fund was established to account for the external portion of the County Treasurer's investment pool in which the County; its component units and legally separate governments commingle or pool their resources in an investment pool.



**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
INVESTMENT TRUST
June 30, 2008
(In Thousands)**

	Specific Investments - Investment Trust	Pool Investments - Investment Trust	Total
ASSETS			
Pooled cash and investments	\$	3,119,116	3,119,116
Cash with fiscal agents	18		18
Investments with fiscal agents	468,588		468,588
Receivables:			
Accounts receivable		13,114	13,114
Investment income receivable	115	27,852	27,967
Total assets	468,721	3,160,082	3,628,803
LIABILITIES			
Accounts payable		6,095	6,095
Total liabilities		6,095	6,095
NET ASSETS			
Held in trust for other purposes	\$ 468,721	3,153,987	3,622,708



Combining Financial Statements - Investment Trust Funds

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 INVESTMENT TRUST
 For the Year Ended June 30, 2008
 (In Thousands)**

	Specific Investments - Investment Trust	Pool Investments - Investment Trust	Total
ADDITIONS			
Contributions:			
Contributions on investments	\$ 658,843	5,832,874	6,491,717
Total contributions	658,843	5,832,874	6,491,717
Investment earnings:			
Net increase (decrease) in fair value of Investments	119	12,257	12,376
Investment income	27,958	129,141	157,099
Total investment earnings	28,077	141,398	169,475
Total additions	686,920	5,974,272	6,661,192
DEDUCTIONS			
Distribution from investments	562,248	5,441,793	6,004,041
Total deductions	562,248	5,441,793	6,004,041
Change in net assets	124,672	532,479	657,151
Net assets at beginning of year	344,049	2,621,508	2,965,557
Net assets at end of year	\$ 468,721	3,153,987	3,622,708





AGENCY FUNDS

Agency funds are used to account for situations where the County's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, assets reported in the agency funds are offset by a liability to the party on whose behalf they are held.

OTHER AGENCY FUNDS

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

PROPERTY TAXES COLLECTIONS FUNDS

These funds are used for recording the collection and distribution of property taxes.



**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2008
(In Thousands)**

	Beginning Balance	Additions	Deductions	Ending Balance
PROPERTY TAX COLLECTION FUNDS				
ASSETS				
Pooled cash and investments	\$ 66,765	14,783,234	14,801,059	48,940
Accounts receivable		29,196	29,196	
Investment income receivable	4,160	23,381	25,255	2,286
Property taxes receivable		5,440,633	5,440,633	
Total assets	70,925	20,276,444	20,296,143	51,226
LIABILITIES				
Accounts payable	9	2,332,368	2,332,168	209
Warrants outstanding		11	11	
Due to other governments	70,916	27,074,408	27,094,306	51,018
Total liabilities	70,925	29,406,787	29,426,485	51,227
OTHER AGENCY FUNDS				
ASSETS				
Pooled cash and investments	385,228	20,111,548	20,139,040	357,736
Cash with fiscal agents	3,685	18,045	18,007	3,723
Investments with fiscal agents		4,580,840	4,580,840	
Accounts receivable	142	24,186	24,328	
Investment income receivable	42,992	35,861	43,085	35,768
Other receivables		28,106	28,106	
Total assets	432,047	24,798,584	24,833,406	397,227
LIABILITIES				
Accounts payable	45,203	3,534,312	3,546,013	33,502
Warrants outstanding	208,644	9,489,026	9,491,480	206,190
Accrued payroll	133	336	469	
Due to other governments	178,067	5,014,675	5,035,208	157,534
Total liabilities	432,047	18,038,349	18,073,170	397,226
TOTAL AGENCY FUNDS				
ASSETS				
Pooled cash and investments	451,993	34,894,782	34,940,009	406,676
Cash with fiscal agents	3,685	18,045	18,007	3,723
Investments with fiscal agents		4,580,840	4,580,840	
Accounts receivable	142	53,382	53,524	
Investment income receivable	47,152	59,242	68,340	38,054
Other receivables		28,106	28,106	
Property taxes receivable		5,440,633	5,440,633	
Total assets	502,972	45,075,030	45,129,549	448,453
LIABILITIES				
Accounts payable	45,212	5,866,680	5,878,181	33,711
Warrants outstanding	208,644	9,489,037	9,491,491	206,190
Accrued payroll	133	336	469	
Due to other governments	248,983	32,089,084	32,129,514	208,552
Total liabilities	\$ 502,972	47,445,136	47,499,655	448,453



INTRODUCTION

Government Accounting Standards Board (GASB) Statement 44 "Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)" requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the financial statements, and required supplementary information in order to assess the economic condition of the County. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

In this regard, when available, ten year trend information has been provided. When accounting data or other information is unavailable, statistical tables are footnoted to indicate as such. Generally, information was unavailable due to the following:

- ◆ Accounting data used in the preparation of the Comprehensive Annual Financial Reports prior to the County's implementation of changes in accounting and presentation called for in GASB Statement 34 "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," (implemented by the County in Fiscal Year 2002) was not archived in such a manner to enable a retroactive restatement of previous years accounting data.
- ◆ Non-accounting trend data called for by Statement 44 which was significantly different than data reported in previous fiscal years' statistical tables was either not available from external sources in the format required or was not available in internal archived data.

FINANCIAL TRENDS..... 154

These Tables contain information to help the reader understand how the County's financial performance and well-being have changed over time.

REVENUE CAPACITY..... 159

These Tables contain information to help the reader assess the County's most significant local revenue source, the property tax.

DEBT CAPACITY..... 163

These Tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION..... 167

These Tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

OPERATING INFORMATION..... 169

These Tables contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in the following tables is derived from the comprehensive annual financial reports for the relevant year.



Table 1

County of San Diego Net Assets by Component Last Seven Fiscal Years (1) (Accrual Basis of Accounting) (In Thousands)							
	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Net assets							
Governmental activities							
Invested in capital assets, net of related debt	\$ 2,178,892	2,261,697	2,324,806	2,341,126	2,367,442	2,409,050	2,468,142
Restricted	148,489	243,815	169,983	223,565	224,635	162,318	181,198
Unrestricted	271,909	(317,357)	(668,868)	(541,048)	(197,916)	178,231	351,326
Total governmental activities net assets	2,599,290	2,188,155	1,825,921	2,023,643	2,394,161	2,749,599	3,000,666
Business-type activities							
Invested in capital assets, net of related debt	66,026	71,293	78,485	84,416	97,212	112,549	126,237
Restricted	34,151	15					
Unrestricted	44,495	80,359	79,358	76,310	81,125	84,779	92,686
Total business-type activities net assets	144,672	151,667	157,843	160,726	178,337	197,328	218,923
Primary government							
Invested in capital assets, net of related debt	2,244,918	2,332,990	2,403,291	2,425,542	2,464,654	2,521,599	2,594,379
Restricted	182,640	243,830	169,983	223,565	224,635	162,318	181,198
Unrestricted	316,404	(236,998)	(589,510)	(464,738)	(116,791)	263,010	444,012
Total primary government net assets	\$ 2,743,962	2,339,822	1,983,764	2,184,369	2,572,498	2,946,927	3,219,589
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section							



Table 2

County of San Diego Changes in Net Assets For the Last Seven Fiscal Years (1) (Accrual Basis of Accounting) (In Thousands)							
	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities							
General government	\$ 170,908	234,062	234,759	232,826	240,158	249,993	298,607
Public protection	823,520	1,140,484	1,173,532	960,227	1,021,464	1,079,320	1,180,114
Public ways and facilities	168,202	142,356	160,344	122,797	128,268	133,148	144,452
Health and sanitation	547,200	598,189	564,796	545,805	559,709	580,384	638,869
Public assistance	825,028	1,035,065	1,052,911	972,592	1,015,481	1,043,454	1,114,453
Education	24,119	30,850	31,722	27,394	32,488	33,223	36,355
Recreation and cultural	18,021	23,520	26,493	21,405	23,376	28,469	33,941
Interest on long-term debt	68,771	87,627	91,897	106,612	116,692	146,997	119,138
Total governmental activities expenses	2,645,769	3,292,153	3,336,454	2,989,658	3,137,636	3,294,988	3,565,929
Business-type activities							
Airport	7,973	7,125	7,373	8,117	7,699	8,209	8,848
Wastewater Management	3,808	4,357	4,005	5,076	4,733	4,422	5,320
Transit (2)	17,085						
Sanitation Districts	15,306	15,216	15,828	20,564	15,133	15,620	17,574
Total business-type activities expenses	44,172	26,698	27,206	33,757	27,565	28,251	31,742
Total primary government expenses	2,689,941	3,318,851	3,363,660	3,023,415	3,165,201	3,323,239	3,597,671
Program revenues							
Governmental activities							
Charges for services:							
General government	94,805	121,070	93,143	84,769	99,083	98,365	130,645
Public protection	166,900	170,221	206,679	229,150	202,941	201,332	217,953
Other activities	119,291	117,569	122,139	100,465	153,535	153,717	137,020
Operating grants and contributions	1,724,847	1,873,493	1,914,614	1,867,829	2,067,803	2,113,585	2,152,380
Capital grants and contributions	30,128	40,587	67,357	32,303	5,283	7,559	24,474
Total governmental activities program revenues	2,135,971	2,322,940	2,403,932	2,314,516	2,528,645	2,574,558	2,662,472
Business-type activities							
Charges for services:							
Airport	5,479	7,396	6,734	8,345	7,433	9,367	16,097
Wastewater management	4,106	4,496	5,447	5,357	4,322	4,662	5,318
Transit (2)	17,047						
Sanitation districts	15,713	15,444	15,765	16,949	17,251	17,995	20,060
Operating grants and contributions	5,763	3,769	4,153	3,700	9,994	8,257	7,725
Capital grants and contributions	501	839	1,539	1,036	58	464	
Total business-type program revenues	48,609	31,944	33,638	35,387	39,058	40,745	49,200
Total primary government program revenues	2,184,580	2,354,884	2,437,570	2,349,903	2,567,703	2,615,303	2,711,672
Net (Expense) Revenue							
Governmental activities	(509,798)	(969,213)	(932,522)	(675,142)	(608,991)	(720,430)	(903,457)
Business-type activities	4,437	5,246	6,432	1,630	11,493	12,494	17,458
Total primary government net (expense) revenue	\$ (505,361)	(963,967)	(926,090)	(673,512)	(597,498)	(707,936)	(885,999)

(Table continued on next page)



Table 2

County of San Diego Changes in Net Assets For the Last Seven Fiscal Years (1) (Accrual Basis of Accounting) (In Thousands)							
	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
(Continued)							
General revenues and other changes in net assets							
Governmental activities							
Taxes:							
Property taxes	\$ 412,400	459,340	496,917	441,716	516,569	559,726	637,491
Other taxes	5,011	3,964	4,200	96,927	34,219	26,760	20,374
Intergovernmental unrestricted:							
Property taxes in lieu of VLF (3)				203,788	261,695	277,930	303,348
Sales and use taxes	48,414	50,898	50,046	8,524	23,475	26,534	24,872
Investment income	38,166	30,213	18,452	38,066	63,810	88,974	87,554
Other general revenues				83,079	78,651	95,343	80,804
Total governmental general revenues	503,991	544,415	569,615	872,100	978,419	1,075,267	1,154,443
Special Item: gain or loss on sale of properties	1,054	474					
Transfers	359	(160)	673	764	1,090	601	81
Total governmental activities	505,404	544,729	570,288	872,864	979,509	1,075,868	1,154,524
Business-type activities							
Investment income	2,694	1,437	417	1,730	7,048	4,189	4,113
Other general revenues		27		287	160	2,909	105
Total business-type general revenues	2,694	1,464	417	2,017	7,208	7,098	4,218
Special Item: gain or loss on sale of properties	(5,145)						
Transfers	(359)	160	(673)	(764)	(1,090)	(601)	(81)
Total business-type activities	(2,810)	1,624	(256)	1,253	6,118	6,497	4,137
Total primary government	502,594	546,353	570,032	874,117	985,627	1,082,365	1,158,661
Change in net assets							
Governmental activities	(4,394)	(424,484)	(362,234)	197,722	370,518	355,438	251,067
Business-type activities	1,627	6,870	6,176	2,883	17,611	18,991	21,595
Total change in net assets	\$ (2,767)	(417,614)	(356,058)	200,605	388,129	374,429	272,662
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section							
(2) County Transit System was divested on June 28, 2002 to the San Diego Metropolitan Transit Development Board							
(3) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue							



Table 3

County of San Diego Fund Balances Governmental Funds Last Ten Fiscal Years (In Thousands)					
	Fiscal Year				
	1999	2000	2001	2002	2003
General Fund					
Reserved	\$ 71,057	106,777	267,091	215,197	210,277
Unreserved	209,989	246,148	351,193	355,155	388,384
Total general fund	281,046	352,925	618,284	570,352	598,661
All Other Governmental Funds					
Reserved	173,558	179,991	267,661	251,704	294,793
Unreserved, reported in:					
Special Revenue Funds (2)	48,936	60,304	215,458	485,565	447,612
Capital Projects Fund	11,530	54,254	22,375	14,418	9,771
Total other governmental funds	\$ 234,024	294,549	505,494	751,687	752,176
	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
Reserved (3)	\$ 213,292	291,832	272,936	410,244	273,231
Unreserved (3)	337,708	375,626	625,949	744,838	947,235
Total general fund (1)	551,000	667,458	898,885	1,155,082	1,220,466
All Other Governmental Funds)					
Reserved (3)	208,900	284,316	278,878	274,024	199,472
Unreserved (3)					
Special Revenue Funds (2)	523,399	481,792	633,430	624,996	672,652
Capital Projects Fund	10,864	84,389	65,452	73,923	30,210
Total other governmental funds	\$ 743,163	850,497	977,760	972,943	902,334
<p>(1) The 2008 increase in fund balance of the general fund is explained in the Management Discussion and Analysis, "Financial Analysis of County Funds."</p> <p>(2) The increase in the unreserved fund balance of special revenue funds was principally due to proceeds received from the issuance of San Diego County Tobacco Securitization Corporation Series Tobacco Settlement Asset Backed Bonds in 2002 and 2006.</p> <p>(3) In 2008 encumbered amounts that are reappropriated as part of the following year's budget are presented as unreserved fund balance designated for encumbrances. Previously, these encumbrances were reported as reservations of fund balance.</p>					



Table 4

County of San Diego Changes in Fund Balances Governmental Funds Last Seven Fiscal Years (Modified Accrual Basis of Accounting) (In Thousands)							
	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues:							
Taxes	\$ 409,969	446,835	497,178	717,174	1,102,032	1,146,937	971,616
Licenses, permits and franchise fees	37,808	39,335	42,252	42,954	41,824	43,807	45,257
Fines, forfeitures and penalties	39,691	41,236	46,495	55,538	60,071	58,355	63,014
Revenue from use of money and property	45,567	40,733	25,867	50,811	76,608	93,246	137,963
Aid from other governmental agencies:							
State	1,139,344	1,231,904	1,201,278	1,080,663	867,063	927,850	1,169,642
Federal	574,002	632,241	701,057	729,725	793,039	820,851	908,582
Other	57,777	66,116	69,860	74,272	94,866	100,323	79,066
Charges for current services	251,018	266,574	277,637	286,631	314,021	325,049	312,018
Other revenue	70,203	70,065	65,913	84,410	67,419	76,680	73,745
Total revenues	2,625,379	2,835,039	2,927,537	3,122,178	3,416,943	3,593,098	3,760,903
Expenditures:							
General government	156,517	209,874	216,183	211,521	199,349	233,471	277,286
Public protection	809,185	1,145,171	1,216,276	939,070	1,014,653	1,065,984	1,145,807
Public ways and facilities	95,936	123,202	115,426	84,560	67,145	74,319	80,051
Health and sanitation	548,627	600,525	562,657	541,921	556,165	577,389	633,382
Public assistance	827,229	1,037,467	1,053,545	970,208	1,011,315	1,043,293	1,111,701
Education	24,005	31,013	31,308	27,119	32,043	32,961	35,569
Recreation and cultural	16,514	20,805	24,702	19,614	22,964	26,774	32,042
Total CAFR Governmental functions	2,478,013	3,168,057	3,220,097	2,794,013	2,903,634	3,054,191	3,315,838
Capital outlay	72,341	83,748	54,958	54,157	109,897	138,017	157,818
Debt service:							
Principal	101,538	88,846	69,839	60,849	57,245	73,816	184,614
Interest and fiscal charges	67,773	73,747	92,503	94,556	109,491	116,095	107,631
Bond issuance costs			4,095	1,915	6,172	885	
Payment to refunded bond escrow agent					24,256		
Total expenditures	2,719,665	3,414,398	3,441,492	3,005,490	3,210,695	3,383,004	3,765,901
Excess (deficiency) of revenues over (under) expenditures	(94,286)	(579,359)	(513,955)	116,688	206,248	210,094	(4,998)
Other financing sources (uses)							
Sale of capital assets	2,230	474	4,044	18,400	12,355	1,601	68
Issuance of bonds and loans:							
Face value of bonds issued				83,510	166,611	42,390	
Face value of loans issued				160		462	
Discount on issuance of bonds					(20,501)		
Premium on issuance of bonds				5,960	1,308	606	
Long-term debt proceeds	411,913	560,886	454,179				
Refunding bonds issued	65,319	176,890		28,885	461,230		
Payment to refunded bond escrow agent				(31,633)			
Payment to escrow agent/refunded bond	(66,254)	(176,890)			(467,458)		
Transfers in	1,188,505	768,997	776,167	819,490	867,973	512,386	594,512
Transfers (out)	(1,196,995)	(773,145)	(777,180)	(819,627)	(868,908)	(514,680)	(594,882)
Total other financing sources (uses)	404,718	557,212	457,210	105,145	152,610	42,765	(302)
Net change in fund balances	\$ 310,432	(22,147)	(56,745)	221,833	358,858	252,859	(5,300)
Debt service as a percentage of noncapital expenditures	6.40%	4.88%	4.79%	5.27%	5.38%	5.85%	8.10%

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section



Table 5

County of San Diego Assessed Value of Taxable Property (1) Last Ten Fiscal Years (In Thousands)								
Fiscal Year	Real Property		Personal Property		Less: Tax Exempt		Total Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured		
1999	\$ 156,003,035	\$ 1,803,442	\$ 4,099,352	\$ 6,478,142	\$ 4,254,794	\$ 400,587	\$ 163,728,590	1.00000
2000	173,156,433	2,011,700	2,957,459	7,263,938	4,403,504	437,295	180,548,731	1.00000
2001	187,297,036	2,144,396	3,897,721	7,701,247	4,646,122	676,798	195,717,480	1.00000
2002	205,354,845	2,127,362	3,926,419	8,749,368	4,872,712	801,613	214,483,669	1.00000
2003	224,113,067	2,450,811	3,263,353	8,509,857	5,121,115	353,596	232,862,377	1.00000
2004	247,063,576	2,728,490	3,007,787	8,941,840	5,961,964	780,078	254,999,651	1.00000
2005	273,700,150	2,645,348	2,951,588	8,852,828	6,504,638	827,514	280,817,762	1.00000
2006	310,318,786	2,748,781	3,273,999	9,533,091	6,958,731	957,441	317,958,485	1.00000
2007	347,969,648	3,380,284	2,461,837	10,739,964	7,500,343	1,053,199	355,998,191	1.00000
2008	381,485,632	3,321,363	3,528,453	10,387,757	8,219,783	1,207,922	389,295,500	1.00000

(1) Due to the passage of Proposition 13 (Prop 13) in 1978, the County does not track the estimated actual value of real and personal properties therefore, assessed value as a percentage of actual value is not applicable. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value.

Source: County of San Diego, Auditor and Controller, Property Tax Services Division



Table 6

County of San Diego Property Tax Rates Direct and Overlapping Governments Last Ten Fiscal Years					
Fiscal Year	County of San Diego (1)	Overlapping Rates (2)			Total Direct & Overlapping Rates
		Cities	Schools	Special Districts	
1999	1.000	0.004	0.044	0.012	1.060
2000	1.000	0.004	0.046	0.011	1.061
2001	1.000	0.004	0.047	0.011	1.062
2002	1.000	0.004	0.048	0.009	1.061
2003	1.000	0.004	0.054	0.008	1.066
2004	1.000	0.003	0.062	0.007	1.072
2005	1.000	0.004	0.062	0.006	1.072
2006	1.000	0.004	0.059	0.008	1.071
2007	1.000	0.005	0.055	0.009	1.069
2008	1.000	0.005	0.058	0.009	1.072

(1) The \$1.00 per \$100 of Assessed Value (Proposition 13) tax rate beginning in Fiscal Year 1979 is distributed according to State Law on a percentage basis to each of the eligible taxing agencies in the County.

(2) Overlapping rates are those of cities, schools and special districts that are chargeable to property owners within the County. Overlapping rates do not apply to all property owners (e.g., the rates for special districts apply only to the proportion of the property owners whose property is located within the geographic boundaries of the special district).

Source: County of San Diego, Auditor and Controller, Property Tax Services Division



Table 7

County of San Diego Principal Property Taxpayers June 30, 2008 (In Thousands)						
Taxpayer	2008			1999		
	Secured Taxable Assessed Values	Rank	Percentage of Total Secured Taxable Assessed Value	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value
San Diego Gas & Electric Company	\$ 3,923,050	1	1.04%	\$ 2,807,363	1	1.80%
Southern California Edison Company	1,616,669	2	0.43%	1,886,763	2	1.21%
Irvine Company	1,599,391	3	0.42%			
Qualcomm Incorporated	1,310,309	4	0.35%	566,814	4	0.36%
Kilroy Realty L P	953,879	5	0.25%			
Host San Diego Hotel LLC	886,573	6	0.24%			
Pacific Bell Telephone Company	763,563	7	0.20%	1,591,441	3	1.02%
San Diego Family Housing LLC	529,380	8	0.14%			
Camp Pendleton & Quantico Housing	534,664	9	0.14%			
Genentech Inc	503,582	10	0.13%			
Equitable Life Assurance Society				412,994	5	0.26%
University Towne Center				303,083	6	0.19%
Hewlett Packard Co.				270,104	7	0.17%
L-O Coronado Holding II Inc				269,911	8	0.17%
Sea World Inc				266,032	9	0.17%
Kaiser Foundation Health Plan				163,012	10	0.10%
Totals	\$ 12,621,060		3.34%	\$ 8,537,517		5.45%

Source: County of San Diego, Auditor and Controller, Property Tax Services Division



Table 8

County of San Diego Property Tax Levies and Collections Last Ten Fiscal Years (In Thousands)						
Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 1,637,286	\$ 1,622,007	99.07%	\$ 13,525	\$ 1,635,532	99.89%
2000	1,805,487	1,784,491	98.84%	18,545	1,803,036	99.86%
2001	1,957,175	1,939,801	99.11%	16,504	1,956,305	99.96%
2002	2,144,837	2,123,067	98.99%	16,957	2,140,024	99.78%
2003	2,328,624	2,304,083	98.95%	16,747	2,320,830	99.67%
2004	2,549,997	2,525,796	99.05%	16,464	2,542,260	99.70%
2005	2,808,178	2,777,733	98.92%	22,692	2,800,425	99.72%
2006	3,179,585	3,146,615	98.96%	27,930	3,174,545	99.84%
2007	3,559,982	3,515,244	98.74%	42,405	3,557,649	99.93%
2008	\$ 3,892,955	\$ 3,835,511	98.52%	N/A	\$ 3,835,511	98.52%

(1) This includes the Secured, Unsecured and Unitary Tax Levy for the County and school districts, cities and special districts under the supervision of independent governing boards.

Source: County of San Diego, Auditor and Controller, Property Tax Services Division



Table 9

County of San Diego Ratios of Outstanding Debt by Type Last Ten Fiscal Years (In Thousands, Except Per Capita Amount)													
Fiscal Year	Governmental Activities						Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Certificates of participation	Redevelopment Agency	Tobacco	Pension Obligation Bonds	Capital and retrofit loans	Capitalized Leases	Capital Loans	Sanitation Loans	Capitalized Leases				
1999	\$ 473,818	\$ 4,960		\$ 373,220	\$ 1,190	\$ 85,602		\$ 81	\$ 11,385	\$ 950,256	1.13%	341	
2000	515,980	4,870		347,305	1,120	81,834		401	10,286	961,796	1.04%	340	
2001	466,450	4,770		317,345	4,490	76,525		225	6,486	876,291	0.90%	306	
2002	433,790	4,655	\$ 403,868	282,900	4,277	46,604		200		1,176,294	1.17%	405	
2003	395,285	4,530	449,235	824,395	7,088	40,860		195		1,721,588	1.65%	589	
2004	344,365	4,400	440,305	1,268,878	5,750	37,346	\$ 2,998	195		2,104,237	1.86%	717	
2005	393,395	4,260	430,350	1,252,243	7,316	34,625	2,926			2,125,115	1.79%	722	
2006	356,690	16,000	583,904	1,238,405	8,098	31,894	2,745			2,237,736	1.77%	759	
2007	364,355	15,640	584,137	1,206,887	7,920	29,623	2,551			2,211,113	1.67%	743	
2008	330,055	15,320	580,820	1,068,200	7,043	27,590	2,255			2,031,283	1.41%	646	

(1) See Table 13 Demographic and Economic Statistics



Table 10

County of San Diego Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years (In Thousands, Except Per Capita Amount)									
Fiscal Year	Certificates of Participation	Less: Amounts Available in Debt Service Fund	Net Certificates of Participation	Pension Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Pension Obligation Bonds	Total Net Bonded Debt	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
1999	\$ 473,818	\$ 28,013	\$ 445,805	\$ 373,220	\$ 287	\$ 372,933	\$ 818,738	0.50%	\$ 293
2000	515,980	31,265	484,715	347,305	112	347,193	831,908	0.46%	294
2001	466,450	37,002	429,448	317,345	143	317,202	746,650	0.38%	261
2002	433,790	26,162	407,628	282,900	220	282,680	690,308	0.32%	238
2003	395,285	25,957	369,328	824,395	2,369	822,026	1,191,354	0.51%	408
2004	344,365	21,798	322,567	1,268,878	14,966	1,253,912	1,576,479	0.62%	537
2005	393,395	29,085	364,310	1,252,243	66,550	1,185,693	1,550,003	0.55%	527
2006	356,690	29,380	327,310	1,238,405	50,822	1,187,583	1,514,893	0.48%	514
2007	364,355	35,238	329,117	1,206,887	27,328	1,179,559	1,508,676	0.42%	507
2008	330,055	26,474	303,581	1,068,200	15,248	1,052,952	1,356,533	0.35%	431
Note: Details regarding the County's outstanding debt can be found in the Notes to the Financial Statements									
(1) See Statistical Table 5 Assessed Value and Estimated Actual Value of Taxable Property									
(2) See Statistical Table 13 Demographic and Economic Statistics for personal income and population data									



Table 11

County of San Diego Legal Debt Margin Information Last Ten Fiscal Years (In Thousands)				
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (1)	Legal Debt Margin	Legal Debt Margin / Debt Limit
1999	\$ 2,046,607	\$ -	2,046,607	100%
2000	2,256,859		2,256,859	100%
2001	2,446,469		2,446,469	100%
2002	2,681,046		2,681,046	100%
2003	2,910,780		2,910,780	100%
2004	3,187,496		3,187,496	100%
2005	3,510,222		3,510,222	100%
2006	3,974,481		3,974,481	100%
2007	4,449,977		4,449,977	100%
2008	4,866,194		4,866,194	100%
Legal Debt Margin Calculation for Fiscal Year 2007-2008				
Assessed value	\$ 389,295,500			
Debt limit (1.25% of total assessed value)(2)	4,866,194			
Debt applicable to limit:				
General obligation bonds				
Less: Amount set aside for repayment of general obligation debt				
Total net debt applicable to limit				
Legal debt margin	\$ 4,866,194			
(1) For the fiscal years presented, the County had no debt that qualified as indebtedness subject to the bonded debt limit under the California Constitution.				
(2) Under California State law, the total amount of bonded indebtedness shall not at any time exceed 1.25% of the taxable property of the County as shown by the last equalized assessment roll.				



Table 12

County of San Diego Pledged-Revenue Coverage Last Ten Fiscal Years (In Thousands)						
Tobacco Settlement Asset-Backed Bonds (1)						
Fiscal Year	Tobacco Settlement Revenues	Less: Operating Expenses (3)	Net Available Revenue	Principal (2)	Interest	Coverage
2002	\$ 26,205	\$ 50	\$ 26,155	\$ 8,045	\$ 18,160	1.00
2003	35,444	113	35,331	9,560	25,351	1.01
2004	29,961	131	29,830	8,930	24,830	0.88
2005	30,415	172	30,243	9,955	24,446	0.88
2006	27,915	173	27,742	1,550	11,975	2.05
2007	29,219	164	29,055	3,100	26,820	0.97
2008	31,106	146	30,960	6,865	26,599	0.93
Redevelopment Agency Refunding Bonds (Gillespie Field Series Bonds)						
Fiscal Year	Property Tax Incremental Revenues	Less: Operating Expenses (3)	Net Available Revenue	Principal	Interest	Coverage
1999	\$ 821	\$ 755	\$ 66	\$ 75	\$ 320	0.17
2000	1,285	1,187	98	90	316	0.24
2001	1,696	1,072	624	100	311	1.52
2002	2,129	668	1,461	115	305	3.48
2003	2,237	958	1,279	125	299	3.02
2004	3,133	2,129	1,004	130	292	2.38
2005	2,135	1,262	873	140	284	2.06
2006	2,089	5,485	(3,396)	150	513	(5.12)
2007	1,976	791	1,185	360	837	0.99
2008	2,181	1,123	1,058	320	825	0.92

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Data for fiscal years 2002-2006 applies to the Series 2001 Tobacco Asset-Backed bonds that were issued in 2002. In May 2006, the Series 2001 Tobacco bonds were refunded and the Series 2006 Tobacco Asset-Backed bonds were issued. The 2007 and 2008 principal and interest are payments on the Series 2006 Tobacco Asset-Backed bonds.

(2) Tobacco Principal Debt Service requirements includes Turbo Principal payments.

(3) Operating expenses do not include interest or depreciation.



Table 13

County of San Diego Demographic and Economic Statistics Last Ten Years					
Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (in dollars) (3)	School Enrollment (4)	Unemployment Rate (5)
1999	2,789,593	\$ 84,346,910	\$ 30,236	470,494	3.3%
2000	2,824,933	92,654,006	32,799	480,017	4.3
2001	2,864,593	97,009,480	33,865	488,377	4.3
2002	2,901,719	100,655,726	34,688	494,588	5.3
2003	2,921,810	104,630,453	35,810	499,750	5.7
2004	2,933,929	113,062,259	38,536	499,356	5.1
2005	2,941,658	118,793,000	40,383	498,186	4.5
2006	2,948,362	126,194,000	42,801	495,228	4.2
2007	2,974,861	133,369,000	44,832	496,699	4.6
2008	3,146,274	143,783,000	45,728	494,016	6
Sources:					
Primary					
(1) DOF - The California Department of Finance					
(2) BEA - Bureau of Economic Analysis, U.S. Department of Commerce [1998-2008]					
(3) BEA - Bureau of Economic Analysis, U.S. Department of Commerce [1998-2008]					
(4) California Department of Education & Education Data Partnership					
(5) U.S. Department of Labor, Bureau of Labor Statistics					
Secondary					
(1) BEA - Bureau of Economic Analysis, U.S. Department of Commerce					
(2) The Amount for Personal Income for 2008 is a forecast					
(3) The amount for Per Capita Personal Income for 2008 is a forecast					



Table 14

County of San Diego Principal Employers Current Year and Nine Years Ago						
Employer	2008			1999		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (3)
State of California	41,400	1	2.80%	32,600	2	2.49%
Federal Government	40,800	2	2.76%	43,300	1	3.31%
University of California, San Diego	30,078	3	2.04%	18,829	3	1.44%
County of San Diego	16,303	4	1.10%	17,700	4	1.35%
San Diego Unified School District	15,800	5	1.07%	12,292	5	0.94%
Sharp HealthCare	14,390	6	0.97%	7,931	8	0.61%
Scripps Health	11,690	7	0.79%	5,898	10	0.45%
City of San Diego	11,054	8	0.75%	11,100	6	0.85%
Qualcomm Inc.	9,444	9	0.64%	10,500	7	0.80%
Kaiser Permanente	7,608	10	0.52%			
U.S. Postal Service, San Diego District				7,018	9	0.54%
Total	198,567		13.44%	167,168		12.79%
Sources:						
(1) San Diego Business Journal						
(2) California Labor MarketInfo Percentage is calculated by dividing employees by total employment of 1,477,200 as of June 2008						
(3) California Labor MarketInfo Percentage is calculated by dividing employees by total employment of 1,307,000 as of June 1999						



Table 15

County of San Diego Full-time Equivalent County Government Employees by Function Last Eight Fiscal Years (1)								
Function	Fiscal Years							
	2001	2002	2003	2004	2005	2006	2007	2008
General	1,556	1,567	1,605	1,578	1,495	1,486	1,505	1,538
Public protection	7,472	7,910	8,006	7,667	7,506	7,673	7,804	8,027
Public ways and facilities	356	373	380	351	350	366	373	393
Health and sanitation	2,207	2,287	2,315	2,250	2,130	2,127	2,188	2,242
Public assistance	3,879	4,141	4,027	3,737	3,567	3,761	3,659	3,781
Education	239	278	281	265	265	275	295	297
Recreation and cultural	122	143	145	154	154	158	168	180
Total	15,831	16,699	16,759	16,002	15,467	15,846	15,992	16,458
(1) 10 year trend data is unavailable, see explanatory information contained in introduction to Statistical Section								
Source: Auditor and Controller, Central Payroll Division								



Table 16

County of San Diego Operating Indicators by Function Last Five Fiscal Years (1)					
Function	Fiscal Year				
	2004	2005	2006	2007	2008
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	(2)	74.00%	96.10%	94.50%	99.80%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	(2)	(2)	100.00%	100.00%	100.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	(2)	99.00%	98.00%	97.20%	96.00%
Public protection					
Child support services: Percent of current support collected (federal performance measure #3)	41.00%	42.10%	49.00%	50.00%	51.00%
Sheriff: Deputy Initiated Actions (DIA)	(2)	221,732	215,346	243,118	263,626
Sheriff: Number of jail bookings	139,019	145,180	144,727	146,566	142,357
Sheriff: Daily average – number of inmates	5,009	5,102	5,184	5,118	5,229
District Attorney: Felony defendants received	30,108	31,150	31,182	30,357	27,849
District attorney: Misdemeanor defendants received	27,575	25,443	28,068	28,081	28,458
Planning and land use: Percent of building inspections completed next day	100.00%	100.00%	100.00%	100.00%	100.00%
Animal services: Percentage euthanized animals that were treatable	(2)	12.90%	12.90%	13.80%	15.80%
Public ways and facilities					
Public works: Protect water quality through DPW roads/drainage waste debris removal (cubic yards removed)	(2)	42,000	51,287	28,700	29,580
Health and sanitation					
Regional Operations: Children age 24 months served by regional public health centers immunized when vaccine is due and available	(2)	(2)	(2)	(2)	99.70%
Air pollution control district: Average number of days meeting the federal ozone standards (3-year avg.)	(2)	356	358	359	355
Behavioral Health Services: Wait time for children's mental health outpatient treatment	9 days	5 days	4 days	4 days	4 days
Public assistance					
Regional Operations: Welfare-to-Work participants and their families who secure stable employment, remaining off aid for six continuous months	88.00%	88.00%	89.00%	85.00%	95.00%
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	93.00%	94.00%	96.00%	96.00%	95.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equiv.)	74.00%	76.00%	79.00%	83.00%	86.00%
Education					
County library: Annual average circulation per Item	(2)	2.51	2.57	3.08	3.10
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and managed	37,326	40,000	40,600	41,100	41,500
Parks and Recreation: Number of miles of trails managed in the county trails program	(2)	(2)	275	305	315
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section					
(2) Trend data not available					
Source: Various County departments					



Table 17

County of San Diego Capital Asset Statistics by Function Last Four Fiscal Years (1)				
Function	Fiscal Year			
	2005	2006	2007	2008
General government				
Fleet vehicles	1,608	1,797	1,492	2,186
Buildings	1,038	1,029	1,108	1,131
Land	884	896	917	940
Public protection				
Building - sub stations	5	5	9	12
Patrol units	922	920	1,415	1,491
Detention facilities	9	9	10	10
Public ways and facilities				
Road miles	1,905.79	1,911.18	1,921.25	1,927.99
Bridges	174	174	174	178
Airports	8	8	8	7
Road stations	32	32	15	15
Health and sanitation				
Inactive landfills	11	11	18	17
Sewer lines miles	376.32	379.31	379.83	406.00
Water pollution control facilities	2	2	3	3
Public assistance				
Administration building	1	1	1	1
Housing facilities	6	6	6	6
Education				
Libraries	27	27	20	20
Recreation and cultural				
Parks/Open space area	90	90	92	95
Camp grounds	9	9	9	9
(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section				
Source: Various county departments				



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COUNTY OF SAN DIEGO, CALIFORNIA

Single Audit Reports

For the Year Ended June 30, 2008

**COUNTY OF SAN DIEGO, CALIFORNIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2008**

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WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

Board of Supervisors
County of San Diego, 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 San Diego, 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 December 10, 2008. We did not audit the financial statements of the First Five Commission of San Diego (Commission), the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based on the report of the other auditors. Our report also includes an explanatory paragraph indicating that 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, GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, and GASB Statement No. 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27, effective July 1, 2007. 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.

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.

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 County'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 County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

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 County's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grants 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the County in a separate letter dated December 10, 2008.

This report is intended solely for the information of the Board of Supervisors, the County's Audit Committee, County management 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 Fini & O'Connell LLP

Certified Public Accountants

San Diego, California
December 10, 2008



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Board of Supervisors
County of San Diego, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133, THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF THE OFFICE OF EMERGENCY SERVICES GRANT PROGRAMS AND THE COMMUNITY ACTION PARTNERSHIP SUPPLEMENTAL SCHEDULES OF REVENUE AND EXPENDITURES

Compliance

We have audited the compliance of the County of San Diego, California (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.

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.

In our opinion, 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.

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.

A control deficiency in an entity'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 a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a 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 entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Schedule of Expenditures of Federal Awards, Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs and the Community Action Partnership Supplemental Schedules of Revenue and Expenditures

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 San Diego, California (County), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 10, 2008. We did not audit the financial statements of the First Five Commission of San Diego (Commission), the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based on the report of the other auditors. Our report also includes an explanatory paragraph indicating that 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, GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, and GASB Statement No. 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27, effective July 1, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards (SEFA), supplementary schedule of expenditures of the Office of Emergency Services (OES) grant programs and the Community

Action Partnership supplemental schedules of revenues and expenditures prepared by the County's Health & Human Services Agency are presented for purposes of additional analysis as required by OMB Circular A-133, OES and California Department of Community Services and Development, respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied 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.

This report is intended solely for the information and use of the Board of Supervisors, the County's Audit Committee, County management 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 Fini & O'Connell LLP

Certified Public Accountants

San Diego, California

February 27, 2009, except for the paragraph on the schedule of expenditures of federal awards, the supplementary schedule of expenditures of the Office of Emergency Services grant programs, and the Community Action Partnership supplemental schedules of revenues and expenditures prepared by the County's Health & Human Services Agency, as to which the date is December 10, 2008

COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor County Program Name	Direct(D) Indirect(I)	Catalog of Federal Domestic Assistance Number	Entity's Identifying Number	Federal Expenditures	Pass-thru Awards to Subrecipients
<u>OFFICE OF NATIONAL DRUG CONTROL POLICY</u>					
<u>Direct Programs</u>					
High Intensity Drug Trafficking	D	07.I7PSCP501Z	I7PSCP501Z	\$ 5,952,342	\$ -
TOTAL - OFFICE OF NATIONAL DRUG CONTROL POLICY				5,952,342	-
<u>DEPARTMENT OF AGRICULTURE</u>					
<u>Direct Programs</u>					
Rural Rental Assistance	D	10.427	N/A	322,142	-
2007 Firestorm- NRCS	D	10.904	N/A	1,066,228	-
TOTAL - DIRECT PROGRAMS				1,388,370	-
<u>Passed Through California Department of Education</u>					
National School Breakfast Nutrition	I	10.553	37-34371-9003328-01	536,365	-
National School Lunch Nutrition	I	10.555	FF-0203-23	834,865	-
Polinsky National School Lunch Program Fed	I	10.555	N/A	68,097	-
Subtotal - 10.555				902,962	-
Summer Food Service Program	I	10.559	CN077038	6,050	-
<u>Passed Through California State Department of Social Services</u>					
Food Stamps	I	10.551	N/A	129,848,410	-
CEC FSET Fed	I	10.561	N/A	305,189	-
CEC Non Assistance Food Stamps Fed	I	10.561	Subvention	13,664,359	-
CALWIN Fed CALWORKS Information Network	I	10.561	3764901	2,684,994	-
Subtotal - 10.561				16,654,542	-
TOTAL - INDIRECT PROGRAMS				147,948,329	-
TOTAL - DEPARTMENT OF AGRICULTURE				149,336,699	-
<u>DEPARTMENT OF EDUCATION</u>					
<u>Direct Programs</u>					
Safe & Drug Free Schools	D	84.186	SDF 03-22	95,000	95,000
FIE Fund for the Improvement of Education Program	D	84.215	PO45216	124,263	-
TOTAL - DIRECT PROGRAMS				219,263	95,000
TOTAL - DEPARTMENT OF EDUCATION				219,263	95,000
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
<u>Direct Programs</u>					
Family Integrated Treatment Program	D	93.087	N/A	89,196	75,865
Tuberculosis Control Program and Aids	D	93.116	US2CCU900452	1,836,850	185,736
Adolescent Viral Hepatitis Program	D	93.283	UC0 CCU92281	25,082	20,702
National Hansen's Disease Program	D	93.846	H258200730011C	135,419	-
Ryan White Care Act PartA	D	93.914	H89HA00001	10,095,561	8,963,167
Minority AIDS Initiative Programs for Part A Grantees	D	93.914	H3MHA08445	269,530	225,082
Subtotal - 93.914				10,365,091	9,188,249
TOTAL - DIRECT PROGRAMS				12,451,638	9,470,552

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor County Program Name	Direct(D) Indirect(I)	Catalog of Federal Domestic Assistance Number	Entity's Identifying Number	Federal Expenditures	Pass-thru Awards to Subrecipients
<u>Passed Through California Department of Child Support Services</u>					
Title IV-D Administrative Claim	I	93.563	VW99190370	33,509,789	-
<u>Passed Through California Department of Social Services</u>					
CEC PSSF Fed	I	93.556	N/A	2,213,585	2,213,585
Assistance for CALWORKS	I	93.558	N/A	153,299,000	-
CEC Cal learn Svcs Fed	I	93.558	Subvention	839,022	817,081
CEC CALWORKS Fed	I	93.558	Subvention	17,403,198	-
CEC CAL WORKS Child Care Stage One Fed	I	93.558	N/A	20,227,551	-
CEC CALWORKS Fraud Incentives Fed	I	93.558	N/A	269,173	-
CEC TANF EA Fed	I	93.558	Subvention	19,428,897	-
CEC CALWORKS WTW Fed	I	93.558	N/A	30,728,673	12,473,678
CEC Fed CALWORKS Performance Incentives	I	93.558	N/A	2,441,740	2,441,740
			Subtotal - 93.558	244,637,254	15,732,499
CAP Refugee and Entrance Assistance	I	93.566	RESS	9,545	8,114
SB-163 Wraparound	I	93.568	N/A	168,005	168,005
CAP Refugee Employment Assistance Repatriate	I	93.576	TARL	21,929	20,889
	I	93.579	N/A	5,026	-
CAP Refugee Targeted Assistance	I	93.584	TAFO	781,017	663,873
CEC CWS Title IV-B Fed	I	93.645	Subvention	2,788,935	-
Assistance Title IVE AFDC FC	I	93.658	Subvention	21,441,489	-
CEC Foster Parent Training and Recruitment Fed	I	93.658	Subvention	75,940	1,974
CEC Foster Care Fed	I	93.658	N/A	2,763,998	-
CEC CCL Foster Family Homes Fed	I	93.658	Subvention	755,686	-
CEC CWS Title IV-E Fed Admin	I	93.658	Subvention	23,922,506	-
CEC FPP Fed	I	93.658	Subvention	1,443,480	-
CEC Group Home Monthly Visits Fed	I	93.658	N/A	356,820	-
CEC SA HIV Infant Fed	I	93.658	Subvention	136,846	-
CEC Kinship and FC Emergency Fed	I	93.658	N/A	17,371	-
CEC CWSOIP Fed	I	93.658	N/A	105,304	105,304
Foster Care Title IV-E	I	93.658	N/A	12,769,708	-
Group Home Vist SB 933	I	93.658	579-059	21,780	-
			Subtotal - 93.658	63,810,928	107,278
Assistance Fed Adoption	I	93.659	Subvention	22,741,343	-
CEC Fed Adoption Assistance Title IV-E	I	93.659	N/A	735,666	-
CEC Adoptions Fed	I	93.659	N/A	3,236,634	-
			Subtotal - 93.659	26,713,643	-
CEC CWS Title XX Fed	I	93.667	Subvention	1,641,595	-
CEC Fed CWS Augmentation Title XX	I	93.667	Subvention	645,288	-
CEC Fed CALWORKS Single Title XX CC	I	93.667	Subvention	5,635,588	-
			Subtotal - 93.667	7,922,471	-
CEC ILP Fed	I	93.674	Subvention	862,995	862,995
CCS Healthy Families	I	93.767	N/A	955,446	5,382

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

**COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor County Program Name	Direct(D) Indirect(I)	Catalog of Federal Domestic Assistance Number	Entity's Identifying Number	Federal Expenditures	Pass-thru Awards to Subrecipients
IHSS Public Authority PCSP	I	93.778	N/A	5,173,401	3,799,453
IHSS Public Authority Waiver Plus	I	93.778	N/A	467,565	465,389
CEC FPP Health Related	I	93.778	N/A	156,257	-
CEC CSBG Health Related	I	93.778	N/A	121	-
CEC CWS Health Related	I	93.778	N/A	10,944,035	-
CEC IHSS Health Related	I	93.778	N/A	8,681,860	-
CEC APS Health Related Fed	I	93.778	N/A	3,286,586	-
Subtotal - 93.778				28,709,825	4,264,842
<u>Passed Through California Department of Aging</u>					
TITLE VII B Prevention of Abuse	I	93.041	AP-0708-23	38,105	-
TITLE VII-A Ombudsman	I	93.042	AP-0708-23	110,080	-
TITLE III- D Disease Prevention	I	93.043	AP-0708-23	155,350	53,524
TITLE III-B Supportive Services	I	93.044	AP-0708-23	2,493,083	1,221,299
TITLE III C 1& C 2 Nutrition	I	93.045	AP-0708-23	3,821,303	3,369,193
TITLE III E Family Caregiver Support	I	93.052	AP-0708-23	1,114,594	864,801
Nutrition Services Incentive Program C-1 & C-2	I	93.053	AP-0708-23	731,040	731,040
TITLE XIX Multipurpose Senior Services Program	I	93.778	MS-0708-07	1,471,898	296,537
Health Insurance Counseling Advocacy Program	I	93.779	HI-0708-23	117,514	106,029
<u>Passed Through California Department of Health Services</u>					
Pediatric Immunization	I	93.268	05-45423	1,658,648	878,171
Local Public Health Preparedness	I	93.283	N/A	3,851,941	341,575
Refugee Preventive Health Program	I	93.566	07-37-90841-1A	76,097	63,097
Refugee Health Assessment Program	I	93.566	07-37-90840-1A	820,065	518,443
Subtotal - 93.566				896,162	581,540
Public Health Nurse EPSDT	I	93.778	N/A	100,313	-
Medical Assistance Program AFS	I	93.778	N/A	233,757	-
Medical Assistance Program P36	I	93.778	N/A	83,448	-
Medical Assistance Program Reflection	I	93.778	N/A	41,731	-
Medical Assistance Program	I	93.778	N/A	136,682	-
Maternal child and Adolescent Health-Black Infant Health	I	93.778	2007-37	254,335	205,090
Lead Poisoning Case Management Program	I	93.778	05-45163	202,297	42,853
CEC Fed Medical Admin	I	93.778	N/A	43,011,774	-
Maternal Child and Adolescent Health	I	93.778	2007-37	1,110,786	63,097
Child Health and Disability Prevention - EPSDT	I	93.778	N/A	2,487,874	524,025
Child Health and Disability Prevention	I	93.778	N/A	731,989	38,472
Lead Poisoning Case Management Program	I	93.778	05-45163	59,424	1,987
Health Care Program for Children in Foster Care	I	93.778	N/A	914,389	-
CCS Medical	I	93.778	N/A	3,194,559	15,884
Medi-Cal Administrative Activities	I	93.778	N/A	1,215,666	-
Subtotal - 93.778				53,779,024	891,408
Health Resources Services Administration	I	93.889	N/A	1,784,759	833,951
Maternal Child & Adolescent Health - Black Infant Health Progr	I	93.994	2007-37	275,496	199,660
Maternal Child & Adolescent Health - Fetal Infant Mortality Revi	I	93.994	2007-37	32,307	19,841
Maternal Child & Adolescent Health	I	93.994	2007-37	216,292	-
Subtotal - 93.994				524,095	219,501
<u>Passed Through California Department of Mental Health</u>					
Project for Assistance in Transition from Homelessness	I	93.150	N/A	590,307	487,815
Substance Abuse & Mental Health Services Admin Block Grant	I	93.958	N/A	2,877,220	803,360

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor County Program Name	Direct(D) Indirect(I)	Catalog of Federal Domestic Assistance Number	Entity's Identifying Number	Federal Expenditures	Pass-thru Awards to Subrecipients
<u>Passed Through California Department of Alcohol and Drug Programs</u>					
BINGE Safe Incentive Grant	I	93.243	SIG 04-10	131,211	131,211
CASBIRT Program	I	93.243	SBR06-04	2,378,318	2,142,629
Subtotal - 93.243				2,509,529	2,273,840
CDCI-PSSF	I	93.556	CDCI 07/08-37	118,771	118,771
SAPT SATT A Drug Testing	I	93.959	N/A	336,732	311,556
SAPT Club Live	I	93.959	N/A	30,000	30,000
SAPT Friday Night Live	I	93.959	N/A	30,000	30,000
SAPT HIV	I	93.959	N/A	1,164,330	1,122,919
SAPT Perinatal Set Aside	I	93.959	N/A	1,854,636	1,854,636
SAPT Discretionary	I	93.959	N/A	10,134,854	9,342,538
SAPT Adolescent and Youth Treatment Program	I	93.959	N/A	549,059	549,053
SAPT Prevention Set Aside	I	93.959	N/A	3,714,869	3,377,154
SATTA	I	93.959	N/A	48,647	-
Subtotal - 93.959				17,863,127	16,617,856
<u>Passed Through California Department of Community Services And Development</u>					
CAP Community Services Block Grant	I	93.569	06F-4738	1,263,369	704,626
CAP Community Services Block Grant	I	93.569	08F-4937	1,293,952	1,226,828
CAP Community Services Block Grant	I	93.569	08F-4977	25,000	25,000
CAP Community Services Block Grant	I	93.569	07F-4875	24,500	24,500
Subtotal - 93.569				2,606,821	1,980,954
<u>Passed Through California Department of Education</u>					
CAPP Child Care	I	93.596	CAPP7057	4,322,910	-
Stage Two Child Care	I	93.596	C2AP7051	2,698,437	-
Stage Three Child Care	I	93.596	C3AP7052	5,052,913	-
Subtotal - 93.596				12,074,260	-
<u>Passed Through University of California- San Diego</u>					
Tuberculosis Trials Consortium	I	93.116	200-2002-00677	36,413	-
TOTAL - INDIRECT PROGRAMS				524,334,437	56,718,627
TOTAL - DEPT. HEALTH & HUMAN SERVICES				536,786,075	66,189,179
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>					
<u>Direct Programs</u>					
Retired Senior Volunteer Program	D	94.002	08SRPCA006	128,967	-
<u>Passed Through University of Maryland</u>					
University of Maryland Americorps	I	94.006	Z-991709	55,828	55,828
TOTAL - CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				184,795	55,828
<u>DEPARTMENT OF HOMELAND SECURITY</u>					
<u>Direct Programs</u>					
Wildfire Outreach & Education Program	D	97.044	N/A	273,178	-
Metropolitan Medical Response System	D	97.071	EMW-2004-GR-0668	14,433	-
State Homeland Security Program (SHSP)	D	97.073	N/A	23,904	-
Special Monitoring Homeland Security Grant 103	D	97.091	2006-ST-091-000010	438,292	-
TOTAL - DIRECT PROGRAMS				749,807	-

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor County Program Name	Direct(D) Indirect(I)	Catalog of Federal Domestic Assistance Number	Entity's Identifying Number	Federal Expenditures	Pass-thru Awards to Subrecipients
<u>Passed Through City of San Diego Office of Homeland Security</u>					
Urban Area Security Initiative 05	I	97.008	N/A	30	30
Urban Area Security Initiative 06	I	97.008	N/A	399,128	399,128
Urban Area Security Initiative	I	97.008	2006-71	3,004	-
Urban Area Security Initiative	I	97.008	2007-0071	216,295	-
			Subtotal - 97.008	618,457	399,158
<u>Passed Through California Governor's Office of Emergency Services</u>					
2007 Firestorm -FEMA GF	I	97.036	N/A	3,368,168	-
2007 Firestorm - FEMA RF	I	97.036	N/A	828,535	-
2007 Firestorm - LAC	I	97.036	N/A	1,913	-
2005 Winterstorms - Feb	I	97.036	N/A	29,658	-
2005 Winterstorms - Jan	I	97.036	N/A	25,447	-
2005 Winterstorms - AEF	I	97.036	N/A	230,690	-
2005 Winterstorms - FPRD13A	I	97.036	N/A	32,543	-
			Subtotal - 97.036	4,516,954	-
Emergency Management Prevention Grant 06	I	97.042	N/A	733,672	142,627
Metropolitan Medical Response System	I	97.071	N/A	112,347	-
State Homeland Security Grant Program	I	97.073	N/A	2,006,117	795,219
State Homeland Security Grant Program	I	97.073	2007-0008	19,542	-
State Homeland Security Grant Law Enforcement Terrorism Prev	I	97.073	FY06 SHSP 2006-0071	31,501	-
			Subtotal - 97.073	2,057,160	795,219
State Homeland Security Grant Law Enforcement Terrorism Prev	I	97.074	2007-0008	211,612	-
State Homeland Security Grant Law Enforcement Terrorism Prev	I	97.074	2006-0071	694,175	-
State Homeland Security Grant 05 Law Enforcement Terrorism P	I	97.074	N/A	38,064	-
State Homeland Security Grant 06 Law Enforcement Terrorism P	I	97.074	N/A	2,683,073	1,251,393
			Subtotal - 97.074	3,626,924	1,251,393
Buffer Zone Protection Program (BZPP)	I	97.078	N/A	141,177	3,734
<u>Passed Through Federal Emergency Management Agency</u>					
Disaster Housing Assistance	I	97.109	CA108FE	75,497	-
TOTAL - INDIRECT PROGRAMS				11,882,188	2,592,131
TOTAL DEPARTMENT OF HOMELAND SECURITY				12,631,995	2,592,131
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
<u>Direct Programs</u>					
Community Dev.Block Grant (CDBG Cluster)	D	14.218	Various	6,343,408	1,183,036
Emergency Shelter Grant	D	14.231	Various	14,201	-
Emergency Shelter Grant	D	14.231	Various	157,066	157,066
			Subtotal - 14.231	171,267	157,066
Supportive Housing Program	D	14.235	Various	70,069	-
Supportive Housing Program	D	14.235	Various	2,319,637	2,319,637
			Subtotal - 14.235	2,389,706	2,319,637
Shelter Plus Care Grant	D	14.238	Various	63,606	-
Shelter Plus Care Grant	D	14.238	Various	643,172	643,172
			Subtotal - 14.238	706,778	643,172
Home Investment Partnership Act.	D	14.239	Various	2,845,800	1,133,105

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor County Program Name	Direct(D) Indirect(I)	Catalog of Federal Domestic Assistance Number	Entity's Identifying Number	Federal Expenditures	Pass-thru Awards to Subrecipients
Housing Opportunities for Persons with AIDS	D	14.241	Various	306,480	-
Housing Opportunities for Persons with AIDS	D	14.241	Various	2,197,179	2,197,179
Housing Opportunities for Persons with AIDS	D	14.241	Various	251,637	251,637
			Subtotal - 14.241	2,755,296	2,448,816
Federal and HUD Congressional Appropriations	D	14.251	N/A	247,500	-
Performance Funding Syst. Oper. Subsidy	D	14.850	Various	148,725	-
Section 8 Moderate Rehabilitation Program	D	14.856	CA108MR0003	206,280	-
Section 8 Moderate Rehabilitation Program	D	14.856	CA108MR0004	611,492	-
			Subtotal - 14.856	817,772	-
Resident Opport & Self Sufficiency	D	14.870	CA108REF004A004	83,836	-
Section 8 Voucher	D	14.871	CA108	97,050,132	-
Public Housing Captial Fund	D	14.872	CA16P108501-04	4,232	-
Public Housing Captial Fund	D	14.872	CA16P108501-05	58,692	-
Public Housing Captial Fund	D	14.872	CA16P108501-06	1,984	-
Public Housing Captial Fund	D	14.872	CA16P108501-07	4,274	-
			Subtotal - 14.872	69,182	-
Mainstream Vouchers	D	14.879	CA108DV	381,352	-
TOTAL - DIRECT PROGRAMS				114,010,754	7,884,832
<u>Passed Through City of Chula Vista</u>					
Community Development Block Grant	I	14.218	N/A	3,000	3,000
<u>Passed Through City of San Diego</u>					
Community Development Block Grant	I	14.218	N/A	30,150	30,150
<u>Passed Through St. Vincent De Paul Villages</u>					
Supportive Housing Program	I	14.235	33-0492302	40,554	-
TOTAL - INDIRECT PROGRAMS				73,704	33,150
TOTAL - DEPT. OF HOUSING & URBAN DEVELOPMENT				114,084,458	7,917,982
<u>DEPARTMENT OF INTERIOR</u>					
<u>Passed Through California Department of Parks and Recreation</u>					
Lake Morena Trail (1008289)	I	15.916	RT-37-022	134,565	-
Felicita Park Trail Improvement (1008290)	I	15.916	06-01563	33,195	-
			Subtotal - 15.916	167,760	-
TOTAL - DEPARTMENT OF INTERIOR				167,760	-
<u>DEPARTMENT OF JUSTICE</u>					
<u>Direct Programs</u>					
District Attorney Asset Forefiture Program	D	16.000	CA037023A	689,784	-
Probation Asset Forefiture Program	D	16.000	CA037013G	53,382	-
Sheriff Asset Forefiture Program	D	16.000	CA0370000	615,914	-
			Subtotal - 16.000	1,359,080	-

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor/Pass-Through Grantor County Program Name	Direct(D) Indirect(I)	Catalog of Federal Domestic Assistance Number	Entity's Identifying Number	Federal Expenditures	Pass-thru Awards to Subrecipients
San Diego Regional Anti Trafficking Task Force	D	16.320	2005VTBX0001	188,304	-
Solving Cases With DNA Grant	D	16.560	2005DNBXX035	92,313	-
Domestic Cannabis Erradication Supression Program	D	16.579	SF8A410839	307,689	-
Forensic DNA Backlog Reducation Program	D	16.580	2007DDBX0634	166,567	-
FY 2005 Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	D	16.590	2005WEAX0125	423,538	-
Safe Neighborhood Grant	D	16.609	N/A	72,691	45,995
COPS More 2001	D	16.710	2001CLWX0019	89,319	-
COPS 2003 Technology	D	16.710	2003CKWX0019	25,281	-
COPS 2006 Technology	D	16.710	2006CKWX0254	6,976	-
			Subtotal - 16.710	121,576	-
Safe Start	D	16.730	2005-JW-FX-K008	176,687	75,296
Gang Resistance Education and Training Program	D	16.737	2004-JV-FX-0134	9,000	-
Justice Assistance Grant Program	D	16.738	N/A	132,639	-
Forensic Casework DNA Backlog Reduction Program	D	16.741	2005DNBXX125	25,927	-
Forensic Casework DNA Backlog Reduction Program	D	16.741	2007DNBXX071	276,911	-
			Subtotal - 16.741	302,838	-
Total Direct Progrms				3,352,922	121,291
<u>Passed Through City of San Diego</u>					
Internet Crimes Against Children	I	16.540	2005MCCXK016	118,069	-
<u>Passed Through City of Vista</u>					
Gang Resistance Education and Training Program	I	16.737	2007JVFX0204	4,953	-
<u>Passed Through Corrections Standard Authority</u>					
Juvenile Accountability Incentive Block Grant	I	16.523	151-06	199,493	-
Disproportionate Minority Contract (DMC)	I	16.540	N/A	123,800	-
<u>Passed Through Governor's Office of Emergency Services</u>					
Elder Abuse Advocacy Outreach Program	I	16.575	EA06090370	37,462	-
Elder Abuse Advocacy Outreach Program	I	16.575	EA07100370	110,466	-
Victim-Witness Assistance Project	I	16.575	VW07260370	438,918	-
			Subtotal - 16.575	586,846	-
Victim/Witness Assistance Program (DA)	I	16.588	VW07260370	100,159	-
Domestic Violence Stalking	I	16.588	VV07030370	167,902	-
			Subtotal - 16.588	268,061	-
Byrne Memorial Justice Assistance	I	16.738	DC07200370	1,293,731	400,043
COVERDELL 06	I	16.742	CQ05040370	28,894	-
COVERDELL 07	I	16.742	CQ07050370	33,243	-
			Subtotal - 16.742	62,137	-
<u>Passed Through Corrections Standard Authority</u>					
Title V Delinquency Prevention Program	I	16.548	CSA 403-06	377,529	-
<u>Passed Through California Border Alliance Group</u>					
High Intensity Drug Trafficking	I	16.579	N/A	534,840	-
TOTAL INDIRECT PROGRAMS				3,569,459	400,043
TOTAL - DEPARTMENT OF JUSTICE				6,922,381	521,334

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor/Pass-Through Grantor County Program Name	Direct(D) Indirect(I)	Catalog of Federal Domestic Assistance Number	Entity's Identifying Number	Federal Expenditures	Pass-thru Awards to Subrecipients
<u>DEPARTMENT OF LABOR</u>					
<u>Passed Through California Department of Aging</u>					
Senior Employment Program (TITLE V)	I	17.235	TV-0708-23	523,368	523,368
TOTAL - DEPARTMENT OF LABOR				523,368	523,368
<u>DEPARTMENT OF TRANSPORTATION</u>					
<u>Direct Programs</u>					
Airports Capital Improvements Program	D	20.106	VARIOUS	9,027,698	-
TOTAL DIRECT PROGRAMS				9,027,698	-
<u>Passed Through California Department of Transportation</u>					
Bradley Ave. Interchanges	I	20.205	STPL-5957(054)	15,000	-
Collier Way Bridge	I	20.205	BRLO-5957(056)	96,732	-
Willows Rd Bridge	I	20.205	BHLSR-5957(062)	33,037	-
Lawson Valley Rd Bridge	I	20.205	BRLO-5957(057)	18,754	-
Viejas Blvd Bridge	I	20.205	BRL-5957(039)	158,745	-
Black Canyon Rd	I	20.205	BRL-5957(019)	261,537	-
Valley Center Rd Bridge	I	20.205	BRL-5957(020)	103,829	-
2007 Firestorm - FHWA	I	20.205	ER-4602 (001-010)	2,158,006	-
Subtotal - 20.205				2,845,640	-
<u>Passed Through California Department of Transportation</u>					
Osborne - Hutchison	I	20.600	STPLH-5957 (075)	546,954	-
<u>Passed Through California Office of Traffic Safety</u>					
ABC Minor Decoy Vista	I	20.600	06MDG-23	11,338	-
ABC Minor Decoy Santee	I	20.600	06MDG-22	8,512	-
ABC Minor Decoy Poway	I	20.600	06MDG-21	8,528	-
Sobriety Checkpoint Program Encinitas	I	20.600	SC08130	19,536	-
Sobriety Checkpoint Program Imperial Beach	I	20.600	SC08188	13,486	-
Sobriety Checkpoint Program Lemon Grove	I	20.600	SC08223	11,160	-
Sobriety Checkpoint Program San Marcos	I	20.600	SC08377	11,593	-
Sobriety Checkpoint Program Santee	I	20.600	SC08395	5,569	-
Sobriety Checkpoint Program Vista	I	20.600	SC08450	10,345	-
Click It Or Ticket Imperial Beach	I	20.600	CT08188	2,068	-
Click It Or Ticket Lemon Grove	I	20.600	CT08223	8,804	-
Click It Or Ticket Poway	I	20.600	CT08330	7,448	-
Click It Or Ticket Vista	I	20.600	CT08450	8,805	-
Arive Alive DUI Corridor	I	20.600	AL0740	11,799	-
DUI Enforcement and Awareness	I	20.600	AL0811	84,160	-
Office of Traffic Safety Program	I	20.600	AL0699	470,542	-
Subtotal - 20.600				693,693	-
<u>Passed Through National Highway Traffic Safety Administration</u>					
Crash Injury Research and Engineering Network	I	20.600	DTNH22-05H-21001	551,866	502,816
TOTAL INDIRECT PROGRAMS				4,638,153	502,816
TOTAL - DEPARTMENT OF TRANSPORTATION				13,665,851	502,816

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor/Pass-Through Grantor County Program Name	Direct(D) Indirect(I)	Catalog of Federal Domestic Assistance Number	Entity's Identifying Number	Federal Expenditures	Pass-thru Awards to Subrecipients
<u>ENVIRONMENTAL PROTECTION AGENCY</u>					
<u>Direct Programs</u>					
Air Pollution Control Prog-EPA	D	66.001	A-00905908-0	1,575,325	-
Air Pollution Control Prog-EPA	D	66.001	A-009059-07-0	184,769	-
			Subtotal - 66.001	1,760,094	-
CAA Sect. 103- Special Monitoring	D	66.034	XA-96918401-1	36,744	-
CAA Sect. 103- Special Monitoring	D	66.034	XA-96963001-0	332,134	-
Monitoring Network 103	D	66.034	PM-98956601-0	115,286	-
Monitoring Network 103	D	66.034	PM-97951201-2	379,851	-
			Subtotal - 66.034	864,015	-
Exchange Network Implementation Grant	D	66.608	0S-83196001-1	25,076	-
International Financial Assistance Projects	D	66.931	X4-96910001-1	25,389	-
TOTAL DIRECT PROGRAMS				2,674,574	-
<u>Passed Through California Department of Health Services</u>					
BEACH Act Grant	I	66.472	07-65562	24,664	-
<u>Passed Through California Department of Toxic Substance Control</u>					
State Toxic Substance	I	66.701	06-T3122	55,370	-
TOTAL INDIRECT PROGRAMS				80,034	-
TOTAL - ENVIRONMENTAL PROTECTION AGENCY				2,754,608	-
<u>ELECTION ASSISTANCE COMMISSION</u>					
<u>Passed Through California Security of State Election Reforms</u>					
Election Reform Payments	I	90.401	N/A	4,430,853	-
TOTAL - ELECTION ASSISTANCE COMMISSION				4,430,853	-
GRAND TOTAL				\$ 847,660,448	\$ 78,397,638

COUNTY OF SAN DIEGO, CALIFORNIA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF THE OFFICE OF EMERGENCY SERVICES GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2008

The following represents grant expenditures for Department of Justice grants passed through the State of California Office of Emergency Services for the fiscal year ended June 30, 2008

Program Title and Expenditure Category	Grant Award Number / CFDA	Budget	Actual Non-Match	Actual Match	Actual Total	Variance
Coverdell 06	CQ05040370					
Personal Services	16.742	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses		28,902	28,894	-	28,894	8
Equipment		-	-	-	-	-
Total		<u>\$ 28,902</u>	<u>\$ 28,894</u>	<u>\$ -</u>	<u>\$ 28,894</u>	<u>\$ 8</u>
Coverdell 07	CQ07050370					
Personal Services	16.742	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses		58,418	33,243	-	33,243	25,175
Equipment		-	-	-	-	-
Total		<u>\$ 58,418</u>	<u>\$ 33,243</u>	<u>\$ -</u>	<u>\$ 33,243</u>	<u>\$ 25,175</u>
Domestic Violence Stalking (DA)	VV07030370					
Personal Services	16.588	\$ 238,013	\$ 167,902	\$ 55,968	\$ 223,870	\$ 14,143
Operating Expenses		1,987	-	-	-	1,987
Equipment		-	-	-	-	-
Total		<u>\$ 240,000</u>	<u>\$ 167,902</u>	<u>\$ 55,968</u>	<u>\$ 223,870</u>	<u>\$ 16,130</u>
Victim Witness Assistance Program	VW07260370					
Personal Services	16.588	\$ 100,159	\$ 100,159	\$ -	\$ 100,159	\$ -
Operating Expenses		-	-	-	-	-
Equipment		-	-	-	-	-
Total		<u>\$ 100,159</u>	<u>\$ 100,159</u>	<u>\$ -</u>	<u>\$ 100,159</u>	<u>\$ -</u>
Elder Abuse Advocacy Outreach Prog.	EA06090370					
Personal Services	16.575	\$ 43,050	\$ 37,462	\$ 9,366	\$ 46,828	\$ (3,778)
Operating Expenses		700	-	-	-	700
Equipment		-	-	-	-	-
Total		<u>\$ 43,750</u>	<u>\$ 37,462</u>	<u>\$ 9,366</u>	<u>\$ 46,828</u>	<u>\$ (3,078)</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF THE OFFICE OF EMERGENCY SERVICES GRANT PROGRAMS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008

Grant expenditures for Department of Justice grants passed through the State of California Office of Emergency services for the fiscal year ended June 30, 2008 (Continued).

Program Title and Expenditure Category	Grant Award Number / CFDA	Budget	Actual Non-Match	Actual Match	Actual Total	Variance
Elder Abuse Advocacy Outreach Prog.	EA07100370					
Personal Services	16.575	\$ 128,400	\$ 108,402	\$ 27,099	\$ 135,501	\$ (7,101)
Operating Expenses		2,850	2,064	516	2,580	270
Equipment		-	-	-	-	-
Total		<u>\$ 131,250</u>	<u>\$ 110,466</u>	<u>\$ 27,615</u>	<u>\$ 138,081</u>	<u>\$ (6,831)</u>
Anti Drug Abuse Enforcement Program	DC06190370					
Personal Services	16.738	\$ 893,688	\$ 893,688	\$ -	\$ 893,688	\$ -
Operating Expenses		400,043	400,043	-	400,043	-
Equipment		-	-	-	-	-
Total		<u>\$ 1,293,731</u>	<u>\$ 1,293,731</u>	<u>\$ -</u>	<u>\$ 1,293,731</u>	<u>\$ -</u>
Victim/Witness Assistance Program (DA)	VW07260370					
Personal Services	16.575	\$ 438,918	\$ 438,918	\$ -	\$ 438,918	\$ -
Operating Expenses		-	-	-	-	-
Equipment		-	-	-	-	-
Total		<u>\$ 438,918</u>	<u>\$ 438,918</u>	<u>\$ -</u>	<u>\$ 438,918</u>	<u>\$ -</u>

The following represent the State of California Office of Emergency Services summary grant expenditures for the fiscal year ended June 30, 2008. This information is included in the County of San Diego's single audit report at the request of the State of California's Office of Emergency Services.

High Tech Identity Theft Program (DA)	HD07070370					
Personal Services		\$ 354,509	\$ 214,033	\$ 140,476	\$ 354,509	\$ -
Operating Expenses		347,870	335,571	-	335,571	12,299
Equipment		-	-	-	-	-
Total		<u>\$ 702,379</u>	<u>\$ 549,604</u>	<u>\$ 140,476</u>	<u>\$ 690,080</u>	<u>\$ 12,299</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF THE OFFICE OF EMERGENCY SERVICES GRANT PROGRAMS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008

The following represent the State of California Office of Emergency Services summary grant expenditures for the fiscal year ended June 30, 2008 (Continued). This information is included in the County of San Diego's single audit report at the request of the State of California's Office of Emergency Services.

Program Title and Expenditure Category	Grant Award Number	Budget	Actual Non-Match	Actual Match	Actual Total	Variance
High Tech Theft and Prosecution (DA)	HT07070370					
Personal Services		\$ 1,387,167	\$ 900,252	\$ 486,916	\$ 1,387,168	\$ (1)
Operating Expenses		1,047,409	1,047,321	-	1,047,321	88
Equipment		-	-	-	-	-
Total		<u>\$ 2,434,576</u>	<u>\$ 1,947,573</u>	<u>\$ 486,916</u>	<u>\$ 2,434,489</u>	<u>\$ 87</u>
Vertical Prosecution Block Program	VB07050370					
Personal Services		\$ 763,060	\$ 495,694	\$ -	\$ 495,694	\$ 267,366
Operating Expenses		66,949	57,408	-	57,408	9,541
Equipment		-	-	-	-	-
Total		<u>\$ 830,009</u>	<u>\$ 553,102</u>	<u>\$ -</u>	<u>\$ 553,102</u>	<u>\$ 276,907</u>
Multi-Jurisdictional Enforcement Team	MH06010370					
Personal Services		\$ 127,058	\$ 127,690	\$ -	\$ 127,690	\$ (632)
Operating Expenses		146,882	111,204	-	111,204	35,678
Equipment		290,167	299,030	-	299,030	(8,863)
Total		<u>\$ 564,107</u>	<u>\$ 537,924</u>	<u>\$ -</u>	<u>\$ 537,924</u>	<u>\$ 26,183</u>
Multi-Jurisdictional Enforcement Team	MH07010370					
Personal Services		\$ 168,385	\$ 129,589	\$ -	\$ 129,589	\$ 38,796
Operating Expenses		421,953	276,553	-	276,553	145,400
Equipment		159,662	140,206	-	140,206	19,456
Total		<u>\$ 750,000</u>	<u>\$ 546,348</u>	<u>\$ -</u>	<u>\$ 546,348</u>	<u>\$ 203,652</u>
Parole Advocacy Program	PA06010370					
Personal Services		\$ 167,807	\$ 117,693	\$ -	\$ 117,693	\$ 50,114
Operating Expenses		53,306	23,039	-	23,039	30,267
Equipment		33,500	20,906	-	20,906	12,594
Total		<u>\$ 254,613</u>	<u>\$ 161,638</u>	<u>\$ -</u>	<u>\$ 161,638</u>	<u>\$ 92,975</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Expenditures of the Office of Emergency Services Grant Programs.

COUNTY OF SAN DIEGO, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES FEDERAL AWARDS AND SUPPLEMENTARY
SCHEDULE OF THE OFFICE OF EMERGENCY SERVICES GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2008

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of San Diego, California (County). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California, are included on the schedule. The County's reporting entity is defined in Note 1 to the County's basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the County's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the County's basic financial statements.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards are in material agreement with the amounts reported in the related federal financial reports for the federal award programs.

5. OFFICE OF EMERGENCY SERVICES (OES) GRANT PROGRAMS

At the request of the State of California Office of Emergency Services, a schedule of expenditures of OES grants is also included as a supplementary schedule on pages 15 - 17.

6. FOOD STAMPS

Food stamps expenditures of \$130,890,363 represent the face value of food stamps distributed to program participants. They do not represent cash expenditures in the County's basic financial statements for the fiscal year ended June 30, 2008.

Federal Expenditures	State Expenditures	Total Food Stamp Expenditures
\$129,848,410	\$1,041,953	\$130,890,363

7. PASS-THROUGH AWARDS TO SUBRECIPIENTS

Included in the Schedule of Expenditures of Federal Awards are the amounts passed through to subrecipients.

COUNTY OF SAN DIEGO, CALIFORNIA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SUPPLEMENTARY
SCHEDULE OF THE OFFICE OF EMERGENCY SERVICES GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2008

8. DEPARTMENT OF AGING FEDERAL/STATE SHARE

The California Department of Aging (CDA) requires agencies that receive CDA funding to either display state funded expenditures discretely with federal expenditures in the Schedule of Expenditures of Federal Awards (SEFA) or disclose them in the Notes as shown below:

<u>CFDA</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
93.041	\$ 38,105	\$ 1,696
93.042	110,080	20,498
93.043	155,350	6,697
93.044	2,493,083	409,867
93.045	3,821,303	477,478
93.052	1,114,594	-
93.053	731,040	-
93.778	1,471,898	1,471,898
17.235	523,368	217,915
93.779	117,514	473,176
Community Based Services		
Program - NO CFDA #	-	537,421
Ombudsman Volunteer Recruitment		
Initiative - NO CFDA #	-	108,731
Total CDA funding	<u>\$ 10,576,335</u>	<u>\$ 3,725,377</u>

Multipurpose Senior Services Program (MSSP) CFDA #93.778:

a.) MSSP is a Medi-Cal program. Medi-Cal is administered via California Department of Health Services. California Department of Aging administers the "MSSP Program" and the money comes from CDHS via EDS, the Medi-Cal Fiscal Intermediary. Half of the money comes from the State General Fund and half comes from Federal, the money is paid to us by CDHS through EDS.

9. OUTSTANDING LOANS OF FEDERAL FUNDS AT JUNE 30, 2008

The following schedule presents the amount of outstanding loans by CFDA No. that have continuing compliance requirements. The County's loans are administered by the Housing and Community Development department and the Housing Authority department. All loans are provided by the U.S. Department of Housing and Urban Development (HUD):

<u>CFDA No.</u>	<u>Federal Program</u>	<u>Outstanding Loans</u>	<u>Prior Year Loans with Continuing Compliance Requirements</u>	<u>New Loans</u>
14.218	Community Development Block Grant	\$ 18,245,655	\$ 17,754,791	\$ 587,840
14.239	HOME Investment Partnership	16,322,826	15,198,591	1,727,525
14.241	Housing Opportunities for Persons with Aids	4,805,916	4,805,916	-
14.235	Supportive Housing Program	\$ 480,000	\$ 480,000	-

COUNTY OF SAN DIEGO, CALIFORNIA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SUPPLEMENTARY
SCHEDULE OF THE OFFICE OF EMERGENCY SERVICES GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2008

11. PROGRAM/CLUSTER TOTALS

The schedule of expenditures of federal awards does not summarize programs that cross agency funding, nor does it summarize clusters. The following summarizes those programs that cross agency funding and clusters:

CFDA No.	Federal Program	Pass Through Agency	Amount
10.551	Food Stamps	California Department of Social Services	\$ 129,848,410
10.561	HHS CEC Food Stamp ET	California Department of Social Services	305,189
	CECC Non Assistance Food Stamps		13,664,359
	CALWIN-WCDS Replacement		2,684,994
		Program Total	<u>16,654,542</u>
		Food Stamps Cluster Total	<u>\$ 146,502,952</u>
10.553	National School Breakfast Nutrition	California Department of Education	\$ 536,365
10.555	National School Lunch Nutrition	California Department of Education	834,865
	HHS Polinsky School Lunch		68,097
		Program Total	<u>902,962</u>
10.559	Summer Food Service Program	California Department of Education	6,050
		Child Nutrition Cluster Total	<u>\$ 1,445,377</u>
14.218	Community Development Block Grant	N/A (Direct Program)	\$ 6,343,408
14.218	Community Development Block Grant	City of Chula Vista	3,000
14.218	Community Development Block Grant	City of San Diego	30,150
		Program Total	<u>\$ 6,376,558</u>
16.540	Internet Crimes against Children	City of San Diego	\$ 118,069
16.540	Disproportionate Minority Contract	Corrections Standard Authority	123,800
			<u>\$ 241,869</u>
16.579	Domestic Cannabis Eradication Suppression Program	N/A (Direct Program)	\$ 307,689
16.579	High Intensity Drug Trafficking	California Border Alliance Group	534,840
			<u>\$ 842,529</u>
16.737	Gang Resistance Education and Training Program	N/A (Direct Program)	\$ 9,000
16.737	Gang Resistance Education and Training Program	City of Chula Vista	4,953
		Program Total	<u>\$ 13,953</u>
16.738	Byrne Memorial Justice Assistance	N/A (Direct Program)	\$ 132,639
16.738	Byrne Memorial Justice Assistance	Governor's Office of Emergency Services	1,293,731
		Program Total	<u>\$ 1,426,370</u>

COUNTY OF SAN DIEGO, CALIFORNIA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SUPPLEMENTARY
SCHEDULE OF THE OFFICE OF EMERGENCY SERVICES GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2008

11. PROGRAM/CLUSTER TOTALS (Continued)

CFDA No.	Federal Program	Pass Through Agency	Amount
20.600	Osborne-Hutchinson	California Department of Transportation	\$ 546,954
20.600	Office of Traffic Safety Programs	California Office of Traffic Safety	693,693
20.600	Crash Injury Research and Engineering	National Highway Traffic Safety Administration	551,866
		Program Total	<u>\$ 1,792,513</u>
93.044	TITLE III-B Supportive Services	California Department of Aging	\$ 2,493,083
93.045	TITLE III-C Senior Nutrition Program	California Department of Aging	3,821,303
93.053	Senior Nutrition Program	California Department of Aging	731,040
		Aging Cluster Total	<u>\$ 7,045,426</u>
93.116	Tuberculosis Control Program & AIDS	N/A (Direct Program)	\$ 1,836,850
93.116	USCS TB Trials Consortium	University of California San Diego	36,413
		Program Total	<u>\$ 1,873,263</u>
93.283	Local Public Health Preparedness	N/A (Direct Program)	\$ 25,082
93.283	Cities Preparedness Initiative	California Department of Health Services	3,851,941
		Program Total	<u>\$ 3,877,023</u>
93.556	Promoting Safe and Stable Families	California Department of Social Services	\$ 2,213,585
93.556	Comprehensive Drug Court Implementation Program	California Department of Alcohol and Drug Programs	118,771
		Program Total	<u>\$ 2,332,356</u>
93.566	CAP Refugee and Entrance Assistance	California Department of Social Services	\$ 9,545
93.566	Refugee Preventive Health Program	California Department of Health Services	76,097
	Refugee Health Assessment Program		820,065
		Program Total	<u>\$ 905,707</u>
93.778	Medical Assistance Program	California Department of Social Services	\$ 28,709,825
93.778	Medical Assistance Program	California Department of Health Services	53,779,024
93.778	Medical Assistance Program	California Department of Aging	1,471,898
		Program Total	<u>\$ 83,960,747</u>
97.071	Metropolitan Medical Response System	N/A (Direct Program)	\$ 14,433
97.071	Metropolitan Medical Response System	Governor's Office of Emergency Services	112,347
		Program Total	<u>\$ 126,780</u>
97.073	State Homeland Security Program	N/A (Direct Program)	\$ 23,904
97.073	State Homeland Security Program	Governor's Office of Emergency Services	2,057,160
		Program Total	<u>\$ 2,081,064</u>

**COUNTY OF SAN DIEGO, CALIFORNIA
HEALTH AND HUMAN SERVICES AGENCY
COMMUNITY ACTION PARTNERSHIP
SUPPLEMENT SCHEDULE OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. 06F-4738
For the year ended June 30, 2008**

CFDA # 93.569

	Jan 1, 2007 through June 30, 2007	Jul 1, 2007 through June 30, 2008	Total Audited	Total Reported	Total Budget
Revenues:					
Grant Revenue	\$ 1,735,483	\$ 1,229,562	\$ 2,965,045	\$ 2,965,045	\$ 2,965,045
Other Income-Interest	-	33,807	33,807	33,807	
Total Revenues	<u>1,735,483</u>	<u>1,263,369</u>	<u>2,998,852</u>	<u>2,998,852</u>	<u>2,965,045</u>
Expenditures:					
Personnel Costs					
Salaries & Wages	174,715	305,230	479,945	479,945	458,647
Fringe benefits	102,610	179,262	281,872	281,872	269,363
Subtotal Personnel Costs	<u>277,325</u>	<u>484,492</u>	<u>761,817</u>	<u>761,817</u>	<u>728,010</u>
Non-Personnel Costs					
Travel	3,879	5,409	9,288	9,288	9,288
Facilities/Space	20,702	25,624	46,326	46,326	46,325
Consumable Supplies	14,282	14,249	28,531	28,531	28,531
Equipment Lease/Purchase	4,713	25,925	30,638	30,638	30,639
Consultant Services	-	132,650	132,650	132,650	132,650
Contractor Services	200	-	200	200	200
Subcontractors	1,411,096	571,976	1,983,072	1,983,072	1,983,072
Other Costs	3,286	3,044	6,330	6,330	6,330
Subtotal Non Personnel Costs	<u>1,458,158</u>	<u>778,877</u>	<u>2,237,035</u>	<u>2,237,035</u>	<u>2,237,035</u>
Total expenditures	<u>\$ 1,735,483</u>	<u>\$ 1,263,369</u>	<u>\$ 2,998,852</u>	<u>\$ 2,998,852</u>	<u>\$ 2,965,045</u>

(1) Please note that the supplemental statement should be based on the budget line items contained in the contract, and will need to be adjusted to incorporate the line items applicable to specific contracts.

**COUNTY OF SAN DIEGO, CALIFORNIA
HEALTH AND HUMAN SERVICES AGENCY
COMMUNITY ACTION PARTNERSHIP
SUPPLEMENT SCHEDULE OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. 08F-4937
For the year ended June 30, 2008**

CFDA # 93.569

	Jan 1, 2008 through June 30, 2008	Total Audited	Total Reported	Total Budget
Revenues:				
Grant Revenue	\$ 1,633,050	\$ 1,633,050	\$ 1,633,050	\$ 2,965,045
Other Income	-	-	-	-
Total Revenues	<u>1,633,050</u>	<u>1,633,050</u>	<u>1,633,050</u>	<u>2,965,045</u>
Expenditures:				
Personnel Costs				
Salaries & Wages	213,632	213,632	213,632	499,593
Fringe benefits	125,466	125,466	125,466	287,663
Subtotal Personnel Costs	<u>339,098</u>	<u>339,098</u>	<u>339,098</u>	<u>787,256</u>
Non-Personnel Costs				
Travel	5,104	5,104	5,104	7,900
Facilities/Space	22,823	22,823	22,823	70,507
Consumable Supplies	11,965	11,965	11,965	18,238
Equipment Lease/Purchase	22,196	22,196	22,196	46,689
Consultant Services	-	-	-	-
Contractor Services	-	-	-	-
Subcontractors	1,226,828	1,226,828	1,226,828	2,025,435
Other Costs	5,035	5,035	5,035	9,020
Subtotal Non Personnel Costs	<u>1,293,951</u>	<u>1,293,951</u>	<u>1,293,951</u>	<u>2,177,789</u>
Total expenditures	<u>\$ 1,633,049</u>	<u>\$ 1,633,049</u>	<u>\$ 1,633,049</u>	<u>\$ 2,965,045</u>

(1) Please note that the supplemental statement should be based on the budget line items contained in the contract, and will need to be adjusted to incorporate the line items applicable to specific contracts.

**COUNTY OF SAN DIEGO, CALIFORNIA
HEALTH AND HUMAN SERVICES AGENCY
COMMUNITY ACTION PARTNERSHIP
SUPPLEMENT SCHEDULE OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. 08F-4977
For the year ended June 30, 2008**

CFDA # 93.569

	Jan 1, 2008 through June 30, 2008	Total Audited	Total Reported	Total Budget
Revenues:				
Grant Revenue	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Other Income				
Total Revenue	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Expenditures:				
Non-Personnel Costs				
Subcontractors	25,000	25,000	25,000	25,000
Other Costs	-	-	-	-
Subtotal Non Personnel Costs	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Total expenditures	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

(1) Please note that the supplemental statement should be based on the budget line items contained in the contract, and will need to be adjusted to incorporate the line items applicable to specific contracts.

**COUNTY OF SAN DIEGO, CALIFORNIA
HEALTH AND HUMAN SERVICES AGENCY
COMMUNITY ACTION PARTNERSHIP
SUPPLEMENT SCHEDULE OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. 07F-4875
For the year ended June 30, 2008**

CFDA # 93.569

	Jan 1, 2008 through June 30, 2008	Total Audited	Total Reported	Total Budget
Revenues:				
Grant Revenue	\$ 24,500	\$ 24,500	\$ 24,500	\$ 24,500
Other Income	-	-	-	-
Total Revenue	<u>24,500</u>	<u>24,500</u>	<u>24,500</u>	<u>24,500</u>
Expenditures:				
Non-Personnel Costs				
Subcontractors	24,500	24,500	24,500	24,500
Subtotal Non Personnel Costs	<u>24,500</u>	<u>24,500</u>	<u>24,500</u>	<u>24,500</u>
Total expenditures	<u>\$ 24,500</u>	<u>\$ 24,500</u>	<u>\$ 24,500</u>	<u>\$ 24,500</u>

(1) Please note that the supplemental statement should be based on the budget line items contained in the contract, and will need to be adjusted to incorporate the line items applicable to specific contracts.

**COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued on the basic financial statements of the County: Unqualified

Internal control over financial reporting:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to the financial statements noted? No

FEDERAL AWARDS

Internal control over major programs:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? No

Identification of major programs:

<u>CFDA number(s)</u>	<u>Name of Federal Program</u>
10.551/10.561	Food Stamp Cluster
14.218	Community Development Block Grant/Entitle Grants
14.235	Supportive Housing Program
14.239	Home Investment Partnership Program
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program
20.106	Airport Improvement Program
93.044/93.045/93.053	Aging Cluster
93.283	Local Public Health Emergency Preparedness
93.563	Child Support Enforcement
93.558	Temporary Assistance for Needy Families
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.914	HIV Emergency Relief
93.959	State and Federal Block Grant – Alcohol and Drugs
97.036	Public Assistance Grants
97.074	Law Enforcement Terror Prevention

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as a low-risk auditee? Yes

**COUNTY OF SAN DIEGO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported.

**COUNTY OF SAN DIEGO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding 07-01: Subrecipient Monitoring
Federal Agency: Department of Health and Human Services
Program Name: Temporary Assistance for Needy Families (TANF)
CFDA # and Program Expenditures #93.558 \$209,397,740
Award Year June 30, 2008

Federal Agency: Department of Health and Human Services
Program Name: Aging Cluster
CFDA # and Program Expenditures #93.044/045/053 \$6,978,946
Award Year June 30, 2008

Federal Agency: Department of Health and Human Services
Program Name: Local Public Health Preparedness
CFDA # and Program Expenditures #93.283 \$4,436,180
Award Year June 30, 2008

Federal Agency: Department of Homeland Security
Program Name: Urban Areas Security Initiative (UASI)
CFDA # and Program Expenditures #97.008 \$9,300,218
Award Year June 30, 2008

Federal Agency: Department of Homeland Security
Program Name: Law Enforcement Terror Prevention Program (LETPP)
CFDA # and Program Expenditures #97.074 \$3,801,957
Award Year June 30, 2008

Corrective action has been taken.

Finding 07-02: Davis-Bacon Act
Federal Agency: Department of Housing and Urban Development (HUD)
Program Name: Community Development Block Grant/Entitlement Grant (CDBG)
CFDA # and Program Expenditures #14.218 \$3,650,391
Award Year June 30, 2008

Corrective action has been taken.

Finding 07-03: Reporting
Federal Agency: Department of Health and Human Services
Program Name: Ryan White Care Act Title I
CFDA # and Program Expenditures #93.914 \$9,687,592
Award Year June 30, 2008

Program Name: Aging Cluster
CFDA # and Program Expenditures #93.044/045/053 \$6,978,946
Award Year June 30, 2008

Program Name: Local Public Health Preparedness

**COUNTY OF SAN DIEGO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

CFDA # and Program Expenditures	#93.283	\$4,436,180
Award Year	June 30, 2008	

Corrective action has been taken.