

City of San Diego, California

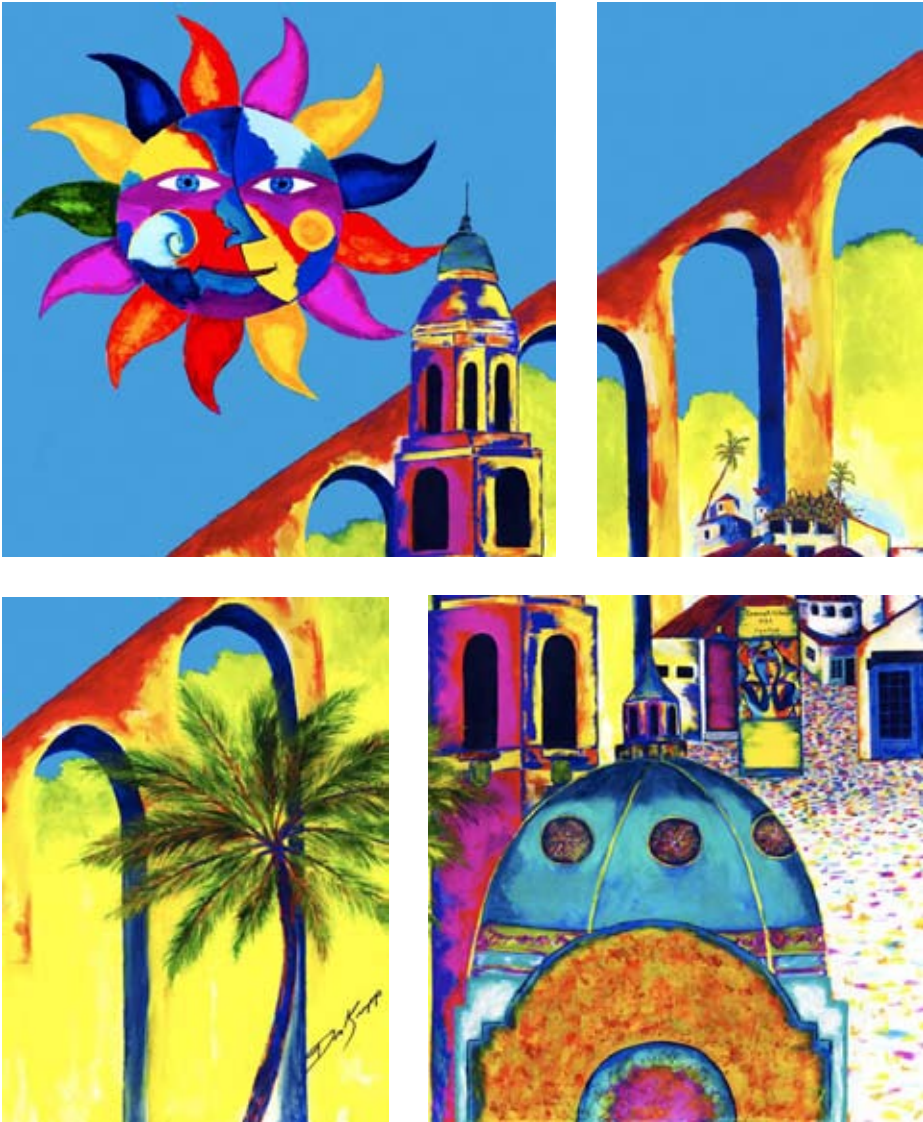
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012



City of San Diego
State of California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012



Prepared Under the Supervision of Kenton C. Whitfield, CPA, Comptroller

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Forward-Looking Statements

The Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2012 (CAFR), including the Letter of Transmittal and the section regarding Management's Discussion and Analysis, contains forward-looking statements regarding the City's business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the CAFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, revenue and expense levels and other statements regarding matters that are not historical are also forward-looking statements.

Although forward-looking statements in the CAFR reflect the City's good faith judgment, such statements can only be based on facts and factors currently known by the City. Consequently, forward-looking statements are inherently subject to risks and uncertainties. The actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of the CAFR. The City undertakes no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of the CAFR. Readers are urged to carefully review and consider the various disclosures made in the CAFR which attempt to advise interested parties of factors that may affect the business, financial condition, results of operations and prospects of the City.

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INTRODUCTORY SECTION



THE CITY OF SAN DIEGO

November 30, 2012**Citizens and Interested Parties,**

The San Diego economy is increasingly showing signs of recovery. Unlike prior recessions, it appears that the way forward will be slow and gradual. While tourism has returned to pre-recession levels and consumer spending has been on an upswing for the past two years, unemployment remains high at 8.4%, which is about twice the pre-recession average. The housing market appears to have bottomed and is now climbing. Our most recent forecasts show property tax revenues have stabilized after three years of decline. Efforts by the State to improve its budget picture are being felt at the local level with the dissolving of redevelopment agencies statewide and program cutbacks. Yet through it all, the City is cautiously optimistic that the worst is now behind us and America's Finest City will be a leader in future economic growth.

In this challenging economic environment, the City has successfully balanced its annual budgets and adopted them on time, by June 30 each year. The City met its goal for putting forward a structurally balanced budget for fiscal year 2013, using only on-going revenue for on-going expenses and one time revenue for one-time expenses. Throughout these difficult financial times, the City has asked for shared sacrifice from its employees and citizens in order to maintain a fiscally sound municipal government. In fiscal year 2012, the City slowly began restoring some services, beginning with fire stations, library hours and Parks and Recreation programs. The City also significantly increased its investment in maintenance of streets, storm drains and facilities.

In fiscal year 2012, General Fund revenues increased by 7% over fiscal year 2011, while at the same time, expenditures increased a modest 3% over the same time period. This resulted in General Fund reserves of 15%, which was in excess of the 8% policy goal that was accomplished in fiscal year 2010. As a result of the City's strong financial reserve position and other factors, Standard and Poor's improved our bond rating to from A+ to AA- (stable outlook) in April 2012.

As we emerge from these difficult economic times the City has set challenging goals for its future. The City believes these goals will be achieved with continued fiscal discipline and greater government efficiency. The diversity of industry, education and tourism well positions the City for an early economic recovery ahead of other peer cities. We are seeing the signs of a sustained economic rebound even though it may take years to get to pre-recession revenue and service levels in all sectors.

Economic Development Activities

The international, national and regional economic conditions have adversely affected the City of San Diego's revenues and City services. It has also affected the health of the business community. The City of San Diego is committed to restoring economic stability and reducing the level of local unemployment. With many advantages, such as its strategic location adjacent to Mexico and the Pacific Rim, desirable industry clusters and a skilled workforce,

San Diego can compete for new job-creating public and private-sector investment. The focus of fostering an economic recovery centers on four strategic approaches designed to ensure that investment dollars flow into San Diego:

- Dedicated City staff focused on a business expansion, attraction, and retention (BEAR) effort that highlights the advantages of doing business in San Diego.
- Regulatory streamlining process that eliminates redundant and bureaucratic procedures which do not meaningfully contribute to protecting the public interests.
- Focus on emerging industry clusters, including the Mayor's CleanTech Initiative designed to increase demand for renewable energy (e.g. solar), biofuels, energy efficient solutions, and "green" products.
- Completion of critical path transportation routes, port of entry and infrastructure facilities, which is attractive to industry.

The Mayor's Office of Economic Growth Services (EGS) has redoubled its efforts to retain businesses and make local companies aware of State and Federal programs. The Mayor engages with local businesses through the Economic Development Roundtable, and with personal visits to local manufacturers who have either expanded research and development (R&D) or production operations or are considering expansions. As a result, the City is able to tailor its attraction, expansion and retention efforts as well as educate local companies on government incentives.

Enterprise Zones provide one of the only dependable statewide tax incentives that local areas can use to encourage businesses to locate or stay in-state. By utilizing and improving the Enterprise Zone Program, the City is revitalizing economically-challenged areas, encouraging private investment in blighted communities, creating needed jobs in the region, and assisting workers who face barriers to employment. In fiscal year 2012, the State approved San Diego's application to expand its enterprise zone into its northern commercial and industrial areas, adding several million square feet of vacant or underutilized manufacturing capacity to the zone.

The restructuring of San Diego's Foreign-Trade Zone program was approved by the U.S. Department of Commerce/Foreign-Trade Zone Board at the end of fiscal year 2011. As a result of the restructuring, the City is in a better position to entice new private investments and support international trade opportunities.

The attraction, retention and expansion of local companies are vital in the City's efforts to create local jobs. To that end, significant new manufacturing sector projects were completed this past year throughout the City including biotech companies BioLegend, Celgene, DexCom, Illumina, La Jolla Biologics, and Verenum, microbrewers Coronado and Societe, telecommunications manufacturer Qualcomm, and skate board manufacturer Sector 9. In addition, LPL, a financial services company, began work on a new 415,000 square foot national corporate headquarters building.

Regulatory streamlining efforts are ongoing to encourage new private sector investment. The City recently adopted the 8th iteration of the Zoning Code Update which simplifies land use regulations and creates a more predictable approval process for new development.

Emerging industry clusters in San Diego are a core focus of EGS support. By partnering with industry cluster organizations such as BIOCOM, CleanTECH San Diego, CONNECT, and the Industrial Environmental Association, or working directly with companies on their individual needs, EGS provides government assistance and support to help local businesses thrive. As

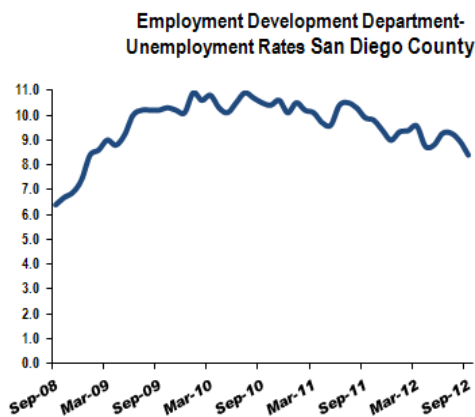
one example, during fiscal year 2012, San Diego was successful in doubling the number of craft beer manufacturers, in part due to the Mayor’s initiation and support of marketing and promotional activities as well as assistance with the licensing and permitting of new breweries.

Along the border with Mexico, the City has provided planning, coordination, and advocacy for three major projects. Phase 2 of the 905 Freeway is now under construction with completion expected in 2012. This freeway is expected to accommodate increased international trade within a large industrial area, which spans both sides of the border. Two other border infrastructure projects, improvements to the San Ysidro Port of Entry, and construction of a new Cross Border Facility adjacent to Mexico’s Rodriguez International Airport, are now under construction and are expected to facilitate increased tourism between San Diego and Mexico.

Fiscal Fundamentals and Our Regional Economy

After experiencing significant financial challenges in the past few years, San Diego’s economy has continued to show signs of improvement in several economic categories in recent months. According to the Beacon 2012 Economic Forecast, San Diego has been leading the State in economic recovery. Local tourism, personal income level, consumer and business spending, and the residential real estate market have each strengthened in the past year. Approximately 29,000 jobs have been added in San Diego since August 2011, mostly from improved retail and hospitality sectors.

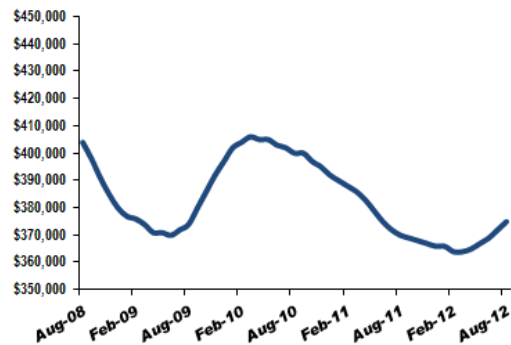
The City has a diversified economy, with the principal employers being government, military, education, manufacturing, high-tech industries, particularly biotech and telecommunications, and the tourism industry. The City’s economic base is anchored by world renowned companies and institutions, including the University of California San Diego, San Diego State University, Scripps Research Institute, The Salk Institute for Biological Studies, Qualcomm Inc., WD-40 Inc. and Jack in the Box Inc.



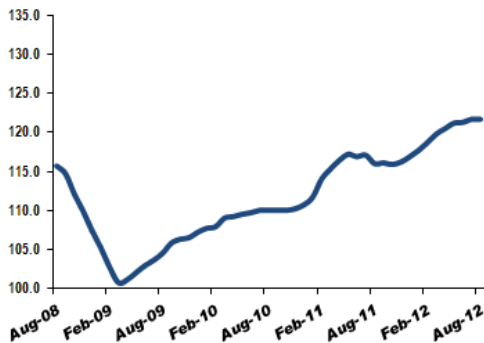
Like all regions around the country, San Diego County’s economy was impacted by the economic recession. While there are signs of improvement, unemployment rates have been stubborn and remain as a concerning problem. In the past five years unemployment rates nearly doubled, rising from 4.8% in September of 2007 to 8.4% in September of 2012. The unemployment rate hit its peak in July 2010 at 10.9%. Since then we have seen only modest improvement.

The local residential real estate market continues to experience signs of improvement. Positive economic indicators in the residential real estate market include increases in median home price and sales, declines in residential foreclosures and notices of default, and an increase in the California Consumer Price Index, which drives assessed valuation under Proposition 13. A time lag of approximately 18 months exists between the time the City’s assessed valuation is set by the County Assessor’s Office and when property tax revenue is received by the City. It is anticipated that economic improvements within the real estate market will encourage a climate for new construction opportunities for residential and commercial real estate.

Home Value Index - San Diego



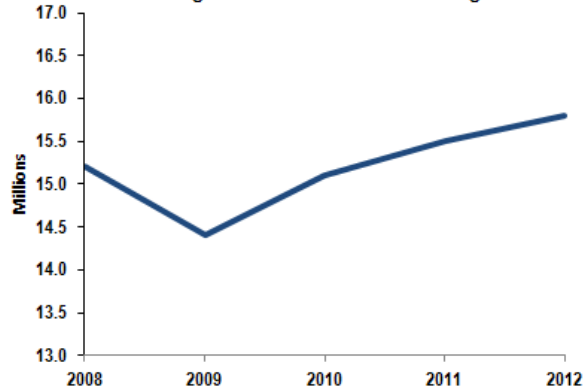
Index of Leading Economic Indicators for San Diego County



The index of leading economic indicators for San Diego County improved over the past twelve months from 116.0 to 121.7. This is consistent with the positive growth in taxable sales that the City experienced in fiscal year 2012, with gains reported in all economic sectors. The City’s sales tax consultant, MuniServices LLC, indicated year-over-year improvement of 5.2% in taxable sales for the second quarter of calendar year 2012. Expected gains in taxable sales from department store retail, automobile sales, and service stations should help maintain this trend throughout fiscal year 2013.

Sustained positive tourism growth has occurred since the turnaround that began in fiscal year 2010 and is expected to continue throughout fiscal year 2013, according to the San Diego Convention and Visitors Bureau (CONVIS). Per CONVIS, the overall hotel occupancy rate is anticipated to increase to 71.1% in calendar year 2012, which is up from 68.7% in 2011. This exceeds the occupancy rate in 2008 of 69.2% which was prior to the start of the economic recession. This growth should result in higher Transient Occupancy Tax revenue for the City.

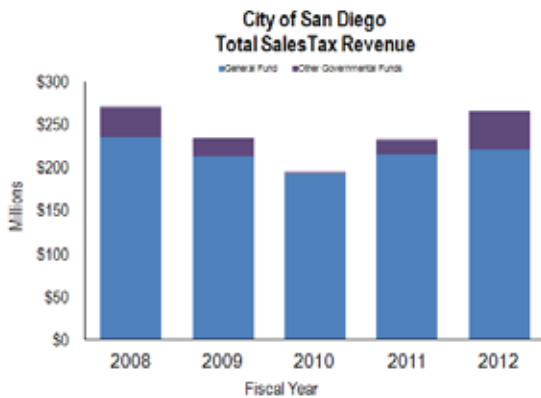
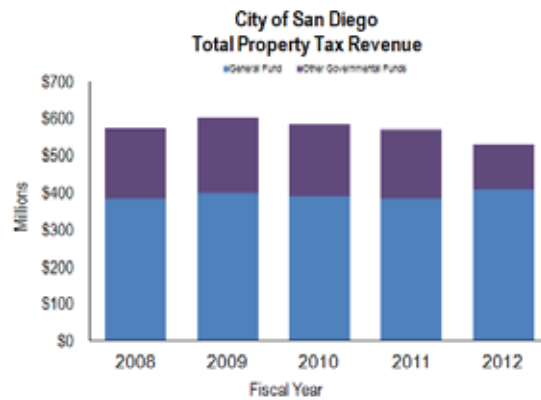
Overnight Visitors - Tourism San Diego



Governmental Funds (Tax Supported Operations)

Governmental Funds account for activities that are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include: General Government and Support; Public Safety – Police; Public Safety – Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; and Neighborhood Services. Governmental Fund revenue in fiscal year 2012 increased by \$31 million compared to the prior year. With the exception of property tax revenue, the major Governmental sources of revenue trends indicate a forward movement off of recession lows.

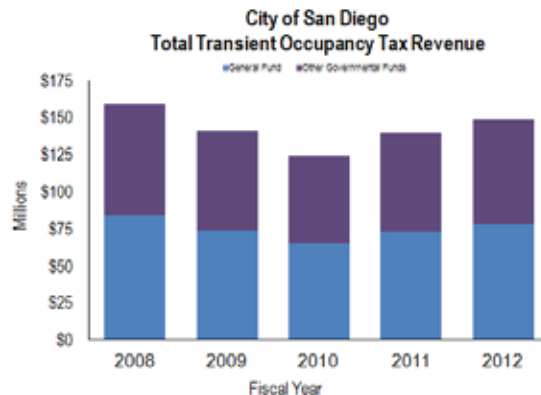
The City’s property tax revenue declined for the third consecutive year in fiscal year 2012 by \$57 million. In fiscal year 2012 total property tax revenues were \$512 million compared to \$569 million in fiscal year 2011, representing a 10% decline. General Fund property tax revenues for fiscal year 2013 are budgeted at \$387 million, which compares to actual property tax revenues of \$409 million in fiscal year 2012. The anticipated decrease in fiscal year 2013 is primarily due to one-time property tax receipts in fiscal year 2012 resulting from the dissolution of Redevelopment Agencies. Property taxes account for approximately 29% of total Governmental Funds revenue.



Continued improvement in consumer spending in fiscal year 2012 had a significant positive effect on sales tax revenues. In fiscal year 2012, total sales tax revenue (including safety sales tax) increased \$33 million or 14% over fiscal year 2011. This is the second consecutive increase following a two-year downturn in sales tax revenue. The City’s total sales tax revenue budget for fiscal year 2013 is \$263 million. The General Fund portion of total fiscal year 2013 budgeted sales tax revenue (including safety sales tax) is \$236 million. The most recent projection indicates that fiscal year 2013 sales

taxes will be \$4 million lower than the budgeted amount due to a lower than projected quarterly payment received by the State in June 2012. Sales taxes account for approximately 15% of total Governmental Funds revenue.

San Diego remains a top tourist destination due to the region’s natural attractions; however, the tourism industry suffered during the recession. The City’s Transient Occupancy Tax (TOT) rate is currently 10.5% and is allocated according to the Municipal Code. As such, the General Fund receives approximately 53% of these revenues to be used for general governmental purposes, and the TOT fund receives the remaining 47% for the purpose of



promoting the City as a tourism destination. In fiscal year 2012, San Diego experienced an increase in total TOT revenue for the second consecutive year, improving \$9 million, a 7% increase in TOT revenue over fiscal year 2011. The City's total TOT revenue budget for fiscal year 2013 is \$156 million. The General Fund portion of total fiscal year 2013 budgeted TOT revenue is \$82 million. Fiscal year 2013 General Fund TOT revenue was budgeted at a 6% growth rate. The most recent projection indicates that fiscal year 2013 total TOT revenue will be stronger at \$159 million. TOT accounts for approximately 9% of total Governmental Funds revenue.

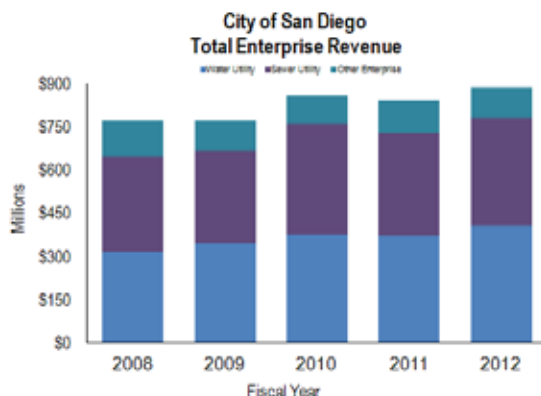
The fiscal year 2012 year end governmental fund expenditures were \$130 million more than fiscal year 2011. The restoration of the fire station staffing levels and library hours as well as the reinstatement of programs within the Parks and Recreation department contributed to the increase in spending. The City also had some large capital outlays, most notably for San Diego's new Main Library.

The City issued \$101 million Tax and Revenue Anticipation Notes (TRAN) on July 1, 2012 and does not foresee the need to issue additional notes to meet any General Fund liquidity needs for the remainder of fiscal year 2013. The City treasury holds approximately \$2.4 billion that is invested primarily in US Treasuries and agencies, and consistent with the City's investment policy, has sufficient liquidity to meet all currently foreseeable cash demands.

The City's General Fund deferred capital improvement backlog for street, building and storm drain infrastructure assets is estimated to be approximately \$898 million according to the most recent assessment and cost estimates reported in February 2012. The City identified \$75 million in bond proceeds during fiscal year 2012 to be used specifically for deferred capital improvement projects. This funding represented the first year of a multi-year program adopted by the City Council in March 2012 to enhance efforts to address the deferred capital improvement backlog. Over the five year period beginning fiscal year 2013, approximately \$720 million will be allocated for this purpose per the adopted program. Of this amount, approximately \$410 million is expected to be funded with bond proceeds and \$310 million with the General Fund supported pay go funds.

Business-Type Activities (Enterprise Supported Operations)

The majority of the City's business-type activities are related to utilities that provide water and wastewater services. The Public Utilities Department serves San Diego and several regional agencies outside of the City's boundaries. The utilities operations are mainly supported by fees charged to customers. The Independent Rate Oversight Committee (an independent committee of stakeholders) monitors utility rates and expenses on behalf of the ratepayers.



Enterprise operating revenue improved by \$45 million, or 5%, in fiscal year 2012. Operating revenue from the Water Utility was \$408 million in fiscal year 2012, which was an increase of \$37 million compared to fiscal year 2011. Sewer Utility operating revenue of \$370 million also increased by \$13 million over the prior year. The revenue increase in both utilities was due to more water consumption as the economy improved. Utility rates remained unchanged in fiscal year 2012 from prior year levels.

Enterprise operating expenses for fiscal year 2012 were \$15 million more than fiscal year 2011, which was a 2% increase. The Public Utilities Department held operating costs steady and lowered administrative costs through improved efficiency and review of processes. The primary driver of increased costs was due to greater water usage and an increase in the purchased wholesale cost of water in fiscal year 2012.

For the year ended June 30, 2012, the City's business-type activities closed with unrestricted net assets totaling \$826 million, an increase over fiscal year 2011 of approximately \$141 million as a result of reductions in operating expenses for Sewer and Water Utilities. The unrestricted net assets are expected to be applied to the capital program over the next several years as the department spends capital funds to complete the approved CIP projects.

In fiscal year 2012 the City's Water Utility Fund received \$40 million of grant funding from the California Department of Public Health to assist in financing of ongoing capital improvements. The Water Utility also contributed approximately \$30 million to its Rate Stabilization Reserve to draw against anticipated expenditures in future years. These one-time transactions are inclusive of the Net System Revenues used in the Pledged-Revenue Coverage calculation for fiscal year 2012 on Statistical Table 13 in the CAFR. In addition, such funding may not be available to the City in the future due to voter approval of Proposition A, which prohibits the City from requiring the use of so-called project labor agreements on City construction projects. Recent state legislation prohibits state funding where local governments impose such restrictions.

The Water Utility Fund received a State Revolving Fund Loan disbursement from the California Department of Public Health of \$20 million to assist in financing construction of the Miramar Treatment Plant and \$18 million associated with Phase I of the Otay Treatment Plant. Each project will enable the City to continue to meet safe drinking water standards.

The City maintains a network of over 3,000 miles of water pipes and over 3,000 miles of wastewater lines. Compliance with regulations generally requires effective operations and infrastructure construction, including the replacement of water distribution systems, treatment plant upgrades, the replacement of wastewater collection systems, and improving sewage treatment capacity.

In June 2011, the City completed construction and began operations on a demonstration project, which intended to determine that highly treated municipal wastewater can be placed in a raw water reservoir and thereby augment local water supplies for the City of San Diego. A testing and monitoring program was implemented and it found the water quality produced at the Advanced Water Purification Facility to be of a consistently high quality. A public review of the final project report will take place in fiscal year 2013.

Pension Funding

The City's unfunded pension liability remains a significant obligation of the City. The City has fully funded the ARC beginning in fiscal year 2006. The San Diego City Employees' Retirement System (SDCERS) is the

Pension Funding Progress (Thousands)			
Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio
6/30/2007	\$4,413,411	\$1,184,242	78.8%
6/30/2008	\$4,660,346	\$1,303,204	78.2%
6/30/2009	\$4,175,229	\$2,106,407	66.5%
6/30/2010	\$4,382,047	\$2,145,177	67.1%
6/30/2011	\$4,739,399	\$2,177,776	68.5%

administrator of the City's employee pension funds. On an annual basis, the pension fund portfolio and future pension obligations are evaluated by an independent actuary to determine the full pension liability. The most recent June 30, 2011 valuation calculated the unfunded pension liability to be approximately \$2.178 billion. The June 30, 2012 actuarial valuation will not be received by the City until January 2013.

In addition to pension reforms that were enacted by the Mayor and City Council in fiscal years 2009 through 2011, in fiscal year 2012, the City eliminated the employee retirement offset contribution for elected officials, unrepresented employees and most of the represented employees. This is the portion of the individual's retirement system contribution that the City previously paid on the employee's behalf. Also in June 2012, voters approved Proposition B, which closed the defined benefit pension plan to new employees except police officers, and replaced it with a defined contribution (401k style) pension plan. In October 2012, the City opened the new defined contribution plan upon receiving tentative agreements with all of the affected labor bargaining units.

In fiscal year 2012, SDCERS investment portfolio returns were below the actuarial expected rate of return of 7.5% with final results of 0.9% compared to 24.2% for fiscal year 2011. SDCERS employs a long-term investment strategy. The City's ARC is determined using an asset smoothing methodology, which dampens the volatility of the market value of assets which occurs from fluctuations in market conditions. In fiscal year 2012, the calculated ARC (including Preservation of Benefits Plan-POB) payment was stable and increased marginally over fiscal year 2011 by \$1.6 million to \$232.5 million, or 0.7%.

Retiree Healthcare

The City's actuarial valuation for retiree healthcare estimated an unfunded actuarial accrued liability (UAAL) of \$449 million as of June 30, 2012. The \$682 decrease in the UAAL in comparison to fiscal year 2011 is primarily driven by a change in the City's retiree healthcare benefit plan where a significant number of active employees

Retiree Healthcare Liabilities (Thousands)			
Actuarial Valuation Date	Actuarial Value of Assets	UAAL	Funded Ratio
6/30/2008	\$29,637	\$1,206,070	2.4%
6/30/2009	\$41,497	\$1,317,880	3.1%
6/30/2010	\$72,720	\$1,128,190	6.1%
6/30/2011	\$116,608	\$1,131,543	9.3%
6/30/2012	\$104,304	\$449,128	18.9%

elected to become members of a new defined contribution plan rather than to remain in the defined benefit plan. The defined benefit plan was closed to new employees in July 2005.

The City continues to participate in a trust administered by CalPERS to fund this long-term defined benefit liability. The actuarial value of these assets as of June 30, 2012 was \$104 million. The City did not fully fund the defined benefit plan ARC for retiree healthcare in fiscal year 2012, which was \$49 million. In fiscal year 2012, the City contributed to both the defined benefit pension trust fund and the defined contribution plan in the amount of \$24 million and \$34 million, respectively. The City's contribution to the defined contribution plan is reported in an agency fund, as the City does not administer the plan and is simply a conduit until contribution amounts are provided to the plan administrators. Additionally, the City negotiated a \$58 million cap on the City's annual retiree healthcare contribution through fiscal year 2015 followed by 2.5% growth in fiscal years 2016 through 2018.

Financial Reserve Strategies

Adequate financial reserves position the City of San Diego to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the City.

Maintaining, regularly updating, and adhering to an appropriately constructed reserve policy is a best business practice and is among the factors considered by credit rating agencies and

the investment community when assessing the credit-worthiness of an organization. The City of San Diego recognizes its Reserve Policy as a cornerstone of its fiscal health and enjoys a strong investment grade rating for its debt issuances. In December 2011, the City Council approved a revised Reserve Policy that includes appropriate financial reserve levels for various reserve categories and maps out a timeframe to fund various reserves to policy levels.

The Reserve Policy stipulates a number of annually budgeted appropriation and capital reserves as well as overflow reserves (DRES and Unassigned). Generally these reserves may be expended only in the event of a public emergency, as determined by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety, lives and property of the City and its inhabitants.

The General Fund Reserve Policy set a funding goal of 8.0% of General Fund revenue by the end of fiscal year 2012.

General Fund Reserve (thousands)				
Name of Reserve	Target %	FY 2012 Actual %	FY 2012 Actual \$	Policy Goal Met Year
General Fund Reserve	8%	15%	\$167,981	2010

With fiscal discipline and a commitment to strong fiscal policies, the City managed limited resources through the recession to grow the General Fund Reserve from 4.8% in fiscal year 2006 to 15% in fiscal year 2012, resulting in a total reserve balance of \$168 million. This balance is reported within the General Fund Balance Sheet in both Restricted and Unassigned fund balance categories. The City intends to maintain the General Fund Reserves at not less than 8% of revenues.

Citywide Reserves (thousands)				
Name of Reserve	Target %	FY 2012 Actual %	FY 2012 Actual \$	Policy Goal Met Year
Public Liability Fund Reserve	50%	42%	\$50,039	2019
Worker's Compensation Fund Reserve	50%	20%	\$31,863	2019
Long-Term Disability Fund Reserve	\$12,000	88%	\$10,595	2014

The City's goal is to maintain dedicated reserves equal to 50% of the value of average annual claims against the City for Public Liability and Worker's

Compensation. In fiscal year 2012, the Public Liability Fund Reserve had a cash reserve balance of \$50 million and the Worker's Compensation Fund Reserve had a cash reserve balance of \$32 million. The City expects to meet full policy funding by the year 2019. The Long-Term Disability Fund Reserve has a cash reserve target of \$12 million, and in fiscal year 2012 was 88% funded with a target year of 2014 expected for full funding.

Business-Type Activity Reserves (thousands)				
Name of Reserve	Target %	FY 2012 Actual %	FY 2012 Actual \$	Policy Goal Met Year
Water Operating Reserve	\$32,700	90%	\$29,556	2013
Water Rate Stabilization Reserve	\$50,300	100%	\$50,300	n/a
Water Secondary Purchase Reserve	6%	100%	\$12,504	2012
Sewer Operating Reserve	\$41,100	86%	\$35,250	2013
Sewer Rate Stabilization Reserve	\$21,300	100%	\$21,300	n/a
Refuse Disposal Fund App. Reserve	\$4,600	40%	\$1,840	2015
Recycling Fund Appropriated Reserve	\$2,400	40%	\$960	2015

Financial Operating Reserves are also maintained for the City's business-type activities, which include the Water Utility, Sewer Utility and the Disposal and Refuse Service. These reserves have been established to

mitigate financial hardship in any one year in the event of a catastrophe that prevents the utility or service from functioning in its normal capacity. As shown in the chart, for fiscal year 2012, the funding levels as a percentage of the policy target were: Water Operating Reserve 90%; Sewer Operating Reserve 86%; Refuse Disposal Appropriated Fund Reserve 40%; and, Recycling Fund Appropriated Reserve 40%. Each of these reserve funds is identified in the revised Reserve Policy with a target year the City anticipates achieving full funding. The Water Rate Stabilization Reserve and the Sewer Rate Stabilization Reserve are reported as unrestricted net assets in the Statement of Net Assets.

Budgetary Process and the Five Year Financial Outlook

Pursuant to the City Charter, an annual budget is presented by the Mayor to the City Council for consideration. Set forth in this budget are the anticipated revenues and expenditures of the General Fund, certain special revenue funds, enterprise funds, and certain debt service funds for the ensuing fiscal year. Additionally, project-length financial plans are presented to and adopted by the City Council for the capital projects funds. The legal level of budgetary control for the City's General Fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level.

In June 2012, the City approved a balanced fiscal year 2013 budget in which projected on-going revenues are expected to support on-going current service levels. Increased revenue projections for property tax, sales tax and TOT and some one-time revenue solutions matched to one-time expenditures, have enabled the City to begin modest service restorations. Copies of the City's budgets are available at the Financial Management Office located at 202 C Street, MS8A, San Diego, CA 92101 and can be viewed on the City website www.sandiego.gov.

The City publishes a Five Year Financial Outlook (Outlook) annually for the General Fund. The City's most recently published Outlook for fiscal years 2014 – 2018 was released in October 2012. The Outlook incorporated the most recent revenue and expenditure projections based on fiscal year 2012 and 2013 trends, local and national economic indicators, and known incremental expenditure adjustments over the forecast period. Expenditure projections were adjusted for known increases and revenue projections were updated using more current growth assumptions than the fiscal year 2013 budget. Based on these factors, a \$4.9 million surplus in the General Fund was forecast for fiscal year 2014. However, several uncertainties remain that could significantly impact the Outlook. The City's retirement ARC could increase due to the lower investment gains in fiscal year 2012 and the potential short-term impact of Proposition B implementation. This will be known once the updated actuarial valuation is available in January 2013. Also, the ultimate impact of the State's dissolution of redevelopment agencies could have an adverse impact on the General Fund should certain payments to the City not continue as recognized obligation payments of the Successor Agency.

The City's General Fund Outlook indicates that approximately 68% of the City's major revenues consist of four revenue sources: property tax, sales tax, TOT, and franchise fees. Nearly 72% of the City's General Fund expenditures are personnel expenditures. After experiencing significant financial challenges in the past few years, San Diego's economy has continued to show signs of improvement in several economic categories in recent months. The Outlook reflects a continuing economic recovery, projecting steady and robust growth in all of the major revenue categories over the next five years. The increased levels of consumer and tourism spending are projected to continue, and the local residential real estate market is projected to slowly recover over the next five years. The Outlook discusses risks and opportunities that affect fiscal decisions and the City's ability to accomplish its strategic financial goals over the next five-year period.

In order to maintain a structurally balanced budget, the Mayor has indicated that cuts to services and programs may continue even when factoring in projected moderate growth in major tax revenues budgeted in fiscal year 2013. In light of the General Fund Reserve balance of 16% at the end of fiscal year 2012, the Mayor's Adopted Budget for fiscal year 2013 does not include contributions to fund the General Fund reserve. However, the General Fund budget assumes the projected General Fund reserve level of 8% will be maintained.

Best Practice Operating Improvements

The City continues to implement improvements to the effectiveness and efficiency of its operations and increase transparency to the public. Statistics for many of the key operational metrics can be found in the annual City Budget document listed within each operational department's sub-section.

In fiscal year 2012, the City continued to implement additional functional software modules to its Enterprise Resource Planning (ERP) financial system environment. In July 2011, the City converted all of its Utility Customer Billing accounts to the ERP platform. This was a major implementation, which successfully transitioned over 274,000 utility customers and set the technical groundwork for a customer billing portal where one day all City billings to a customer can be viewed on the same statement and online customer portal.

With each new module added to the ERP system, the City is able to eliminate costly legacy software applications and hardware. The addition of the ERP system and a well trained workforce are expected to significantly improve the City's financial operations, reporting capabilities and internal controls for years to come. In November 2011, the City was able to successfully transition all legacy applications off of its mainframe and eliminate \$1 million in annual operation costs.

Following a competitive bid process in 2011, in March and May of 2012 the City Council voted to award Information Technology (IT) service contracts to three different private industry IT companies, replacing San Diego Data Processing Corporation as the City's IT service provider after 33 years. The transition to the new service providers will occur throughout fiscal year 2013. The City expects to realize significant operational improvements as a result of the transition and estimates savings of \$13 million over five years, and \$36 million over seven years.

In September 2011, the Mayor and City Council initiated and approved a plan to streamline the City's Capital Improvement Program (CIP) and reduce the timeframe to award public works construction contracts from six months to less than three months. This initiative required modifying the municipal code, adopting new council policies, allowing for multiple award construction contracts and authorizing automatic transfers of project savings immediately to other approved CIP projects. These structural changes in the way we do business have resulted in more capital projects being completed faster, increased staff capacity, and provided more opportunity for San Diego's construction trade workers.

San Diego continues to restructure its operations through managed competition. Since July 2012 to date, there have been four managed competitions that were reviewed by the Managed Competition Independent Review Board (MCIRB), recommended and awarded by the Mayor. These four awarded managed competition contracts project an estimated combined annual savings of \$9 million once fully implemented. The competed areas were for Fleet Maintenance Services, Street Sweeping, Landfill Operations and Street & Sidewalk Maintenance.

The City of San Diego is committed to operating a sound, fundamentally sustainable municipal business model. We have addressed pension and retiree health reform and we are structuring ourselves for long-term stability and flexibility. We will continue to balance our annual budgets and look for opportunities to streamline and improve operations and services to our citizens.

Purpose, Background, and Scope of this Report

San Diego City Charter § 111 requires the City to submit an annual report, including a Statement of Net Assets, and requires that all accounts of the City be audited by an independent auditor. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of San Diego for the fiscal year ended June 30, 2012, is hereby submitted. The audit firm of Macias Gini & O'Connell LLP has issued an unqualified opinion on the City of San Diego's financial statements. The independent auditor's report is located at the front of the financial section of this report.

The CAFR has been prepared in conformance with the principles and standards for reporting as set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City and its related agencies. The City's objective is to provide you with reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Additionally, the City continues to improve internal controls over its financial reporting framework in order to ensure acceptable management of taxpayer funds.

To the best of our knowledge and belief, the data as presented is accurate, as of the date hereof, in all material respects. It is presented in a manner designed to present fairly the financial position and changes in financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining funds of the City and its related agencies. All disclosures necessary to enable the reader to gain an understanding of the City's, as well as its related agencies', financial activities have been included.

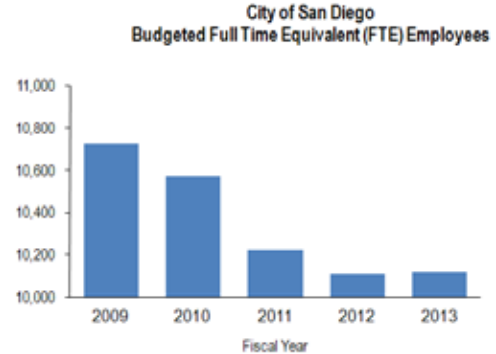
A narrative introduction, overview, and analysis of the financial statements can be found in Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it. The CAFR is organized into three sections:

- The introductory section includes information about the organizational structure of the City, the City's economy, and selected other financial information.
- The financial section is prepared in accordance with governmental accounting standards. It includes the MD&A (unaudited), the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information (unaudited), and supplementary information (unaudited).
- The statistical section contains historical statistical data on the City's financial data and debt statistics, as well as miscellaneous physical, demographic, economic, and social data of the City. This section of the CAFR is unaudited.

Readers of these financial statements should pay particular attention to Notes 12, 13, 18, 23 and 24, concerning Pension Plans, Other Postemployment Benefits, Contingencies, Successor Agency Trust for the Activities of the Former Redevelopment Agency and Subsequent Events, respectively. The notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2012.

Profile of the City of San Diego

The City of San Diego was incorporated in 1850. The City comprises 324 square miles and, as of January 1, 2012, the California Department of Finance estimates the population to be 1,321,315. The City, with 9,841 full and part-time employees, provides a full range of governmental services including police and fire protection, sanitation and health services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and the maintenance and operation of the water and sewer utilities.



Governing Structure

The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City operates under a Strong-Mayor form of government. The Mayor is elected at large to serve a four-year term.



Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, Ethics Commission and City Auditor departments. Under this form of government, the City Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over City Council in closed session meetings of the Council. The Council retains its legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with five votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor and attorney for the City and all departments.

During the City's primary election held on June 8, 2010, voters approved Measure D, which made permanent the Strong-Mayor form of government effective January 1, 2011. Additionally, Measure D increased the number of City Council districts from eight to nine, and therefore, a corresponding increase of City Council votes required to override the Mayor's veto from five to six. The ninth council district will be effective December 2012.

Current Elected Officials
(Holding office as of the issuance of this report)



Mayor Jerry Sanders

District 1 Councilmember Sherri Lightner			District 5 Councilmember Carl DeMaio
District 2 Council President Pro Tem Kevin Faulconer			District 6 Councilmember Lorie Zapf
District 3 Councilmember Todd Gloria			District 7 Councilmember Marti Emerald
District 4 Council President Tony Young			District 8 Councilmember David Alvarez

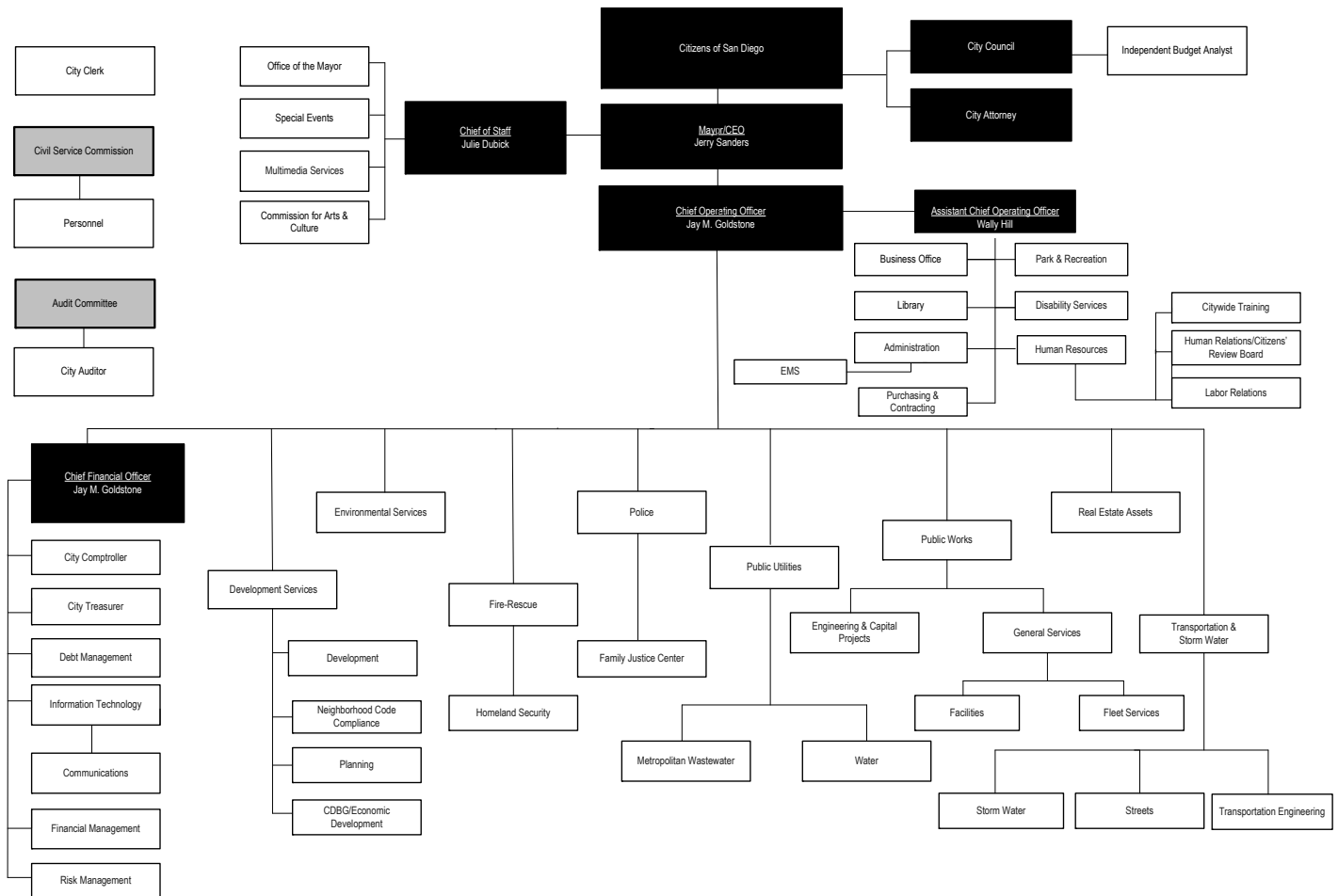


City Attorney
Jan Goldsmith

Other City Officials

- Jay M. Goldstone, Chief Operating Officer
- Kenton C. Whitfield, City Comptroller
- Gail R. Granewich, City Treasurer
- Elizabeth Maland, City Clerk
- Andrea Tevlin, Independent Budget Analyst
- Eduardo Luna, City Auditor

City of San Diego Organization Chart (As of the issuance of this Report)



Financial Reporting Entities

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the following component units are incorporated into the accompanying financial statements:

- Civic San Diego (CSD - Formerly Centre City Development Corporation)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB)
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- Redevelopment Agency of the City of San Diego (RDA) (Through Jan. 31, 2012)
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Convention Center Corporation (SDCCC)
- San Diego Industrial Development Authority (SDIDA)
- San Diego Tourism Marketing District (TMD)
- Southeastern Economic Development Corporation (SEDC)
- San Diego Housing Commission (SDHC)
- Successor Agency of the Former Redevelopment Agency of the City of San Diego (Successor Agency)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

Respectfully Submitted,



Jerry Sanders
Mayor



Jay M. Goldstone
Chief Operating Officer



Kenton C. Whitfield
City Comptroller

FINANCIAL SECTION

Sacramento

Walnut Creek

Oakland

LA/Century City

Newport Beach

Seattle

To the Honorable Mayor and Members of the City Council
of the City of San Diego, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 San Diego Housing Commission, a discretely presented component unit, which financial statements represent 91%, 96%, and 85% of the assets, net assets, and revenues, respectively, of the aggregate discretely presented component units. Also, we did not audit the Southeastern Economic Development Corporation, a blended component unit, which financial statements represent less than 1% in each of the assets, net assets, and revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the San Diego Housing Commission and the Southeastern Economic Development Corporation are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 City'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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, 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 12 to the financial statements, based on the most recent actuarial valuation of the City's defined benefit pension plan as of June 30, 2011, the San Diego City Employees' Retirement System's third-party actuary determined that, at June 30, 2011, the actuarial accrued liability exceeded the actuarial value of assets by \$2.2 billion.

As discussed in Note 13 to the financial statements, based on the most recent actuarial valuation of the City's other postemployment benefit plan as of June 30, 2012, the City's third-party actuary determined that, at June 30, 2012, the actuarial accrued liability exceeded the actuarial value of assets by \$449 million.

As discussed in Note 18 to the financial statements, as a result of the California Supreme Court upholding Assembly Bill (AB) x1 26, effective February 1, 2012, redevelopment agencies throughout the State of California were dissolved. On February 1, 2012, the City, as the Successor Agency to the Redevelopment Agency of the City of San Diego, became responsible for overseeing the dissolution process and the wind down of the former redevelopment agency's operations. The dissolution of the former redevelopment agency may result in adverse fiscal impacts to the City. As discussed in Note 18, the City is at risk for approximately \$28 million of payments made to the City by the former redevelopment agency associated with the "claw back" provision of the redevelopment dissolution law and approximately \$193 million, including accrued interest, in loans between the

City and the former redevelopment agency. Due to considerable legal uncertainties with the redevelopment dissolution law, the ultimate outcome of these issues cannot presently be determined; accordingly, no provision for any liability that may result has been recorded in the City's financial statements. It is reasonably possible that a determination may be made at a later date by an appropriate state or judicial authority that would resolve this matter unfavorably to the City.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of the City'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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit trust funds schedules of funding progress, schedule of employer contributions, and the general fund budgetary schedule of revenues, expenditures and changes in fund balance as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as previously described, and the reports of other auditors, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Macias Jini & O'Connell LLP

San Diego, California
November 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2012
(In Thousands)

As management of the City of San Diego (City), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2012. We encourage the reader to consider the information presented here in addition to the information presented in the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The focus of the government-wide financial statements is on reporting on the operating results and financial position of the government as an economic entity. These statements are intended to report the City's operational accountability to its readers, giving information about the probable medium and long-term effects of past decisions on the City's financial position.

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

The statement of activities presents information showing changes in the City's net assets during the fiscal year 2012. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This statement also distinguishes functions of the City 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 City include: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; and Neighborhood Services. The business-type activities of the City include: Sewer Utility; Water Utility; Airports; Development Services; Environmental Services; Golf Course; and Recycling.

The government-wide financial statements include the City (known as the primary government) and the following legally separate, discretely presented component units: San Diego Convention Center Corporation (SDCCC); and San Diego Housing Commission (SDHC). Financial information for these component units is reported separately from the financial information presented for the primary government. Blended component units, also legally separate entities, are a part of the City's operations and are combined with the primary government.

Included within the primary government as blended component units:

- Civic San Diego (CSD)
- City of San Diego/Metropolitan Transit Development Board Authority (MTDB)
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- Redevelopment Agency of the City of San Diego (RDA) (dissolved as of February 1, 2012)
- San Diego City Employees' Retirement System (SDCERS)

- San Diego Data Processing Corporation (SDDPC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- San Diego Tourism Marketing District (TMD)
- Southeastern Economic Development Corporation (SEDC)
- Successor Agency of the Former Redevelopment Agency of the City of San Diego (Successor Agency)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

The government-wide financial statements can be found beginning on page 48 of this report.

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 of 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 City 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, which is a major fund. 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 Supplementary Information section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget and is presented as required supplementary information.

The basic governmental funds financial statements can be found beginning on page 52 of this report.

PROPRIETARY FUNDS

The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its various business-type activities, such as Sewer and Water Utilities. Internal Service funds, such as Fleet Services, Central Stores, Publishing Services, Self Insurance, and Data Processing are used to report activities that provide centralized supplies and/or services to the City.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer and Water Utility funds, which are considered to be major funds of the City. Data for the nonmajor proprietary funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Supplementary Information section of this report are individual fund data for the nonmajor proprietary funds and the internal service funds. The basic proprietary funds financial statements can be found beginning on page 56 of this report.

FIDUCIARY FUNDS

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

The basic fiduciary funds financial statements can be found beginning on page 60 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 62 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and postemployment healthcare benefits to its employees, employer contributions to the postemployment healthcare benefits plan and the General Fund's budgetary comparison schedule. Required supplementary information can be found beginning on page 168 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and other postemployment healthcare benefits and the General Fund budgetary comparison schedule, beginning on page 189 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

CITY OF SAN DIEGO'S SUMMARY OF NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Capital Assets	\$ 4,454,495	\$ 4,514,200	\$ 5,069,961	\$ 4,987,260	\$ 9,524,456	\$ 9,501,460
Other Assets	1,751,359	2,179,335	1,339,715	1,269,121	3,091,075	3,448,456
Total Assets	6,205,854	6,693,535	6,409,676	6,256,381	12,615,531	12,949,916
Net Long-Term Liabilities	1,374,026	2,121,188	2,238,791	2,273,158	3,612,817	4,394,346
Other Liabilities	293,824	202,944	174,860	146,423	468,684	349,367
Total Liabilities	1,667,850	2,324,132	2,413,651	2,419,581	4,081,501	4,743,713
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,835,923	3,812,560	3,131,831	3,094,788	6,967,754	6,907,348
Restricted	980,494	949,227	37,808	56,346	1,018,302	1,005,573
Unrestricted	(278,413)	(392,384)	826,386	685,666	547,973	293,282
Total Net Assets	\$ 4,538,004	\$ 4,369,403	\$ 3,996,025	\$ 3,836,800	\$ 8,534,029	\$ 8,206,203

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,534,029 as of June 30, 2012, an increase of \$327,826, or approximately 4%, over fiscal year 2011.

\$6,967,754, or approximately 82% of total Net Assets represent the City's investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 generally are not used to liquidate these liabilities.

\$1,018,302, or approximately 12%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$547,973, or approximately 6%, is available to fund ongoing services and obligations to the City's citizens and creditors.

Total Net Assets resulting from Governmental Activities increased by \$168,601, or approximately 4%. Invested in Capital Assets, Net of Related Debt increased by \$23,363, or approximately 1%, primarily due to the construction of the City's New Main Library. Restricted Net Assets increased by \$31,267 and Unrestricted Net Assets increased by \$113,971, resulting in a total increase of \$145,238. These variances are primarily attributed to the transfer of former Redevelopment Agency assets and liabilities from the City to the Successor Agency pursuant to Assembly Bill AB x1 26 (AB 26) and Assembly Bill 1484 (AB 1484) (see Note 23).

Total Net Assets resulting from Business-Type Activities increased by \$159,225, or approximately 4%. Invested in Capital Assets, Net of Related Debt increased by \$37,043, or approximately 1%. Restricted Net Assets decreased by \$18,538, or approximately 33%, while Unrestricted Net Assets increased by \$140,720, or approximately 21%. These variances were primarily attributed to the reclassification of Net Assets, from Restricted for Closure/Postclosure Maintenance to Unrestricted, as well as to the receipt of Proposition 50 State grants and State Revolving Loan proceeds by the Water Utility Fund.

CITY OF SAN DIEGO'S SUMMARY OF CHANGES IN NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for Services	\$ 438,423	\$ 392,364	\$ 887,037	\$ 842,291	\$ 1,325,460	\$ 1,234,655
Operating Grants and Contributions	62,181	81,159	2,939	8,355	65,120	89,514
Capital Grants and Contributions	46,770	51,674	75,194	30,692	121,964	82,366
General Revenues						
Property Taxes	508,938	560,577	-	-	508,938	560,577
Transient Occupancy Taxes	148,184	140,752	-	-	148,184	140,752
Sales Taxes	253,624	246,452	-	-	253,624	246,452
Other Local Taxes	173,954	158,797	-	-	173,954	158,797
Grants and Contributions not Restricted to						
Specific Programs	115	10,320	-	-	115	10,320
Investment Income	15,708	25,488	11,519	13,717	27,227	39,205
Other	91,721	30,471	8,225	12,684	99,946	43,155
Total Revenues	1,739,618	1,698,054	984,914	907,739	2,724,532	2,605,793
Expenses:						
General Government and Support	294,198	361,098	-	-	294,198	361,098
Public Safety-Police	409,374	427,724	-	-	409,374	427,724
Public Safety-Fire, Life Safety, Homeland Security	233,635	223,174	-	-	233,635	223,174
Parks, Recreation, Culture and Leisure	270,199	248,668	-	-	270,199	248,668
Transportation	224,187	191,402	-	-	224,187	191,402
Sanitation and Health	73,299	74,639	-	-	73,299	74,639
Neighborhood Services	219,499	85,588	-	-	219,499	85,588
Debt Service:						
Interest on Long-Term Debt	58,838	77,443	-	-	58,838	77,443
Sewer Utility	-	-	311,367	315,591	311,367	315,591
Water Utility	-	-	382,314	362,830	382,314	362,830
Airports	-	-	3,614	4,297	3,614	4,297
Development Services	-	-	43,842	43,552	43,842	43,552
Environmental Services	-	-	36,357	34,904	36,357	34,904
Golf Course	-	-	15,217	15,503	15,217	15,503
Recycling	-	-	18,105	19,611	18,105	19,611
Total Expenses	1,783,229	1,689,736	810,816	796,288	2,594,045	2,486,024
Change in Net Assets Before Transfers and						
Extraordinary Gain:	(43,611)	8,318	174,098	111,451	130,487	119,769
Transfers	16,739	6,040	(16,739)	(6,040)	-	-
Extraordinary Gain	195,473	-	1,866	-	197,339	-
Net Change in Net Assets	168,601	14,358	159,225	105,411	327,826	119,769
Net Assets - July 1	4,369,403	4,355,045	3,836,800	3,731,389	8,206,203	8,086,434
Net Assets - June 30	\$ 4,538,004	\$ 4,369,403	\$ 3,996,025	\$ 3,836,800	\$ 8,534,029	\$ 8,206,203

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by \$168,601 during fiscal year 2012. Variances from fiscal year 2011 of more than 10% are discussed below.

- Charges for Services increased by \$46,059, or approximately 12%, primarily due to a reclassification of street maintenance activities which were reported as transfers in the prior year.
- Operating Grants and Contributions decreased by \$18,978, or approximately 23%, primarily due to decreases in various grant revenues including community development block grant (CDBG), housing, public safety, and infrastructure.
- Other Local Taxes increased by \$15,157, or approximately 10%, primarily due to increases in franchise revenues received from SDG&E. Additionally, a portion of the increase was related to a re-categorization of Proposition 42 sales tax on gasoline to a state excise tax.
- Grants and Contributions not Restricted to Specific Programs decreased by \$10,205, or approximately 99%, primarily due to Senate Bill 89, which eliminated all Motor Vehicle License Fee (MVLFF) allocations to cities.
- Investment Income decreased by \$9,780, or approximately 38%, primarily due to a low interest rate environment.
- Other Revenue increased by \$61,250, or approximately 201%. This variance is attributed to proceeds from the sale of the World Trade Center and Crabtree buildings and an increase in facilities benefit assessment (FBA) revenues related to the first phase of the Casa Mira View apartment project in Mira Mesa.
- General Government and Support expense decreased by \$66,900, or approximately 19%, primarily due to the dissolution of the Redevelopment Agency. Subsequent to January 31, 2012, all activity related to the former Redevelopment Agency was reported in the Successor Agency Private-Purpose Trust Fund (see Note 23). In addition, various General Fund departments experienced decreases in personnel expenditures due to vacant positions.
- Transportation expense increased by \$32,785, or approximately 17%, primarily due to a reclassification of street maintenance activities which were reported as transfers in the prior year.
- Neighborhood Services expense increased by \$133,911, or approximately 156%. This variance was primarily attributed to payments made to the Successor Agency Private-Purpose Trust Fund to pay for former redevelopment agency obligations.
- Interest on Long-Term Debt decreased by \$18,605, or approximately 24%, primarily due to the transfer of former RDA liabilities to the Successor Agency.
- Governmental Activities recognized an extraordinary gain of \$195,473 resulting from the dissolution of the former RDA. On February 1, 2012, the assets and liabilities of the former RDA were transferred from the City to the Successor Agency. See Note 23 for additional detail.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by \$159,225 during fiscal year 2012. Variances from fiscal year 2011 of more than 10% are discussed below.

- Operating Grants and Contributions decreased by \$5,416, or approximately 65%, primarily due to a decrease in Proposition 50 State grant receipts by the Water Utility fund.

- Capital Grants and Contributions increased by \$44,502, or approximately 145%, primarily due to the receipt of capital related Proposition 50 States grant by the Water Utility fund.
- Investment Income decreased by \$2,198, or approximately 16%, primarily due to a low interest rate environment.
- Other income decreased by \$4,459, or approximately 35%, primarily due to a decrease in vehicle assignment fee refunds received by the Water and Sewer Utility funds.
- Airports expense decreased by \$683, or approximately 16%, primarily due to decreases in building and road maintenance costs and City services billed.
- Business-Type Activities recognized an extraordinary gain of \$1,866 resulting from the dissolution of the former RDA. On February 1, 2012, the assets and liabilities of the former RDA were transferred from the City to the Successor Agency. See Note 23 for additional detail.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, governmental fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported.

As of the end of fiscal year 2012, the City's governmental funds reported combined ending fund balances of \$1,245,393, a decrease of \$462,846 from fiscal year 2011. This decrease was primarily due to the Extraordinary Loss of \$317,084 recognized from the transfer of former Redevelopment Agency assets to the Successor Agency private-purpose trust fund. Approximately \$65,634 constitutes unassigned fund balance, which is available for spending at the government's direction. The remainder of fund balance is not available for new spending because it has been restricted or committed (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual funding of various programs, or (4) for a variety of other purposes.

The General Fund is the principal operating fund of the City. Total Fund Balance for the General Fund was \$278,550, an increase of \$32,802 over fiscal year 2011. This increase is primarily due to property tax receipts and previously reported interfund loans receivable recognized as a result of the recently dissolved RDA.

PROPRIETARY FUNDS

The City's proprietary fund statements provide the same type of information found in Business-Type Activities in the government-wide financial statements, but in more detail.

As of the end of fiscal year 2012, Unrestricted Net Assets of the Sewer Utility Fund remained fairly stable at \$379,114, a decrease of \$9,307, or approximately 2% from fiscal year 2011. The Unrestricted Net Assets of the Water Utility Fund were \$375,011, an increase of \$129,045, or approximately 52% over fiscal year 2011. This variance was primarily due to the receipt of Proposition 50 State grants.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for expenditures and transfers out was \$33,067 lower than the final budget due to increases (decreases) in appropriations primarily attributed to the following:

- \$6,375 for Public Safety-Police. This increase was primarily due to an increase in personnel expenditures related to new Police Academy recruits.
- \$8,027 for Public Safety-Fire and Life Safety and Homeland Security. This increase was primarily due to the San Diego Fire Department Station Alerting project.
- (\$1,553) for Parks, Recreation, Culture and Leisure. This decrease was due to lower than anticipated energy and utilities expenditures.
- (\$11,431) for Transportation. This decrease was primarily due to a budget reclassification from the General Fund to the Gas Tax Fund for the Asphalt Overlay Group III project.
- (\$2,118) for Sanitation and Health. This decrease was primarily due to lower than anticipated fringe and miscellaneous professional services expenditures.
- \$27,001 for Transfers to Proprietary Funds. This increase was primarily due to the receipt of a litigation settlement which was transferred to the Self Insurance (Public Liability Claims) fund.

Actual revenues received in the General Fund were \$15,425 more than budgeted. Property Tax revenues were over budget by \$25,367 primarily due to receipts on behalf of the recently dissolved RDA. Sales Tax and Transient Occupancy Tax were over budget by \$2,748 and \$1,481, respectively, primarily due to an improvement in consumer spending and tourism. Other Local Taxes were over budget by \$1,861 due primarily to the implementation of a new tow operator program, which allows the City to charge a franchise fee to tow operators. This increase in revenue is offset by a decrease in Fines, Forfeitures and Penalties revenue, which was under budget by \$1,699, due to tow operator revenue that is now being recorded as Other Local Taxes. Licenses and Permits revenue was under budget by \$4,098 due to a restructure, which removed fire permitting revenue, the services of which were historically performed by the Fire-Life Rescue department and are now performed by the Development Services department, from the General Fund. Revenue from Use of Money and Property was over budget by \$3,091 primarily due to higher than anticipated rental revenue from other departments. Revenue from Other Agencies was under budget by \$2,993 primarily due to the withholding of motor vehicle license revenue by the State of California. Charges for Current Services was under budget by \$12,800 primarily due to lower than anticipated services provided by the Park and Recreation and Transportation and Storm Water departments. Other Revenue was over budget by \$1,677 primarily due to a one-time receipt reimbursing prior year expenditures.

Actual expenditures for the General Fund were \$15,947 under budget. General Government and Support had appropriation savings of \$8,964 due to lower than anticipated expenditures for legal services and vacant positions due to retirements. Both Parks, Recreation, Culture and Leisure and Transportation had appropriation savings of \$3,715 and \$1,480, respectively, due to vacant positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

CITY OF SAN DIEGO'S CAPITAL ASSETS
(Net of Accumulated Depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land & Rights of Way	\$ 1,745,362	\$ 1,811,971	\$ 95,455	\$ 95,442	\$ 1,840,817	\$ 1,907,413
Easements	290	277	428	44	718	321
Construction-in-Progress	316,236	221,796	223,009	215,929	539,245	437,725
Structures and Improvements	737,495	787,859	1,216,154	1,340,061	1,953,649	2,127,920
Equipment	149,027	142,020	161,680	154,080	310,707	296,100
Intangible Equipment	30,495	34,314	20,522	-	51,017	34,314
Distribution and Collection Systems	-	-	3,352,713	3,181,704	3,352,713	3,181,704
Infrastructure	1,475,590	1,515,963	-	-	1,475,590	1,515,963
Totals	<u>\$ 4,454,495</u>	<u>\$ 4,514,200</u>	<u>\$ 5,069,961</u>	<u>\$ 4,987,260</u>	<u>\$ 9,524,456</u>	<u>\$ 9,501,460</u>

CAPITAL ASSETS

In accordance with GASB Statement Nos. 34 and 51, all major assets such as streets, signals, bridges, drains and intangible assets are capitalized by the City in the government-wide statements. While capital assets of both governmental and proprietary funds are capitalized at the government-wide level, only proprietary assets are reported at the fund level. Governmental funds are reported on a modified accrual basis at the fund level. Differences between reporting at the fund level and government-wide level for these governmental assets will be explained in both the reconciliation and the accompanying notes to the financial statements.

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2012 was \$9,524,456 (net of accumulated depreciation/amortization). There was an overall increase in the City's investment in capital assets over fiscal year 2011 of approximately \$22,996. Readers interested in more detailed information on capital asset activity should refer to Note 4 - Capital Assets.

HIGHLIGHTS OF FISCAL YEAR 2012 CAPITAL IMPROVEMENT ACTIVITIESGovernmental Activities

- Construction on San Diego's New Main Library continued in fiscal year 2012. Once completed, the project will provide for a new multi-story, multi-use facility that will include a Charter High School, auditorium, art gallery and multiple public meeting spaces. The 500,000 square foot building will meet current library needs as well as provide room for growth. The new library is expected to be open for use in June 2013. The project is being funded by multiple sources including redevelopment funding, grant funds and private donations. The City's fiscal year 2012 capital expenditures for this project were \$63,372.
- The asphalt overlay of approximately 65 miles of roads Citywide, and the installation of approximately 1,400 new curb ramps was completed during fiscal year 2012. This project was one of several that will result in improved surface street conditions and

will significantly reduce our level of transportation related deferred capital maintenance. Funded by the Deferred Capital Bond of 2009 and a State Grant, the City's fiscal year 2012 expenses for this project were \$21,177.

- Construction neared completion on the La Jolla Village Drive/I-805 interchange project during fiscal year 2012. The project will provide for a reconfiguration of the freeway interchanges as well as widening the road and overpass structures. New bike lanes will also be constructed as part of the improvements. Once fully complete in 2013, traffic circulation and safety in the University City community area is designed to be significantly improved. The project is being funded by the North City Facilities Benefit Assessment (FBA). The City's fiscal year 2012 capital expenditures for this project were \$11,559.
- Work began on phase one of the Clairemont Mesa/SR-163 interchange improvement project. Once complete, the project will result in a wider bridge and realigned ramps to and from the interchange. The ramps will also be reconfigured to eliminate the existing loop on-ramps. High-occupancy vehicle/bus bypass lanes will be incorporated on the on-ramps as well. The City's fiscal year 2012 expenditures for this project were \$8,846.
- Property Acquisition and Design processes began in fiscal year 2012 for the Genesee Avenue Widening project. Once complete this project will widen Genesee Avenue to six lanes and will increase the height of the Genesee overcrossing at Interstate 5, in addition to other improvements. The City's fiscal year 2012 capital expenditures for this project were \$5,722.
- The undergrounding of utility lines within the Old Town San Diego community began early in fiscal year 2011 and continued through fiscal year 2012. When complete, all utilities within residential block 2-E will be underground. This project is completely funded by the Utility Underground Fund and contributions from SDG&E. In fiscal year 2012, \$1,475 was expended toward the initiation of the project.
- Construction began on the Museum of Man roof replacement project. The project is intended to restore the integrity of the museum, stop roof leakages, fix the museum ornamentation, restore the historic carports, and minimize the required building maintenance. The Project is scheduled to be completed in fiscal year 2013. The City's fiscal year 2012 capital expenditures for this project were \$1,355.
- Property acquisition was completed for the Hidden Trails Neighborhood Park project. When construction is complete, this project will provide a four acre neighborhood park serving the Otay Mesa Community. Park amenities may include a multi-purpose open turf area, children's play areas and other off-site improvements to benefit the park. Project expenditures towards land acquisition totaled \$1,066 during fiscal year 2012.
- Installation of a new irrigation system at the Balboa Park Golf Course was completed in fiscal year 2012. This project provides for new irrigation systems at both the 18-hole and 9-hole golf courses in Balboa Park. The City's fiscal year 2012 capital expenditures for this project were \$935.
- On February 1, 2012, the former RDA transferred \$125,211 of capital assets to the Successor Agency pursuant to AB 26. See Note 23 for additional information.

Business-Type Activities

During fiscal year 2012, the Water Utility Fund added approximately \$47,500 in capital improvement projects (CIP). The following major projects continued during fiscal year 2012: Water Group Job 915; Water Group Job 787; Los Penasquitos Canyon Recycled Water Pipeline; Torrey Pines Road/ La Jolla Blvd. Main Replacement; and water main replacements. Capital asset write-offs for fiscal year 2012 were approximately \$600, and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

During fiscal year 2012, the Sewer Utility Fund added approximately \$77,400 in CIP, of which the Metropolitan system CIP increased approximately \$15,660, and the Municipal system CIP increased approximately \$61,740. The following major projects continued during fiscal year 2012: Backup Generators at various Treatment Plants; Trunk Sewers and the Environmental Monitoring Technical Services Laboratory; Point Loma Grit Processing Improvements; USIU Trunk Sewer; Pipeline Rehab Phase J-1D; and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2012 were approximately \$1,390 and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

HIGHLIGHTS OF THE APPROVED FISCAL YEAR 2013 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

The Annual Adopted Capital Improvements Budget for Fiscal Year 2013 is \$214,900. The largest funding allocation is for Water and Sewer projects, and makes up 75.2% of the total CIP budget. The second largest allocation is for Transportation and Storm Water related projects, representing 13.9% of the total adopted CIP Budget. Funding for governmental projects includes: TransNet funds; Facilities Benefit Assessments; Developer Impact Fees; developer contributions; federal, state, local, and private contributions; land sale proceeds; and deferred capital projects bonds. Highlights of the key budgets by department are as follows:

Governmental Activities

- **Transportation & Storm Water:** \$29,952. Key projects in fiscal year 2013 include the improvement of our City's watershed system. An estimated \$4,290 of General Fund Contributions to the Capital Improvement Program is anticipated to be utilized to build and improve systems designed to remove pollutants from storm water, or to reuse the storm water before it enters public waterways. These improvements will result in fewer pollutants entering the San Diego River network and Bay. Other significant projects include \$2,500 for West Mission Bay Drive Bridge over the San Diego River, \$1,045 for Streamview Drive Improvements, and \$2,836 for improvements at State Route 163 & Friars Road.
- **Fire-Rescue:** \$1,000. Projects during fiscal year 2013 include the beginning of the design phase for the expansion of Fire Station 15 in Ocean Beach, as well as the design of Mission Hills Fire station number 8.
- **Parks and Recreation:** \$10,655. Planned project types for fiscal year 2013 include play area upgrades, joint use fields, accessibility improvements, comfort stations, picnic shelters, sports field and security lighting, new park development and golf course improvements and upgrades.

Business-Type Activities

The fiscal year 2013 Public Utilities CIP budget is \$161,604. Significant projects include: \$38,000 for water main replacements; \$18,000 for pipeline rehabilitation; \$9,331 for the Harbor Drive Pipelines Relocation; \$8,400 for Point Loma Grit Processing Improvements; \$5,264 for the upgrade of Pump Station 84; \$6,919 for Metro Treatment Plants; and \$4,500 for Montezuma Trunk Sewer.

LONG-TERM DEBT

CITY OF SAN DIEGO'S OUTSTANDING DEBT
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Capital Lease Obligations	\$ 69,638	\$ 68,018	\$ -	\$ -	\$ 69,638	\$ 68,018
QECCB Lease Obligations	12,392	13,142	-	-	12,392	13,142
Contracts Payable	17,421	24,419	-	-	17,421	24,419
Loans Payable	30,011	36,621	125,406	91,025	155,417	127,646
Section 108 Loans	8,737	16,342	-	-	8,737	16,342
General Obligation Bonds	-	2,240	-	-	-	2,240
Revenue Bonds/COP's/ Lease Revenue Bonds	481,630	531,550	1,919,920	2,009,160	2,401,550	2,540,710
Tax Allocation Bonds	-	615,495	-	-	-	615,495
Tobacco Settlement Asset-Backed Bonds	86,195	89,600	-	-	86,195	89,600
Pooled Financing Bonds	-	32,010	-	-	-	32,010
Totals	\$ 706,024	\$ 1,429,437	\$ 2,045,326	\$ 2,100,185	\$ 2,751,350	\$ 3,529,622

At the end of fiscal year 2012, the City, including blended component units, had total debt outstanding of approximately \$2,751,350. This amount represents revenue bonds, lease revenue bonds, certificates of participation (COPs), tobacco settlement asset-backed bonds, contracts payable, loans payable, Section 108 loans, SRF loans, Taxable Qualified Energy Conservation Bonds (QECCBs) and capital lease obligations.

Governmental Activities

- The Convention Center Expansion Financing Authority issued \$140,440 of lease revenue refunding bonds, series 2012A for the purpose of refunding all of the Authority's outstanding Lease Revenue Bonds, Series 1998. The Series 2012A bonds are special, limited obligations of the Authority secured solely by the base rental payments paid by the City of San Diego for the use and occupancy of the lease property and certain funds held under the indenture.
- The City received \$2,700 of the \$3,000 total loan agreement with the California Energy Resources Conservation and Development Commission to be used for the Broad Spectrum Street Lighting Project. The obligation of the City to make such payments shall be limited to the energy savings realized as a result of implementing the project funded by the loan which accrues interest at three percent per annum on the unpaid principal.
- Total principal payments or reductions of long-term debt were \$241,295. \$194,089 of this amount was for outstanding bonds, including \$150,720 of bonds refunded or redeemed in advance of the scheduled maturity date and \$43,369 of scheduled bond principal payments. Also included were \$15,665 for loans payable, \$13,331 for contracts payable and \$18,210 for qualified energy conservation bonds and capital leases obligations. In addition to these principal payments, there was a \$650,671 reduction of outstanding principal in the Governmental Activities Statement of Net Assets due to the

transfer of obligations related to the former Redevelopment Agency into the Private-Purpose Trust Fund. Readers interested in more detailed information regarding Governmental Activities Long-Term Liabilities should refer to Note 5.

Business-Type Activities

- The City received a State Revolving Fund Loan disbursement from the State of California Department of Public Health totaling \$20,000 to assist in financing the construction of the Miramar Water Treatment Plant Upgrade and Expansion Project, which will enable the City to continue to meet safe drinking water standards.
- The City received a State Revolving Fund Loan disbursement from the State of California Department of Public Health totaling \$18,000 to assist in financing the Otay Water Treatment Plant Project, Phase I, which will enable the City to continue to meet safe drinking water standards.
- The City received a State Revolving Fund Loan disbursement from the State Water Resources Control Board for \$3,110 to assist in financing the Point Loma Grit Processing Improvement Project.
- The City (PFFA) issued \$188,610 of Subordinated Water Revenue Bonds, Refunding Series 2012A for the following purposes: to partially refund the outstanding 2002 Subordinated Bonds; to fund the reserve; and to pay costs of issuance related to the Series 2012A Bonds. The publicly offered Subordinated Water Revenue Refunding Bonds are secured by and payable solely from net system revenues of the Water Utility Fund.
- Total principal payments for long-term debt were \$284,579. \$277,850 of this amount was for outstanding bonds, including \$211,430 of bonds refunded or redeemed in advance of scheduled maturity date, \$66,420 for scheduled bond principal payments and \$6,729 for loans payable. Readers interested in more detailed information regarding Business-Type Activities Long-Term Liabilities should refer to Note 6.

As of the issuance of this report, the City of San Diego's Implied General Obligation (GO) / Issuer Credit Ratings and credit ratings on outstanding Lease Revenue Bonds and Revenue Bonds are as follows:

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Implied GO / Issuer Credit Rating Outlook	AA- Stable	Aa3 Stable	AA- Stable
Wastewater System Bonds Outlook	A+ Stable	A2 Stable	A+ Stable
Water System Bonds Outlook	AA/AA- Stable	Aa2/Aa3 Stable	AA-/A+ Stable

Section 90 of the City Charter provides that the general obligation bonded indebtedness for the development, conservation and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. The City does not have an outstanding general obligation balance as of June 30, 2012; however, the current debt limitations for water and other purposes are \$6,017,620 and \$4,011,747 respectively (see Statistical Section, Table 12).

It has been the City's practice, as provided for in Section 90.1 of the City Charter, to issue revenue bonds for the purpose of constructing water facilities. Per Section 90.1, revenue bonds do not constitute an indebtedness of the City. They are special obligations payable from the revenues received by the utility. Similarly, Section 90.2 authorizes the issuance of revenue bonds for the purpose of constructing improvements to the City's sewer utility.

Additional information on the City's long-term debt can be found in the accompanying notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be sent to the Office of the City Comptroller at comptroller@sandiego.gov. This financial report is also available on the City's website at www.sandiego.gov, under the Office of the City Comptroller. Additional information intended for the investor community is available on the Investor Information web page also located on the City's website listed above.

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET ASSETS
June 30, 2012
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
ASSETS					
Cash and Investments	\$ 1,098,370	\$ 918,386	\$ 2,016,756	\$ 11,652	\$ 122,374
Receivables:					
Taxes - Net of Allowance for Uncollectibles	106,008	-	106,008	-	-
Accounts - Net of Allowance for Uncollectibles	88,599	113,300	201,899	7,415	7,858
Claims	222	257	479	-	-
Special Assessments	2,371	-	2,371	-	-
Notes	53,657	-	53,657	-	229,973
Loans	265,096	1,866	266,962	-	-
Accrued Interest	1,290	2,038	3,328	-	27,259
Grants	30,979	283	31,262	-	-
Advances to Other Agencies	6,287	-	6,287	-	-
Internal Balances	1,312	(1,312)	-	-	-
Inventories of Water in Storage	-	51,803	51,803	-	-
Inventories	2,453	845	3,298	31	-
Land Held for Resale	33,355	-	33,355	-	-
Prepaid Expenses	2,656	-	2,656	1,054	759
Restricted Cash and Investments	50,837	241,139	291,976	1,737	3,665
Deferred Charges	7,867	11,110	18,977	-	2,240
Capital Assets - Non-Depreciable	2,061,888	318,892	2,380,780	17,365	70,394
Capital Assets - Depreciable	2,392,607	4,751,069	7,143,676	14,744	87,497
TOTAL ASSETS	6,205,854	6,409,676	12,615,530	53,998	552,019

STATEMENT OF NET ASSETS
June 30, 2012
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
LIABILITIES					
Accounts Payable	\$ 87,232	\$ 66,925	\$ 154,157	\$ 4,811	\$ 4,266
Accrued Wages and Benefits	43,737	26,069	69,806	-	1,195
Other Accrued Liabilities	98	-	98	2,913	875
Interest Accrued on Long-Term Debt	8,081	22,420	30,501	-	552
Long-Term Liabilities Due Within One Year	118,425	91,012	209,437	1,430	3,167
Due to Fiduciary Fund	111,700	-	111,700	-	-
Due to Other Agencies	62	12,839	12,901	-	-
Unearned Revenue	42,253	20,247	62,500	9,449	1,840
Contract Deposits	511	8,133	8,644	-	-
Short-Term Notes Payable	150	-	150	-	-
Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	12,717	12,717	-	-
Deposits/Advances from Others	-	5,510	5,510	-	1,675
Long-Term Liabilities Due After One Year:					
Arbitrage Liability	-	34	34	-	-
Compensated Absences	39,988	7,139	47,127	23	-
Liability Claims	241,952	7,535	249,487	-	-
Capital Lease Obligations	51,866	-	51,866	-	-
QECCB Lease Obligations	11,637	-	11,637	-	-
Contracts Payable	17,421	-	17,421	-	-
Notes Payable	-	-	-	15,500	115,754
Loans Payable	21,638	117,420	139,058	-	-
Section 108 Loans Payable	7,997	-	7,997	-	-
Net Bonds Payable	555,146	1,915,775	2,470,921	-	-
Estimated Landfill Closure and Postclosure Care	-	21,743	21,743	-	-
Net Other Post Employment Benefit Obligation	191,122	54,833	245,955	-	-
Net Pension Obligation	116,834	23,300	140,134	-	-
TOTAL LIABILITIES	1,667,850	2,413,651	4,081,501	34,126	129,324
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,835,923	3,131,831	6,967,754	18,173	54,769
Restricted for:					
Capital Projects	521,015	-	521,015	-	-
Debt Service	-	13,346	13,346	-	-
Low-Moderate Income Housing	50,988	-	50,988	-	-
Nonexpendable Permanent Endowments	18,780	-	18,780	-	-
Grants	232,249	-	232,249	-	-
Other	157,462	24,462	181,924	1,737	142,431
Unrestricted	(278,413)	826,386	547,973	(38)	225,495
TOTAL NET ASSETS	\$ 4,538,004	\$ 3,996,025	\$ 8,534,029	\$ 19,872	\$ 422,695

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012
(In Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government and Support	\$ 294,198	\$ 193,766	\$ 10,981	\$ 1,022
Public Safety - Police	409,374	38,367	6,666	246
Public Safety - Fire and Life Safety and Homeland Security	233,635	31,724	19,242	1,205
Parks, Recreation, Culture and Leisure	270,199	80,673	6,585	17,843
Transportation	224,187	56,742	4,609	26,105
Sanitation and Health	73,299	14,452	3,482	200
Neighborhood Services	219,499	22,699	10,616	149
Debt Service - Interest	58,838	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,783,229	438,423	62,181	46,770
Business-Type Activities:				
Sewer Utility	311,367	370,299	336	17,883
Water Utility	382,314	408,119	814	56,640
Airports	3,614	4,188	-	287
Development Services	43,842	44,557	-	-
Environmental Services	36,357	25,123	-	384
Golf Course	15,217	17,428	-	-
Recycling	18,105	17,323	1,789	-
TOTAL BUSINESS-TYPE ACTIVITIES	810,816	887,037	2,939	75,194
TOTAL PRIMARY GOVERNMENT	\$ 2,594,045	\$ 1,325,460	\$ 65,120	\$ 121,964
Component Units:				
San Diego Convention Center Corporation	\$ 38,803	\$ 35,404	\$ 3,655	\$ 393
San Diego Housing Commission	203,051	30,153	182,354	-
TOTAL COMPONENT UNITS	\$ 241,854	\$ 65,557	\$ 186,009	\$ 393
General Revenues:				
Property Taxes				
Transient Occupancy Taxes				
Sales Taxes - Shared State Revenue				
Other Local Taxes				
Developer Contributions and Fees				
Grants and Contributions not Restricted to Specific Programs				
Investment Income				
Miscellaneous				
Transfers, Net				
TOTAL GENERAL REVENUES AND TRANSFERS				
Extraordinary Gain (Loss)				
CHANGE IN NET ASSETS				
Net Assets at Beginning of Year				
NET ASSETS AT END OF YEAR				

Net Revenue/(Expense) and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
\$ (88,429)	\$ -	\$ (88,429)	\$ -	\$ -
(364,095)	-	(364,095)	-	-
(181,464)	-	(181,464)	-	-
(165,098)	-	(165,098)	-	-
(136,731)	-	(136,731)	-	-
(55,165)	-	(55,165)	-	-
(186,035)	-	(186,035)	-	-
(58,838)	-	(58,838)	-	-
(1,235,855)	-	(1,235,855)	-	-
-	77,151	77,151	-	-
-	83,259	83,259	-	-
-	861	861	-	-
-	715	715	-	-
-	(10,850)	(10,850)	-	-
-	2,211	2,211	-	-
-	1,007	1,007	-	-
-	154,354	154,354	-	-
(1,235,855)	154,354	(1,081,501)	-	-
-	-	-	649	-
-	-	-	-	9,456
-	-	-	649	9,456
508,938	-	508,938	-	-
148,184	-	148,184	-	-
253,624	-	253,624	-	-
173,954	-	173,954	-	-
55,635	-	55,635	-	-
115	-	115	-	-
15,708	11,519	27,227	21	8,774
36,086	8,225	44,311	362	(50)
16,739	(16,739)	-	-	-
1,208,983	3,005	1,211,988	383	8,724
195,473	1,866	197,339	(1,733)	-
168,601	159,225	327,826	(701)	18,180
4,369,403	3,836,800	8,206,203	20,573	404,515
\$ 4,538,004	\$ 3,996,025	\$ 8,534,029	\$ 19,872	\$ 422,695

The accompanying notes are an integral part of the financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012
(In Thousands)**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 236,030	\$ 674,688	\$ 910,718
Receivables:			
Taxes - Net of Allowance for Uncollectibles	84,110	21,898	106,008
Accounts - Net of Allowance for Uncollectibles	9,846	73,931	83,777
Claims	214	8	222
Special Assessments	-	2,371	2,371
Notes	661	52,996	53,657
Loans	20,433	244,663	265,096
Accrued Interest	477	809	1,286
Grants	-	30,979	30,979
From Other Funds	1,600	-	1,600
Advances to Other Funds	-	600	600
Advances to Other Agencies	44	6,243	6,287
Land Held for Resale	7,769	25,586	33,355
Prepaid Items	1,707	122	1,829
Restricted Cash and Investments	-	50,837	50,837
TOTAL ASSETS	<u>\$ 362,891</u>	<u>\$ 1,185,731</u>	<u>\$ 1,548,622</u>
LIABILITIES			
Accounts Payable	\$ 18,172	\$ 62,369	\$ 80,541
Accrued Wages and Benefits	40,838	681	41,519
Other Accrued Liabilities	-	98	98
Due to Fiduciary Fund	7,769	23,786	31,555
Due to Other Agencies	34	28	62
Unearned Revenue	-	41,735	41,735
Deferred Revenue	17,005	89,583	106,588
Advances from Other Funds	-	600	600
Contract Deposits	373	8	381
Short-Term Notes Payable	150	-	150
TOTAL LIABILITIES	<u>84,341</u>	<u>218,888</u>	<u>303,229</u>

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012
(In Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND EQUITY			
Fund Balances:			
Nonspendable.....	22,140	19,502	41,642
Restricted.....	102,104	876,460	978,564
Committed.....	44,831	114,722	159,553
Unassigned.....	109,475	(43,841)	65,634
TOTAL FUND EQUITY	278,550	966,843	1,245,393
TOTAL LIABILITIES AND FUND EQUITY	\$ 362,891	\$ 1,185,731	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	4,330,677
Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds.	114,455
Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance and Data Processing to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Assets.	52,255
Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(1,204,776)
Net Assets of governmental activities (page 49)	\$ 4,538,004

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ 408,776	\$ 103,402	\$ 512,178
Special Assessments	-	46,964	46,964
Sales Taxes	227,650	37,407	265,057
Transient Occupancy Taxes	78,268	70,527	148,795
Other Local Taxes	74,818	99,136	173,954
Licenses and Permits	31,117	10,789	41,906
Fines, Forfeitures and Penalties	62,976	1,840	64,816
Revenue from Use of Money and Property	51,679	25,975	77,654
Revenue from Federal Agencies	1,608	68,524	70,132
Revenue from Other Agencies	969	45,635	46,604
Revenue from Private Sources	-	38,451	38,451
Charges for Current Services	181,682	34,232	215,914
Other Revenue	6,239	35,207	41,446
TOTAL REVENUES	1,125,782	618,089	1,743,871
EXPENDITURES			
Current:			
General Government and Support	233,122	46,541	279,663
Public Safety - Police	389,752	6,346	396,098
Public Safety - Fire and Life Safety and Homeland Security	196,911	29,712	226,623
Parks, Recreation, Culture and Leisure	112,569	115,686	228,255
Transportation	58,772	90,572	149,344
Sanitation and Health	62,874	10,106	72,980
Neighborhood Services	60,255	158,469	218,724
Capital Outlay	894	192,833	193,727
Debt Service:			
Principal Retirement	11,580	59,034	70,614
Cost of Issuance	-	880	880
Interest	3,580	53,115	56,695
TOTAL EXPENDITURES	1,130,309	763,294	1,893,603
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,527)	(145,205)	(149,732)
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	17,013	1,543	18,556
Transfers from Other Funds	74,273	181,629	255,902
Transfers to Proprietary Funds	(30,234)	(138)	(30,372)
Transfers to Other Funds	(36,390)	(219,512)	(255,902)
Transfers to Escrow Agent	-	(152,936)	(152,936)
Proceeds from the Sale of Capital Assets	3	12,055	12,058
Loans Issued	-	2,700	2,700
Revenue Bonds Issued	-	140,440	140,440
Premium on Bonds Issued	-	13,524	13,524
TOTAL OTHER FINANCING SOURCES (USES)	24,665	(20,695)	3,970
Extraordinary Gain (Loss)	12,664	(329,748)	(317,084)
NET CHANGE IN FUND BALANCES	32,802	(495,648)	(462,846)
Fund Balances at Beginning of Year	245,748	1,462,491	1,708,239
FUND BALANCES AT END OF YEAR	\$ 278,550	\$ 966,843	\$ 1,245,393

The accompanying notes are an integral part of the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(In Thousands)**

Net change in fund balances - total governmental funds (page 54)	\$ (462,846)
<p>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. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
	73,326
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets.</p>	
	(218,230)
<p>Deferred revenue available to liquidate liabilities of the current period was recognized as revenue in the governmental funds during the year; however, such amounts were recognized as revenue in the Statement of Activities in the prior year.</p>	
	(22,062)
<p>The issuance of long-term debt (i.e., bonds, leases) 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	735,866
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation), and therefore are not accrued as expenditures in governmental funds.</p>	
	33,886
<p>Internal Service funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance and Data Processing to individual funds. The net expense of certain internal service activities is reported with governmental activities.</p>	
	<u>28,661</u>
Change in net assets of governmental activities (page 51)	<u>\$ 168,601</u>

The accompanying notes are an integral part of the financial statements.

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012
(In Thousands)**

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and Investments	\$ 432,872	\$ 359,067	\$ 126,447	\$ 918,386	\$ 187,652
Receivables:					
Accounts - Net of Allowance for Uncollectibles	46,699	62,579	4,022	113,300	4,822
Claims	35	222	-	257	-
Accrued Interest	1,030	791	217	2,038	4
Grants	44	204	35	283	-
Inventories of Water in Storage	-	51,803	-	51,803	-
Inventories	-	845	-	845	2,453
Prepaid Expenses	-	-	-	-	827
Total Current Assets	<u>480,680</u>	<u>475,511</u>	<u>130,721</u>	<u>1,086,912</u>	<u>195,758</u>
Non-Current Assets:					
Restricted Cash and Investments	90,860	96,832	53,447	241,139	-
Loans Receivable	1,180	686	-	1,866	-
Deferred Charges	5,919	5,191	-	11,110	-
Capital Assets - Non-Depreciable	167,323	131,674	19,895	318,892	6,869
Capital Assets - Depreciable	<u>2,794,569</u>	<u>1,901,799</u>	<u>54,701</u>	<u>4,751,069</u>	<u>116,949</u>
Total Non-Current Assets	<u>3,059,851</u>	<u>2,136,182</u>	<u>128,043</u>	<u>5,324,076</u>	<u>123,818</u>
TOTAL ASSETS	<u>3,540,531</u>	<u>2,611,693</u>	<u>258,764</u>	<u>6,410,988</u>	<u>319,576</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	24,418	39,502	3,005	66,925	6,691
Accrued Wages and Benefits	13,291	9,816	2,962	26,069	2,218
Interest Accrued on Long-Term Debt	7,374	15,046	-	22,420	145
Long-Term Debt Due Within One Year	57,800	31,427	1,785	91,012	46,772
Due to Other Funds	-	-	-	-	1,600
Due to Other Agencies	11,050	1,789	-	12,839	-
Unearned Revenue	953	1,784	17,510	20,247	518
Contract Deposits	3,765	4,365	3	8,133	130
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	5,422	7,295	12,717	-
Total Current Liabilities	<u>118,651</u>	<u>109,151</u>	<u>32,560</u>	<u>260,362</u>	<u>58,074</u>
Non-Current Liabilities:					
Deposits/Advances from Others	397	-	5,113	5,510	-
Arbitrage Liability	-	34	-	34	-
Compensated Absences	2,694	2,317	2,128	7,139	3,685
Liability Claims	4,369	3,166	-	7,535	173,935
Capital Lease Obligations	-	-	-	-	21,479
Loans Payable	55,367	62,053	-	117,420	-
Net Revenue Bonds Payable	1,103,933	811,842	-	1,915,775	-
Estimated Landfill Closure and Postclosure Care	-	-	21,743	21,743	-
Net Other Post Employment Benefit Obligation	19,672	18,789	16,372	54,833	9,213
Net Pension Obligation	8,604	6,479	8,217	23,300	2,247
Total Non-Current Liabilities	<u>1,195,036</u>	<u>904,680</u>	<u>53,573</u>	<u>2,153,289</u>	<u>210,559</u>
TOTAL LIABILITIES	<u>1,313,687</u>	<u>1,013,831</u>	<u>86,133</u>	<u>2,413,651</u>	<u>268,633</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,838,281	1,218,954	74,596	3,131,831	95,500
Restricted for Debt Service	9,449	3,897	-	13,346	-
Restricted for Closure/Postclosure Maintenance	-	-	24,462	24,462	-
Unrestricted	<u>379,114</u>	<u>375,011</u>	<u>73,573</u>	<u>827,698</u>	<u>(44,557)</u>
TOTAL NET ASSETS	<u>\$ 2,226,844</u>	<u>\$ 1,597,862</u>	<u>\$ 172,631</u>	<u>3,997,337</u>	<u>\$ 50,943</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				(1,312)	
Net assets of business-type activities (page 49)				<u>\$ 3,996,025</u>	

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Sales of Water	\$ -	\$ 391,614	\$ -	\$ 391,614	\$ -
Charges for Services	365,887	7,822	64,955	438,664	111,860
Revenue from Use of Property	157	6,184	-	6,341	-
Usage Fees	-	34	40,197	40,231	70,952
Other	4,255	2,465	3,467	10,187	935
TOTAL OPERATING REVENUES	<u>370,299</u>	<u>408,119</u>	<u>108,619</u>	<u>887,037</u>	<u>183,747</u>
OPERATING EXPENSES					
Benefit and Claim Payments	-	-	-	-	52,287
Maintenance and Operations	129,343	78,108	79,937	287,388	53,886
Cost of Materials Issued	-	-	-	-	8,341
Cost of Purchased Water Used	-	167,104	-	167,104	-
Taxes	-	1,826	-	1,826	-
Administration	65,191	53,619	28,166	146,976	47,682
Depreciation	65,186	46,030	5,275	116,491	24,713
TOTAL OPERATING EXPENSES	<u>259,720</u>	<u>346,687</u>	<u>113,378</u>	<u>719,785</u>	<u>186,909</u>
OPERATING INCOME (LOSS)	<u>110,579</u>	<u>61,432</u>	<u>(4,759)</u>	<u>167,252</u>	<u>(3,162)</u>
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	6,266	4,244	1,009	11,519	1,313
Federal Grant Assistance	336	442	-	778	-
Other Agency Grant Assistance	-	372	1,789	2,161	-
Gain (Loss) on Sale/Retirement of Capital Assets	(1,387)	1,270	(3,927)	(4,044)	1,281
Debt Service Interest Expense	(49,586)	(36,496)	-	(86,082)	(541)
Other	5,115	365	2,745	8,225	299
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(39,256)</u>	<u>(29,803)</u>	<u>1,616</u>	<u>(67,443)</u>	<u>2,352</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>71,323</u>	<u>31,629</u>	<u>(3,143)</u>	<u>99,809</u>	<u>(810)</u>
Capital Contributions	17,883	56,640	671	75,194	11
Transfers from Other Funds	130	79	922	1,131	1,620
Transfers from Governmental Funds	-	-	57	57	30,315
Transfers to Other Funds	(1,103)	(496)	(883)	(2,482)	(269)
Transfers to Governmental Funds	(6,495)	(6,312)	(2,638)	(15,445)	(3,111)
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>10,415</u>	<u>49,911</u>	<u>(1,871)</u>	<u>58,455</u>	<u>28,566</u>
Extraordinary Gain	1,180	686	-	1,866	-
CHANGE IN NET ASSETS	<u>82,918</u>	<u>82,226</u>	<u>(5,014)</u>	<u>160,130</u>	<u>27,756</u>
Net Assets at Beginning of Year	<u>2,143,926</u>	<u>1,515,636</u>	<u>177,645</u>		<u>23,187</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,226,844</u>	<u>\$ 1,597,862</u>	<u>\$ 172,631</u>		<u>\$ 50,943</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				(905)	
Change in net assets of business-type activities (page 51)				<u>\$ 159,225</u>	

The accompanying notes are an integral part of the financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(In Thousands)**

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 373,516	\$ 407,563	\$ 111,280	\$ 892,359	\$ 99,588
Receipts from Interfund Services Provided	3,431	5,720	3,710	12,861	64,044
Payments to Suppliers	(100,754)	(217,941)	(43,373)	(362,068)	(69,928)
Payments to Employees	(73,457)	(61,948)	(57,432)	(192,837)	(65,260)
Payments for Interfund Services Used	(7,021)	(5,757)	(5,580)	(18,358)	(1,160)
NET CASH PROVIDED BY OPERATING ACTIVITIES	195,715	127,637	8,605	331,957	27,284
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	130	79	922	1,131	1,620
Transfers from Governmental Funds	-	-	57	57	30,315
Transfers to Other Funds	(1,103)	(496)	(883)	(2,482)	(269)
Transfers to Governmental Funds	(6,495)	(6,312)	(2,638)	(15,445)	(3,111)
Operating Grants Received	473	3,206	2,006	5,685	-
Proceeds from Advances and Deposits	-	38	1,161	1,199	-
Payments for Advances and Deposits	(100)	-	(501)	(601)	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(7,095)	(3,485)	124	(10,456)	28,555
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Loans	3,110	38,000	-	41,110	-
Proceeds from Revenue Bonds	0	21,868	-	21,868	-
Repayment of Refunding Bonds to Escrow Agent	-	(22,820)	-	(22,820)	-
Proceeds from Capital Contributions	9,432	48,778	970	59,180	-
Acquisition of Capital Assets	(108,687)	(66,576)	(2,775)	(178,038)	(12,186)
Proceeds from the Sale of Capital Assets	-	1,871	-	1,871	2,791
Principal Payments on Capital Leases	-	-	-	-	(6,630)
Principal Payments on Loans	(5,131)	(1,598)	-	(6,729)	-
Principal Payments on Revenue Bonds	(44,230)	(22,190)	-	(66,420)	-
Interest Paid on Long-Term Debt	(59,489)	(46,144)	-	(105,633)	(560)
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(204,995)	(48,811)	(1,805)	(255,611)	(16,585)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	171,630	594,451	-	766,081	-
Purchases of Investments	(149,238)	(527,816)	-	(677,054)	-
Interest and Dividends Received on Investments	4,845	3,721	1,078	9,644	1,314
NET CASH PROVIDED BY INVESTING ACTIVITIES	27,237	70,356	1,078	98,671	1,314
Net Increase in Cash and Cash Equivalents	10,862	145,697	8,002	164,561	40,568
Cash and Cash Equivalents at Beginning of Year	422,010	221,831	171,892	815,733	147,084
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 432,872	\$ 367,528	\$ 179,894	\$ 980,294	\$ 187,652
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:					
Cash and Investments	\$ 432,872	\$ 359,067	\$ 126,447	\$ 918,386	\$ 187,652
Restricted Cash and Investments	90,860	96,832	53,447	241,139	-
Less Investments not meeting the definition of cash equivalents	(90,860)	(88,371)	-	(179,231)	-
Total Cash and Cash Equivalents at End of Year	\$ 432,872	\$ 367,528	\$ 179,894	\$ 980,294	\$ 187,652

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(In Thousands)**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Internal Service Funds</u>
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 110,579	\$ 61,432	\$ (4,759)	\$ 167,252	\$ (3,162)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Depreciation	65,186	46,030	5,275	116,491	24,713
Other Nonoperating Revenue	5,115	365	2,745	8,225	299
(Increase) Decrease in Assets:					
Accounts Receivable - Net	359	3,554	761	4,674	5,151
Claims Receivable - Net	178	-	-	178	-
Inventories	-	(1,922)	1	(1,921)	311
Prepaid Expenses	-	-	-	-	709
Increase (Decrease) in Liabilities:					
Accounts Payable	5,420	13,913	(1,195)	18,138	(8,174)
Accrued Wages and Benefits	53	171	291	515	(112)
Due to Other Funds	-	-	-	-	1,600
Due to Other Agencies	10,352	269	-	10,621	-
Unearned Revenue	953	1,245	2,878	5,076	-
Contract Deposits	43	-	(13)	30	-
Arbitrage Liability	-	9	-	9	-
Compensated Absences	(143)	(148)	(87)	(378)	(66)
Liability Claims	(4,817)	384	-	(4,433)	4,305
Estimated Landfill Closure and Postclosure Care.....	-	-	898	898	-
Net OPEB Obligation	2,471	2,366	1,835	6,672	1,206
Net Pension Obligation	(34)	(31)	(25)	(90)	504
Total Adjustments	85,136	66,205	13,364	164,705	30,446
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 195,715	\$ 127,637	\$ 8,605	\$ 331,957	\$ 27,284
Noncash Investing, Capital, and Financing Activities:					
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ 19,080
Developer Contributed Assets	8,450	-	-	8,450	11
Increase (Decrease) in Capital Assets related Accounts Payable	(3,137)	(601)	282	(3,455)	-
Noncash Retirement of Capital Assets	(1,387)	-	(3,927)	(5,314)	(1,510)
Capitalized Interest and Related Amounts	7,623	-	-	7,623	-
Contributions of Capital Assets from Governmental Activities	-	188,610	-	188,610	-
Proceeds of Refunding Bonds Issued.....	-	188,610	-	188,610	-
Repayment of Refunding Bonds to Escrow Agent.....	-	(188,610)	-	(188,610)	-
Loan Receivable from Dissolution of Redevelopment Agency.....	1,180	686	-	1,866	-
Change in Fair Value of Investments.....	(1,555)	(600)	-	(2,155)	-
Interest Fund Credits for Debt Service Payments.....	(1,963)	(2,864)	-	(4,827)	-

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012
(In Thousands)

	Trust Funds			Agency
	Pension	Investment	Private Purpose	
ASSETS				
Cash and Investments	\$ 1,860	\$ 7,038	\$ 355,524	\$ 9,997
Cash with Custodian/Fiscal Agent	165,140	-	-	-
Investments at Fair Value:				
Domestic Fixed Income Securities (Bonds)	1,573,318	-	35,577	-
International Fixed Income Securities (Bonds)	164,475	-	-	-
Domestic Equity Securities (Stocks)	1,534,892	-	-	-
International Equity Securities (Stocks)	941,597	-	-	-
Global Equity	262,850	-	-	-
Real Estate Equity and Real Estate Securities	534,742	-	-	-
Equity Mutual Funds	366,552	-	-	-
Fixed Income Mutual Funds	404,310	-	-	-
Private Equity	155,834	-	-	-
Infrastructure	21,227	-	-	-
Receivables:				
Accounts - Net	-	-	4	1,199
Special Assessments	-	-	-	562
From Primary Government	-	-	111,700	-
Contributions	10,635	-	-	-
Accrued Interest	11,797	8	493	11
Notes and Contracts	-	-	192,591	-
Loans	36,319	-	-	-
Securities Sold	149,522	-	-	-
Working Capital Advances	-	-	1,832	-
Land Held for Resale	-	-	8,925	-
Prepaid Expenses	358	-	-	-
Securities Lending Collateral	265,439	-	-	-
Restricted Cash and Investments	-	-	109,831	36,438
Deferred Charges	-	-	9,351	-
Capital Assets - Non-Depreciable	-	-	74,229	-
Capital Assets - Depreciable	3,362	-	50,359	-
TOTAL ASSETS	6,604,229	7,046	950,416	\$ 48,207
LIABILITIES				
Accounts Payable	5,751	-	96,697	\$ 903
Accrued Wages and Benefits	824	-	-	-
Interest Accrued on Long-Term Debt	-	-	203,934	-
Deposits/Advances from Others	-	-	-	129
Sundry Trust/Agency Liabilities	-	-	2,995	19,283
Due to Bondholders	-	-	652,496	27,892
Liability Claims	-	-	70,560	-
Arbitrage Liability	-	-	3	-
Notes Payable	-	-	8,300	-
Loans Payable	-	-	107,296	-
Supplemental Benefits Payable	5,459	-	-	-
DROP Liability	453,019	-	-	-
Net Other Post Employment Benefit Obligation	1,512	-	-	-
Net Pension Obligation	629	-	-	-
Securities Lending Obligations.....	267,176	-	-	-
Securities Purchased	351,625	-	-	-
TOTAL LIABILITIES	1,085,995	-	1,142,281	\$ 48,207
NET ASSETS (DEFICIT)				
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 5,518,234</u>	<u>\$ 7,046</u>	<u>\$ (191,865)</u>	

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2012
(In Thousands)

	Trust Funds			Total
	Pension	Investment	Private Purpose	
ADDITIONS				
Employer Contributions	\$ 292,045	\$ -	\$ -	\$ 292,045
Employee Contributions	101,636	-	-	101,636
Retiree Contributions	7,819	-	-	7,819
Contributions to Pooled Investments	-	2,695	-	2,695
Property Taxes	-	-	10,934	10,934
Earnings on Investments:				
Investment Income	43,936	9	1,104	45,049
Investment Expense	(23,152)	-	-	(23,152)
Net Investment Income	20,784	9	1,104	21,897
Securities Lending Income:				
Gross Earnings	2,074	-	-	2,074
Borrower Rebates	(637)	-	-	(637)
Net Securities Lending Income	1,437	-	-	1,437
Other Income	1,975	-	10,119	12,094
TOTAL ADDITIONS	425,696	2,704	22,157	450,557
DEDUCTIONS				
Enforceable Obligation Payments	-	-	167,772	167,772
Payments to County of San Diego	-	-	89,628	89,628
Interest on Long-Term Debt	-	-	16,411	16,411
DROP Interest Expense	26,867	-	-	26,867
Benefit and Claim Payments	492,162	-	-	492,162
Distributions from Pooled Investments	-	1,208	-	1,208
Administration	12,202	-	7,114	19,316
TOTAL DEDUCTIONS	531,231	1,208	280,925	813,364
Extraordinary Gain	-	-	66,903	66,903
CHANGE IN NET ASSETS	(105,535)	1,496	(191,865)	(295,904)
Net Assets at Beginning of Year.....	5,623,769	5,550	-	5,629,319
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 5,518,234	\$ 7,046	\$ (191,865)	\$ 5,333,415

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In Thousands)

The City of San Diego (City) adopted its current charter on April 7, 1931 and operates as a municipality in accordance with State laws. Since adoption, the City Charter has been amended many times. Most recently, changes were made to the City Charter in the primary election on June 5, 2012, when voters approved Proposition B, which, generally, provides all new City employees hired after the effective date of the Charter amendments, except sworn police officers, with a defined contribution retirement plan rather than a defined benefit plan.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the City's significant accounting policies:

a. Financial Reporting Entity

As required by GAAP, these financial statements present the primary government and its component units, entities for which the primary government is considered to be financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and as a result, data from these units are combined with data of the primary government (references within this document to "the City" are referring to the primary government). Component units should be included in the reporting entity financial statements using the blending method if either of the following criteria is met:

- i. The component unit's governing body is substantively the same as the governing body of the primary government (the City).
- ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.

Included within the reporting entity as blended component units are the following:

- Civic San Diego
- City of San Diego/Metropolitan Transit Development Board Authority
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego (dissolved as of February 1, 2012)
- San Diego City Employees' Retirement System
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority
- San Diego Tourism Marketing District
- Southeastern Economic Development Corporation
- Successor Agency of the Former Redevelopment Agency of the City of San Diego
- Tobacco Settlement Revenue Funding Corporation

A brief description of each blended component unit follows:

- Civic San Diego (CSD) (formerly Centre City Development Corporation, Inc.) is a not-for-profit public benefit corporation established in 1975 to administer certain redevelopment projects in downtown San Diego and to provide redevelopment advisory services to the City of San Diego. The City Council elects the Board of Directors. CSD's budget and governing board are approved by the City of San Diego and services are provided exclusively to the primary government. CSD is reported as a governmental fund. Financial statements are available at www.ccdc.com.
- The City of San Diego/Metropolitan Transit Development Board Authority (MTDB Authority) is a financing authority, which was established in 1988 by the City and the Metropolitan Transit Development Board (now the Metropolitan Transit System or MTS) to acquire and construct mass transit guide ways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The Mayor appoints, with City Council confirmation, two public members and the MTS Board appoints one MTS board member to the governing board of the MTDB Authority. The MTDB Authority primarily provides services to the primary government. The MTDB Authority is reported as a governmental fund.
- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 by the City and the Port of San Diego to acquire and construct the expansion of the existing convention center. The CCEFA is governed by a board consisting of the Mayor, the City Manager, the Director of the Port of San Diego and a member of the Board of Commissioners for the Port of San Diego. Under the strong mayor form of government, the Mayor may appoint a City Manager and the Chief Operating Officer has been confirmed in this position by the City Council. The CCEFA provides services which primarily benefit the primary government. CCEFA is reported as a governmental fund.
- The Public Facilities Financing Authority (PFFA) was established in 1991 by the City and the former RDA to acquire and construct public capital improvements. PFFA is governed by a board of commissioners composed of the City Treasurer, the assistant executive director of the Successor Agency and three members of the public appointed by the Mayor and confirmed by the City Council. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- The Redevelopment Agency of the City of San Diego (RDA) was established in 1958 in order to provide a method for revitalizing deteriorating and blighted areas of the City and began functioning in 1969 under the authority granted by the community redevelopment law. The City Council was the governing board sitting as the Board of Directors of the RDA. The RDA is reported as a governmental fund and the activity presented for the RDA in the CAFR is as of and for the seven months ended January 31, 2012. As of February 1, 2012, the RDA was dissolved pursuant to Assembly Bill X1 26 (AB 26) and the assets of which were transferred to the Successor Agency. See Note 23 for additional information.
- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers retirement, post employment healthcare, disability, and death benefits. Currently, SDCERS also administers the San Diego Unified Port District (Port) and the San Diego County Regional Airport Authority (Airport) defined benefit plans.

SDCERS is a legally separate, blended component unit of the City of San Diego. It is managed by a Board of Administration, the majority of which is appointed by the City of San Diego, and a Pension Administrator who does not report to, or work under the direction of the elected officials or appointed managers of the City of San Diego. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports. SDCERS provides services almost exclusively to the primary government.

SDCERS is reported as a pension trust fund. Complete stand-alone financial statements are available at www.sdcers.org.

- San Diego Data Processing Corporation (SDDPC) was formed in 1979 as a not-for-profit public benefit corporation for the purpose of providing data processing services. SDDPC's budget and governing board are approved by the City Council. SDDPC provides services almost exclusively to the primary government. SDDPC is reported as an Internal Service Fund. Financial statements are available at www.sddpc.org.
- The San Diego Facilities and Equipment Leasing Corporation (SDFELC) is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. The SDFELC is governed by a three member board consisting of the City Attorney, the Chief Financial Officer and the Mayor (as City Manager) and services are provided exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- The San Diego Industrial Development Authority (SDIDA) was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board. SDIDA is reported as a governmental fund.
- The San Diego Tourism Marketing District (TMD) is an assessment district created, in fiscal year 2008, by the City on behalf of larger hotel and motel operators within the City. The TMD provides for tourism development, including coordinated joint marketing and promotion of San Diego, in order to maintain and expand the tourism industry. The TMD procedural ordinance establishes a method by which benefited businesses may be assessed for the cost of activities associated with tourism development within their respective area. The governing body of the TMD is the City Council. The TMD is reported as a component of the Acquisition, Improvement and Operations nonmajor governmental fund.
- Southeastern Economic Development Corporation (SEDC) is a not-for-profit public benefit corporation organized in 1980 by the City to administer certain redevelopment projects in southeast San Diego and to perform economic development services in its area of influence. The City Council elects the Board of Directors. SEDC's budget and governing board are approved by the RDA and services are provided exclusively to the primary government. SEDC is reported as a governmental fund. Financial statements are available at www.sedcinc.org.
- The Successor Agency of the Former Redevelopment Agency of the City of San Diego (Successor Agency) was established to hold the former redevelopment agency's assets until they are distributed to other units of state and local government or, where appropriate, to private parties. Pursuant to AB 26, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. On January 12, 2012, the City was designated to serve as the Successor Agency subject to control of an oversight board. The Successor Agency is reported as a private-purpose trust fund in the Fiduciary section of this report.
- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. TSRFC is governed by the Board of Directors, which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director shall be appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.

Discretely presented component units, which are also legally separate entities, have financial data reported in a separate column from the financial data of the primary government to demonstrate they are financially and legally separate from the primary government.

There are two entities, which are discretely presented component units:

- San Diego Convention Center Corporation (SDCCC)

SDCCC is a not-for-profit public benefit corporation originally organized to market, operate and maintain the San Diego Convention Center. San Diego Theaters Inc. is a non-profit subsidiary of SDCCC created in 2003 to operate the San Diego Civic Theater and the restored Balboa Theater. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints seven voting members out of the nine-member Board of Directors of SDCCC. The City subsidizes the annual operations of the SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements are available at www.sdccc.org.

- San Diego Housing Commission (SDHC)

SDHC is a government agency, which was formed by the City under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC primarily serves low-income families by providing rental assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services. SDHC is discretely presented because it provides services directly to the citizens. SDHC is governed by the San Diego Housing Authority, which is composed of the eight members of the San Diego City Council. The Housing Authority has final authority over the SDHC's budget and major policy changes. SDHC has three blended component units, which are Belden SDHC FNMA LLC, Central SDHC FNMA LLC and Northern SDHC FNMA LLC together and collectively referred to as the "LLCs". The LLCs were created as a requirement of Fannie Mae to obtain financing on the former public housing units and are wholly owned by the San Diego Housing Commission. A portion of the Commission's larger properties were recently leveraged with Federal National Mortgage Association (FNMA) and Federal Housing Association (FHA) loans and are the obligation of the LLCs, not SDHC. Each one of these loans are nonrecourse obligations of the LLCs. In addition, SDHC has one discretely presented component unit, Housing Development Partners of San Diego (HDP), which has assets, liabilities and net assets of \$13,824, \$11,680 and \$2,144, respectively, as of June 30, 2012. The City determined that the assets, liabilities and current year activity of HDP do not represent a material component of the City's basic financial statements, and therefore, are not included in the City's basic financial statements. Complete stand-alone financial statements are available at www.sdhc.org.

Each blended and discretely presented component unit has a June 30 fiscal year-end.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities normally are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. Likewise, the primary government is reported discretely from certain legally separate component units for which the primary government is financially accountable.

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 as to a specific function or segment. Direct expenses reported include administrative and overhead charges. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds 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 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.

The business-type activities and proprietary funds financial statements apply all effective pronouncements of the Governmental Accounting Standards Board (GASB). In addition, these statements apply all Accounting Principles Board Opinions (APBO), Accounting Research Bulletins (ARB) and Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncements. The City has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Revenues, which are considered susceptible to accrual include: real and personal property taxes; other local taxes; franchise fees; fines, forfeitures and penalties; motor vehicle license fees; rents and concessions; interest; and state and federal grants and subventions, provided they are received within 60 days from the end of the fiscal year.

Licenses and permits, including parking citations and miscellaneous revenues are recorded as revenues when received in cash because they generally are not measurable until actually received.

Expenditures are recognized when the related fund liability is incurred except for (1) principal and interest of general long-term debt, which are recognized when due; and (2) employee annual leave and claims and judgments from litigation, which are recorded in the period due and payable since such amounts will not currently be liquidated with expendable available financial resources.

The governmental funds financial statements do not present long-term debt, but the related debt is shown in the reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets. Bond premiums, discounts and issuance costs associated with debt issued or refunded during the year are recognized during the current period.

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for the following programs: Carmel Valley Sewer Maintenance; Mt. Hope Cemetery; North Park Branch Library; Jacaranda Tree planting and maintenance in City rights-of-way; Rancho Bernardo Branch Library; La Jolla/Riford Branch Library; Los Penasquitos Canyon Preserve; Southcrest Park Estates II landscape maintenance;

Sycamore Estates property maintenance; Fortuna Mountain Conservation Bank management within Mission Trails Regional Park; and, the Environmental Trust Bankruptcy Endowment. The corpus of permanent funds is reported as Nonspendable Fund Balance and investment earnings available for expenditure is reported as Restricted Fund Balance in the fund level financial statements. The endowment principal is reported as Restricted for Nonexpendable Permanent Endowments in the Statement of Net Assets. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504.

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 City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units, and include pension trust, investment trust, private-purpose trust and agency funds. Pension Trust Funds are reported using the same measurement focus and basis of accounting as Proprietary Funds. Agency funds are reported using the accrual basis of accounting and only report assets and liabilities, and therefore, do not have a measurement focus.

The following is the City's major governmental fund:

General Fund - The General Fund is the principal operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The following are the City's major Enterprise Funds:

Sewer Utility Fund - The sewer utility fund is used to account for the operation, maintenance and development of the City's sewer system. The City's sewer utility fund includes activities related to the performance of services for Participating Agencies.

Water Utility Fund - The water utility fund is used to account for operating and maintenance costs, replacements, betterments, expansion of facilities, and payments necessary in obtaining water from the Colorado River and the State Water Project.

The following are the City's other fund types:

Internal Service Funds - These funds account for vehicle and transportation, printing, engineering, data processing, and storeroom services provided to City departments on a cost-reimbursement basis. Internal service funds also account for self-insurance activities, including workers' compensation and long-term disability programs, which derive revenues from rates charged to benefiting departments. This fund type also accounts for the public liability reserve, which was established for the purpose of paying liability claims.

Pension Trust Funds - These funds account for the San Diego City Employees' Retirement System, the Preservation of Benefits Plan, the Post-Employment Healthcare Benefit Plan, the Supplemental Pension Savings Plan (SPSP), the 401(a) Plan and the 401(k) Plan.

Investment Trust Fund - This fund was established to account for equity that legally separate entities have in the City Treasurer's investment pool. The Abandoned Vehicle Abatement (AVA) is the only legally separate entity which has cash invested in the City Treasurer's investment pool.

Private-Purpose Trust Fund (Successor Agency) - This fund was established to account for the ongoing obligations of the former Redevelopment Agency, which was dissolved on February 1, 2012 pursuant to California Assembly Bill X1 26.

Agency Funds - These funds account for assets held by the City as an agent for individuals, private organizations, and other governments, including federal and state income taxes withheld from employees, parking citation revenues on behalf of other agencies, certain employee benefit plans and special assessments.

d. Property Taxes

The County of San Diego (County) assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of San Diego. The City's collections of the current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1979, general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can increase by a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year and which do not meet the 60 day availability criterion are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred revenue in the governmental funds. The City provides an allowance for uncollected property taxes, which is analyzed each year against the most recent data from the County. For fiscal year 2012, the allowance amount was \$2,198.

Property owners can appeal the assessment value of their property to the County Assessment Appeals Board. If successful, the County Assessor may reduce the taxable value of a property and/or provide a refund to affected property owners. Reductions of taxable property value within the City of San Diego will have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

The City's cash and cash equivalents for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the City Treasurer in a cash management investment pool and reported at fair value. Cash equivalents reported in the Statement of Cash Flows for the Water and Sewer Utilities do not include restricted investments represented as Restricted Cash and Investments with an original maturity date greater than ninety days from the time of purchase.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer (the pool). The City is not required to register the pool as an investment company with the Securities and Exchange Commission (SEC) nor is it a 2a7-like pool. The investment activities of the City Treasurer in managing the pool are governed by California Government Code § 53601 and the City of San Diego City Treasurer's Investment Policy, which is reviewed by the Investment Advisory Committee and presented annually to the City Council. Interest earned on pooled investments is allocated to participating funds and entities based upon their average daily cash balance during the allocation month. Fair value adjustments to the pool are recorded annually; however, the City Treasury reports on market values monthly. The value of the shares in the pool approximates the fair value of the pool.

The pool participates in the California State Treasurer's Local Agency Investment Fund (LAIF). Investments in LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board. The fair value of the City's position in LAIF may be greater or less than the value of the shares. Investments in LAIF are valued in these financial statements using a fair value factor provided by LAIF applied to the value of the City's shares in the investment pool.

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds and agency funds, unless otherwise expressly stated in the resolutions creating the individual funds. During the year ended June 30, 2012, approximately \$1,647 interest was assigned from various funds to the General Fund. These transactions caused an increase to the "transfers from other funds" amount for the General Fund and caused a like increase to the "transfer to other funds" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an increase to the "transfers from other funds" amount for the fund transferring the negative interest and caused a like increase to the "transfer to other funds" amount for the General Fund.

Certain governmental funds maintain investments outside of the City's investment pool. These funds are supervised and controlled by a five member Funds Commission, which is appointed by the Mayor and confirmed by the City Council. The Funds Commission engages money managers to direct the investments of these funds. Additionally, the City and its component units maintain individual accounts pursuant to bond issuances and major construction contracts, which may or may not be related to debt issuances. The investment of these funds is governed by the policies set forth in the individual indenture and trustee agreements. Certain component units of the City also participate in LAIF separately from the City Treasurer's investment pool.

All City investments are reported at fair value in accordance with the GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Note 3 contains additional information on permissible investments per the City of San Diego City Treasurer's Investment Policy and other policies applicable to the cash and investments reported herein.

The discharge of fiduciary duties by SDCERS' Board is governed by Section 144 of the City Charter and Article XVI, Section 17 of the California State Constitution. Investment decisions are made on a risk versus return basis in a total portfolio context. SDCERS' Board has the authority to delegate investment management duties to outside advisors, to seek the advice of outside investment counsel, and to provide oversight and monitoring of the investment managers it hires. Furthermore, under the California State Constitution and other relevant authorities, SDCERS' Board may, at its discretion, and when prudent in the informed opinion of the Board, invest funds in any form or type of investment, financial instrument, or financial transaction, unless otherwise limited by the San Diego City Council. SDCERS' agents, in SDCERS' name, manage all investments.

SDCERS' investments are reported at fair value in the accompanying Statement of Fiduciary Net Assets. SDCERS' custodian, State Street Bank & Trust Company, provides the market values of exchange traded assets. In the case of debt securities acquired through private placements, SDCERS' contract investment advisors compute fair value based on market yields and average maturity dates of comparable quoted securities. Short-term investments are reported at cost or amortized cost, which approximates fair value. Real estate equity investment fair values are based on either annual valuation estimates provided by SDCERS' contract real estate advisors or by independent certified appraisers. Fair value of investments in commingled funds of publicly traded securities are based on the funds' underlying asset values determined from published market prices and quotations from major investment firms.

f. Receivables

The City's receivables are comprised mainly of taxes, accounts and grants. Accounts receivable and taxes receivable are reported net of an allowance for uncollectibles. The allowance amounts as of June 30, 2012 are as follows:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance
General Fund	\$ 6,263	\$ 2,142
Nonmajor Governmental Funds	26,092	56
Sewer Utility	871	-
Water Utility	1,430	-
Nonmajor Enterprise Funds	4,306	-
Internal Service Funds	967	-
Total	\$ 39,929	\$ 2,198

g. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consists primarily of water in storage, are valued at the lower of cost or market. Such inventories are expensed when consumed using primarily the first-in, first-out (FIFO) and weighted-average methods for inventories of water in storage and supplies, respectively. Inventory supplies of governmental funds are recorded as expenditures when purchased.

h. Land Held for Resale

Land Held for Resale, originally purchased by the RDA, is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental funds financial statements, fund balances associated with properties held for resale are reported as restricted fund balances since the proceeds from the sale of such properties is restricted for the purpose of affordable housing or redevelopment activities as codified in the California Health and Safety Code.

Land is originally recorded at historical cost and adjusted to net realizable value when a property is impaired or when property values decrease due to market conditions.

i. Deferred Charges

In the government-wide and proprietary funds financial statements, Deferred Charges represent the unamortized portion of bond issuance costs. These costs will be amortized over the life of the related bonds using a method, which approximates the effective interest method.

j. Capital Assets

Non-Depreciable Capital Assets, which include land, rights of way, easements, and construction in progress, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the proprietary funds and private-purpose trust fund financial statements.

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation/amortization in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the proprietary funds and private-purpose trust fund financial statements. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of structures and improvements, equipment outlay, distribution and collection systems and infrastructure, must meet or exceed a capitalization threshold of five thousand dollars. Land is capitalized regardless of cost. Subsequent

improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets is reflected in the capitalized value of the asset constructed. During fiscal year 2012, \$14,373 of net interest expense incurred was capitalized, which is calculated net of related interest revenue of \$1,653.

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value on the date of donation. Depreciation/amortization of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

<u>Assets</u>	<u>Years</u>
Structures and Improvements	
Buildings	40 - 50
Building Improvements	15 - 40
Equipment	
Automobiles and Light Trucks	5 - 10
Construction and Maintenance Vehicles	5 - 20
General Machinery and Office Equipment	3 - 50
Intangible Assets	5 - 20
Distribution and Collection Systems	
Sewer Pipes and Water Mains	15 - 150
Reservoirs	100 - 150
Infrastructure	
Pavement and Traffic Signals	12 - 50
Bridges	75
Hardscape	20 - 50
Flood Control Assets	40 - 75

k. Unearned/Deferred Revenue

In the government-wide and all fund level financial statements, unearned revenue represents amounts received, which have not been earned. The government-wide financial statements include revenues earned from developer credits, which are not reported in the governmental funds because they are non-monetary transactions. In the governmental funds financial statements, deferred revenue represents revenues, which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting.

l. Interfund Transactions

The City has the following types of interfund transactions:

Loans – amounts provided with a requirement for repayment. Interfund loans are normally reported as interfund receivables (i.e. Due from Other Funds) in lender funds and interfund payables (i.e. Due to Other Funds) in borrower funds. The non-current portions of long-term interfund loans receivable are reported as advances.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. The reimbursement is reported as expenditures or expenses in the reimbursing fund and a reduction of expenditures or expenses in the fund that initially incurred the expense.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

m. Long-Term Liabilities

In the government-wide, proprietary, and fiduciary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statements of Net Assets. Capital appreciation bond accretion and bond premiums and discounts are amortized over the life of the bonds using a method, which approximates the effective interest method. Deferred amounts on refunding are amortized over the shorter of the life of the refunded or refunding bonds. Net bonds payable reflects amortized bond accretion and unamortized bond discounts, premiums and deferred amounts on refunding.

n. Compensated Absences

The City provides combined annual leave to cover both vacation and sick leave. It is the City's policy to permit employees to accumulate between 8.75 weeks and 17.5 weeks of earned but unused annual leave, depending on hire date. Accumulation of these earnings will be paid to employees upon separation from service.

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g. Medicare Tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

o. Claims and Judgments

The costs of claims and judgments are accrued when incurred and measurable in the government-wide financial statements and both proprietary and fiduciary funds financial statements. In governmental funds, the costs of claims and judgments are recorded as expenditures when payments are due and payable.

p. Non-Monetary Transactions

The City, as part of approving new development in the community planning process, requires that certain public facilities be constructed per the provisions of community financing plans. Historically, the City has agreed to pay a pro rata share of these assets. In lieu of providing direct funding for these assets, the City often provides developers with credits (also referred to as FBA credits) for future permit fees. These credits are earned by the developer upon successful completion of construction phases and when City engineers have accepted the work. The credits are recognized as permit revenue upon issuance and a corresponding capital asset is recorded in the government-wide financial statements.

q. Net Assets

In the government-wide and proprietary funds financial statements, net assets are categorized as follows:

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.
- Restricted Net Assets consist of assets with restrictions imposed on them by external creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2012, the amount of restricted net assets due to enabling legislation was approximately \$152,870.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

r. Fund Balances

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based on the extent to which the City is bound to honor constraints on how resources can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision making authority (City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation must occur prior to the close of the reporting period; however, the amount which will be subject to the constraint may be determined in a subsequent period.
- Assigned fund balance – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making authority or by a body or an official designated for that purpose. This fund balance classification also represents the residual balance for all funds other than the General Fund.
- Unassigned fund balance – the residual classification for the City's General Fund that includes amounts not included in other classifications. In funds other than the General Fund, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. In addition, City management can assign fund balance to be used for specific purposes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned and unassigned as they are needed.

s. Reserves

City Charter Section 91 requires the City Council to maintain a General Reserve Fund in an amount sufficient to meet all legal demands against the City Treasury for the first four months or other necessary period of each fiscal year prior to the collection of taxes. This fund may be expended only in the event of a public emergency by the affirmative vote of two-thirds of the City Council.

The City's formal reserve policy, which was adopted in fiscal year 2008 and subsequently amended in December 2011, was created in accordance with Charter Section 91 and defines the General Fund Reserve. The General Fund Reserve includes the General Reserve Fund (or Emergency Reserve), the appropriated reserve and the General Fund unassigned fund balance. The reserve policy defines a goal of having a minimum of 8% of annual General Fund revenues held in the General Fund Reserve by fiscal year 2012. This reserve level was achieved in fiscal year 2010 and maintained through fiscal year 2012.

t. Participating Agencies Revenue Recognition

The Regional Wastewater Disposal Agreement between the City and the Participating Agencies (PA) in the Metropolitan Sewerage System allow for quarterly invoicing of local area member municipalities and utility districts to collect and process sewage waste using the City's facilities. The invoicing is based on an estimated allocation of costs associated with each PA and may not represent each PA's proportionate allocation of actual maintenance and operating costs of the sewage system, resulting in an overstatement or understatement of revenue reported in the Sewer Utility Statement of Revenues, Expenses, and Changes in Fund Net Assets.

u. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

v. New Governmental Accounting Standards Implemented During Year Ended June 30, 2012

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2012.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. The City's OPEB plan is a single-employer plan, and therefore, this statement is not applicable to the City's basic financial statements.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, An Amendment to GASB Statement No. 53*, which clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The City's Investment Pool does not include any derivative instruments, and therefore, this statement is not applicable to the City's basic financial statements.

w. Upcoming Governmental Accounting Standards Implementations

The requirements of the following accounting standards become effective in future periods if applicable to the City. Management is currently in the process of evaluating the potential impacts to the City's basic financial statements.

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCAs)*, which establishes recognition, measurement and disclosure requirements for SCAs for both transferors and governmental operators. This statement also requires governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement will become effective in fiscal year 2013.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus: An Amendment of GASB Statements No. 14 and No. 34*, which is designed to enhance the relevance of the financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement will become effective in fiscal year 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This statement will become effective in fiscal year 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. This statement will become effective in fiscal year 2013.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement will become effective in fiscal year 2014.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012: An Amendment of GASB Statements No. 10 and No. 62*, which is intended to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement will become effective in fiscal year 2014.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans: An Amendment of GASB Statement No. 25*, which is intended to enhance note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This statement will become effective in fiscal year 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement No. 27*, which is intended to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability will also be enhanced through new note disclosures and required supplementary information. This statement will become effective in fiscal year 2015.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (In Thousands)

Certain adjustments are necessary to reconcile governmental funds to governmental activities (which includes all internal service funds). The reconciliation of these adjustments is as follows:

- a. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets:

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Balances-Governmental Funds" and "Total Net Assets-Governmental Activities" as reported in the Government-wide Statement of Net Assets. One element of the reconciliation states, "Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds." The details of this \$114,455 difference are as follows:

Deferred Charges, July 1, 2011	\$ 17,427
Issuance Costs	880
Amortization Expense	(840)
Transfer to Successor Agency	<u>(9,600)</u>
Deferred Charges, June 30, 2012	<u>7,867</u>
Deferred Revenue:	
Taxes Receivable	62,862
Special Assessments Receivable	973
Grants and Other Receivables	<u>42,753</u>
Deferred Revenue, June 30, 2012	<u>106,588</u>
Net Adjustment to increase "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	<u>\$ 114,455</u>

Another element of the reconciliation states: "Certain 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 (\$1,204,776) difference are as follows:

Interest Accrued on Long-Term Debt	\$ (7,936)
Due to Successor Agency Private-Purpose Trust Fund	(80,145)
Compensated Absences	(63,574)
Liability Claims	(68,017)
Capital Lease Obligations	(41,320)
QECCB Lease Obligation	(12,392)
Contracts Payable	(17,421)
Loans Payable	(30,011)
Section 108 Loans Payable	(8,737)
Net Bonds Payable	(578,727)
Net Other Post Employment Benefits Obligation	(181,909)
Net Pension Obligation	<u>(114,587)</u>
Net adjustment to decrease "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	<u>\$ (1,204,776)</u>

Another element of the reconciliation states: "Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance and Data Processing to individual funds. The assets and liabilities of certain Internal Service Funds are included in the governmental activities in the Statement of Net Assets." The details of this \$52,255 difference are as follows:

Assets:	
Capital Assets - Non Depreciable	\$ 6,869
Capital Assets - Depreciable	116,949
Internal Balances	1,312
Current Assets	195,758
Liabilities:	
Compensated Absences	(7,419)
Liability Claims	(210,134)
Capital Lease Obligations	(28,318)
Net Other Post Employment Benefits Obligation	(9,213)
Net Pension Obligation	(2,247)
Other Liabilities	<u>(11,302)</u>
Net adjustment to increase "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	<u>\$ 52,255</u>

- b. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between "Net Change in Fund Balances-Total Governmental Funds" and "Changes in Net Assets of Governmental Activities" as reported in the Government-wide Statement of Activities. One element of that reconciliation explains: "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 73,326 difference are as follows:

Capital Outlay	\$ 193,727
Other Capital Activities	11,026
Depreciation Expense	<u>(131,427)</u>
Net Adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ 73,326</u>

Another element of the reconciliation states: "The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets." The details of this (\$218,230) are as follows:

In the Statement of Activities, only the net gain on the sale of land is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets sold/retired.	\$ (681)
The Statement of Activities reports losses arising from the retirement of existing depreciable capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets.	(12,193)
The Statement of Activities reports an Extraordinary Loss arising from the transfer of capital assets from the former Redevelopment Agency to the Successor Agency private-purpose trust fund. Conversely, the governmental funds do not report an Extraordinary Loss on the transfer of capital assets.	(125,211)
The Statement of Activities reports an Extraordinary Loss arising from the Due to Successor Agency Private-Purpose Trust Fund for capital assets that will be returned to the Successor Agency. Conversely, the governmental funds report a liability for the Land Held for Resale that will be returned to the Successor Agency.	<u>(80,145)</u>
Net adjustment to decrease "Net Change in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ (218,230)</u>

Another element of the reconciliation states: "Internal Service Funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance and Data Processing to individual funds. The net expense of certain Internal Service activities is reported with governmental activities." The details of this \$28,661 are as follows:

Allocated Operating Profit	\$ (2,257)
Nonoperating Revenues (Expenses):	
Gain on Sale/Retirement of Capital Assets	1,281
Other Nonoperating Revenues, net	1,071
Capital Contributions	11
Transfers, net	<u>28,555</u>
Net adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ 28,661</u>

Another element of the reconciliation states: "The issuance of long-term debt (i.e., bonds, leases) 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." The details of this \$735,866 difference are as follows:

Debt Issued or Incurred:	
Contracts/Notes Payable	\$ (6,333)
Loans Payable	(2,700)
Revenue Bonds	(140,440)
Principal Repayments:	
Capital Lease Obligations	10,830
QECCB Lease Obligations	750
Contracts/Notes Payable	13,331
Loans Payable	8,060
Section 108 Loans	7,605
General Obligation Bonds	2,240
Revenue Bonds	15,330
Tax Allocation Bonds	21,569
Tobacco Settlement Asset-Backed Bonds	3,405
Pooled Financing Bonds	825
Refundings:	
Revenue Bonds	150,720
Transfers to Successor Agency:	
Arbitrage Liability	3
Loans Payable	1,250
Revenue Bonds	24,310
Tax Allocation Bonds	593,926
Pooled Financing Bonds	31,185
	<hr/>
Net adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u><u>\$ 735,866</u></u>

Another element of the reconciliation states: "Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation) and therefore are not accrued as expenditures in governmental funds." The details of this \$33,886 difference are as follows:

Compensated Absences	\$ 2,393
Liability Claims	547
Net Pension Obligation/Net OPEB Obligation	(21,208)
Accrued Interest	(552)
Current Year Premiums/Discounts and Interest Accretion	
Less Amortization of Bond Premiums	(14,573)
Issuance Costs Less Current Year Amortization	40
Transfers to Successor Agency:	
Accrued Interest	14,302
Liability Claims	39,200
Premiums/Discounts and Interest Accretion	23,337
Issuance Costs	<u>(9,600)</u>
Net adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ 33,886</u>

3. CASH AND INVESTMENTS (In Thousands)

The following is a summary of the carrying amount of cash and investments as of June 30, 2012:

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Assets other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Assets	Grand Total
Cash or Equity in Pooled Cash and Investments	\$ 1,069,761	\$ 980,294	\$ 384,562	\$ 2,434,617	\$ 1,319	\$ 2,435,936
Cash and Investments with Fiscal Agents	45,259	164,027	134,811	344,097	165,136	509,233
Investments at Fair Value	34,187	15,204	806,439	855,830	5,188,935	6,044,765
Securities Lending Collateral	-	-	-	-	265,439	265,439
Total	<u>\$ 1,149,207</u>	<u>\$ 1,159,525</u>	<u>\$ 1,325,812</u>	<u>\$ 3,634,544</u>	<u>\$ 5,620,829</u>	<u>\$ 9,255,373</u>

a. Cash or Equity in Pooled Cash and Investments

Cash or Equity in Pooled Cash and Investments represents petty cash, cash at the bank in demand deposit and/or savings accounts, and cash in escrow for contract retention payables. Furthermore, it represents equity in pooled cash and investments, which is discussed in further detail below.

As provided for by California Government Code, the cash balances of substantially all funds and certain outside entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The respective funds' shares of the total pooled cash and investments are included in the table above, under the caption Cash or Equity in Pooled Cash and Investments.

The following represents a summary of the items included in the Cash or Equity in Pooled Cash and Investments line item:

Cash on Hand - Petty Cash	\$ 203
Deposits - Held in Escrow Accounts	9,116
Deposits - Cash and Cash Equivalents (Not Pooled)	8,057
Deposits - Cash, Cash Equivalents, and Non-Negotiable Certificates of Deposit (Pooled)	880
Pooled Investments in the City Treasury	<u>2,416,361</u>
Total Cash or Equity in Pooled Cash and Investments	<u>\$ 2,434,617</u>

A summary of the deposits and investments held by the City Treasurer's investment pool as of June 30, 2012 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range	Maturity Range
U.S. Treasury Notes	\$ 1,043,765	\$ 1,041,366	0.25-2.00%	1/31/2013-5/15/2015
U.S. Agency Discount Notes	49,961	49,919	0.15-0.19% ¹	7/20/2012-4/23/2013
U.S. Agency Notes & Bonds	701,281	699,706	0.18-1.75%	10/24/2012-7/2/2015
Asset Backed Securities	59,017	59,017	0.362-0.79%	10/22/2012-12/15/2015
Commercial Paper	179,866	179,722	0.19-0.495%	7/6/2012-1/18/2013
Corporate Notes & Bonds	113,211	113,263	0.70-5.125%	8/1/2012-8/15/2014
Negotiable Certificates of Deposit	75,037	75,000	0.55-0.73%	9/14/2012-12/7/2012
Repurchase Agreements	144,687	144,687	0.13-0.19%	7/2/2012
State Local Agency Investment Fund (LAIF)	49,536	49,475	0.38% ²	3/26/2013
Non-Negotiable Certificates of Deposit (CDARS)	10,000	10,000	1.25%	2/14/2013
Total	\$ 2,426,361	\$ 2,422,155		

¹ Discount Rates

² LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 268 days.

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's cash and investment pool as of June 30, 2012:

Statement of Net Assets

Deposits - Cash, Cash Equivalents, and Non-Negotiable Certificates of Deposit (Pooled)	\$ 880
Investments of Pool Participants	2,416,361
Accrued Interest Receivable of Internal Pool Participants	2,738
Accrued Interest Receivable of External Pool Participants	8
Total Cash, Investments, and Interest Receivable	\$ 2,419,987
Equity of Internal Pool Participants	\$ 2,412,941
Equity of External Pool Participants (Abandoned Vehicle Abatement) ¹	7,046
Total Equity	\$ 2,419,987

Statement of Changes in Net Assets

Net Assets Held for Pool Participants at July 1, 2011	\$ 2,216,603
Net Change in Investments by Pool Participants	203,384
Total Net Assets Held for Pool Participants at June 30, 2012	\$ 2,419,987

¹ Voluntary Participation

b. Cash and Investments with Fiscal Agents

Cash and Investments with Fiscal Agents include cash and investments held by fiscal agents resulting from bond issuances. More specifically, these funds represent reserves held by fiscal agents or trustees as legally required by bond issuances and liquid investments held by fiscal agents or trustees, which are used to pay debt service. Under the Fiduciary Statement of Net Assets, Cash and Investments with Fiscal Agents include the City's balance for the Preservation of Benefit Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m) and is discussed in further detail in Note 12. Additionally, Cash and Investments with Fiscal Agents include the San Diego City Employees' Retirement

System (SDCERS) portion of funds held as cash collateral from market neutral portfolios (domestic fixed income investment strategy). Furthermore, it represents transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank.

c. Investments at Fair Value

Investments at Fair Value represents investments of the City's Supplemental Pension Savings Plan, 401(k) Plan, 401(a) Plan, San Diego City Employees' Retirement System (SDCERS), investments managed by the City Treasurer (which are not part of the pool) and investments managed by the Funds Commission (e.g., Cemetery Perpetuity Fund, Los Penasquitos Canyon Preserve Fund, and the Edwin A. Benjamin, Jane Cameron, Gladys Edna Peters, and Effie Sergeant Library Funds).

d. Investment Policy

In accordance with City Charter Section 45, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury. The City Treasurer is also responsible for maintaining the City of San Diego City Treasurer's Investment Policy (Policy), which is presented to Council annually. This Policy applies to all of the investment activities of the City except for the pension trust funds, the proceeds of certain debt issues (which are managed and invested at the direction of the City Treasurer in accordance with the applicable indenture or by Trustees appointed under indenture agreements or by fiscal agents), and the assets of permanent funds (which are placed in the custody of the Funds Commission by Council ordinance).

City staff reviews the Policy annually and may make revisions based upon changes to the California Government Code and the investment environment. These suggested revisions are presented to the City Treasurer's Investment Advisory Committee (IAC) for review and comment. The IAC consists of two City representatives and three outside financial professionals with market and portfolio expertise not working for the City of San Diego. The City Council reviews the Policy and considers acceptance on an annual basis.

The Policy is governed by the California Government Code (CGC), Sections 53600 et seq. The following table presents the authorized investments, requirements, and restrictions per the CGC and the Policy:

Investment Type	Maximum Maturity ¹		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating ⁷	
	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	(2)	None	(2)	None	None
Bankers' Acceptances ⁶	180 days	180 days	40%	40%	30%	10%	None	(3)
Commercial Paper ⁶	270 days	270 days	25%	25%	10%	10%	P-1	P-1
Negotiable Certificates ⁶	5 years	5 years	30%	30%	None	10%	None	(3)
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements ⁴	92 days	92 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits ⁶	5 years	5 years	30%	25%	None	10%	None	(3)
Medium Term Notes/Bonds ⁶	5 years	5 years	30%	30%	None	10%	A	A
Municipal Securities of California Local Agencies ⁶	5 years	5 years	None	20%	None	10%	None	A
Mutual Funds	N/A	N/A	20%	20%	10%	5%	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	AA
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures ⁵	N/A	None	None	None	None	None	None	None

¹ In the absence of a specified maximum, the maximum is 5 years.

² No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

³ Credit and maturity criteria must be in accordance with Section X of the City's Investment Policy.

⁴ Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.

⁵ Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

⁶ Investment types with a 10% maximum with one issuer are further restricted per the City's Investment Policy: 5% per issuer and an additional 5% with authorization by the City Treasurer.

⁷ Minimum credit rating categories include modifications (+/-).

According to the Policy, the City may enter into repurchase and reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement.

Additionally, the Policy authorizes investment in other specific types of securities. The City may invest in floating rate notes with coupon resets based upon a single fixed income index (which would be representative of an eligible investment), provided that security is not leveraged. Structured notes issued by U.S. government agencies that contain imbedded calls or options are authorized as long as those securities are not inverse floaters, range notes, or interest only strips derived from a pool of mortgages. A maximum of 8% of the “cost value” of the pooled portfolio may be invested in structured notes.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. The City of San Diego City Treasurer’s Investment Policy is available at www.sandiego.gov/treasurer/investments/invpolicy.shtml.

Other Investment Policies

The City currently has a Funds Commission whose role is to supervise and control all trust, perpetuity, and investment funds of the City and such pension funds as shall be placed in its custody. The statutory authority for the Funds Commission is created in City Charter Article V, Section 41(a). While the duties described in the creation document form broad authority for the Funds Commission, in practice, the Funds Commission only oversees investments related to a small number of permanent endowments. The allowable investments for these funds are different than those as prescribed in the City of San Diego City Treasurer’s Investment Policy. Each permanent endowment fund has its own separate investment policy.

The City and its component units have funds invested in accordance with various bond indenture and trustee agreements. The investment of these bond issuances is in accordance with the Permitted Investments section and applicable account restrictions outlined in the Indenture of each bond issuance. The Permitted Investments section in each Indenture will vary based upon the maturity, cash flow demands, and reserve requirements associated with each issuance. In general, the Permitted Investments section of each Indenture will closely resemble the City of San Diego City Treasurer’s Investment Policy, but may include certain investment options not authorized by applicable law for the City of San Diego City Treasurer’s Policy (CGC §53601).

City of San Diego – Disclosures for Specific Risks

e. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk for the City’s pooled investments is intended to be mitigated by establishing two portfolios, a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC Section 53646). The liquidity portfolio uses the Bank of America Merrill Lynch 3-6 month Treasury Index as a benchmark with a duration of plus or minus 40% of the duration of that benchmark.

The core portfolio uses the Bank of America Merrill Lynch 1-3 year Treasury Index as a benchmark with a duration of plus or minus 20% of the duration of that benchmark. It consists of high quality liquid securities with a maximum maturity of 5 years and is structured to meet the longer-term cash needs of the City. Information about the

sensitivity of the fair value of the City's investments to market interest rate fluctuations is presented in the table below.

As of June 30, 2012, the City's investments (in thousands) by maturity are as follows:

	Years				Fair Value (In Thousands)
	Under 1	1-3	3-5	Over 5	
Pooled Investments with City Treasurer:					
U.S. Treasury Notes	\$ 196,096	\$ 847,669	\$ -	\$ -	\$ 1,043,765
U.S. Agencies - Federal Farm Credit Bank	95,495	40,297	-	-	135,792
U.S. Agencies - Federal Home Loan Bank	259,979	9,988	-	-	269,967
U.S. Agencies - Federal Home Loan Mortgage Corporation	49,961	80,425	-	-	130,386
U.S. Agencies - Federal National Mortgage Association	-	115,066	34,956	-	150,022
U.S. Agencies - National Credit Union Association Notes	20,000	-	-	-	20,000
U.S. Agencies - Intl Bank of Reconstruction & Development	-	35,078	-	-	35,078
U.S. Agencies - International Finance Corporation	-	9,997	-	-	9,997
Asset Backed Securities	18	33,999	25,000	-	59,017
Commercial Paper	179,866	-	-	-	179,866
Corporate Notes	61,818	51,393	-	-	113,211
Negotiable Certificates of Deposit	75,037	-	-	-	75,037
Repurchase Agreements	144,687	-	-	-	144,687
State Local Agency Investment Fund	49,536	-	-	-	49,536
	<u>1,132,493</u>	<u>1,223,912</u>	<u>59,956</u>	<u>-</u>	<u>2,416,361</u>
Non-Pooled Investments with City Treasurer:					
U.S. Treasury Bills	3,448	-	-	-	3,448
U.S. Agencies - Federal Home Loan Bank	5,258	-	-	-	5,258
U.S. Agencies - Federal Home Loan Mortgage Corporation	19,836	-	-	-	19,836
U.S. Agencies - Federal National Mortgage Association	5,220	-	-	-	5,220
Commercial Paper	28,659	-	-	-	28,659
Repurchase Agreements	4,913	-	-	-	4,913
	<u>67,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,334</u>
Investments with Fiscal Agents, Funds Commission, and Blended Component Units:					
U.S. Treasury Bonds and Notes	7,084	49,138	22,702	37,149	116,073
U.S. Agencies - Federal Home Loan Bank	-	-	7,521	9,278	16,799
U.S. Agencies - Federal Home Loan Mortgage Corporation	10,287	-	-	-	10,287
U.S. Agencies - Federal National Mortgage Association	1,467	6,550	-	-	8,017
Commercial Paper	37,558	-	-	-	37,558
Common Stock ¹	3,397	-	-	-	3,397
Corporate Bonds and Notes	27,178	650	1,050	2,427	31,305
Exchange Traded Funds ¹	1,126	-	-	-	1,126
Government Mortgage Backed Securities	-	-	-	13	13
Guaranteed Investment Contracts	-	-	-	9,223	9,223
Money Market Mutual Funds	117,454	-	-	-	117,454
Mutual Funds - Equity ¹	371,254	-	-	-	371,254
Mutual Funds - Fixed Income	-	398,265	-	8,866	407,131
	<u>576,805</u>	<u>454,603</u>	<u>31,273</u>	<u>66,956</u>	<u>1,129,637</u>
Total Investments	<u>\$ 1,776,632</u>	<u>\$ 1,678,515</u>	<u>\$ 91,229</u>	<u>\$ 66,956</u>	<u>3,613,332</u>
Cash with Fiscal Agents					2,956
Cash on Hand - Petty Cash					203
Deposits - Held in Escrow Accounts					9,116
Deposits - Cash and Cash Equivalents (Not Pooled)					8,057
Deposits - Cash, Cash Equivalents, and Non-Negotiable Certificates of Deposit (Pooled)					880
Total Investments, Deposits, and Cash					<u>\$ 3,634,544</u>

¹ Common stock, exchange traded funds, and equity mutual funds do not have maturities.

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2012, the City's investments and corresponding credit ratings are as follows:

	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percentage</u>
Pooled Investments with City Treasurer:				
U.S. Treasury Notes	Exempt	Exempt	\$ 1,043,765	43.19%
U.S. Agencies - Federal Farm Credit Bank ¹	Aaa	Not Provided	135,792	5.62%
U.S. Agencies - Federal Home Loan Bank ¹	Aaa	Not Provided	269,967	11.17%
U.S. Agencies - Federal Home Loan Mortgage Corporation ¹	Aaa	Not Provided	80,425	3.33%
U.S. Agencies - Federal Home Loan Mortgage Corporation ¹	P-1	Not Provided	49,961	2.07%
U.S. Agencies - Federal National Mortgage Association ¹	Aaa	Not Provided	150,022	6.21%
U.S. Agencies - National Credit Union Association Notes	Aaa	Not Provided	20,000	0.83%
U.S. Agencies - Intl Bank of Reconstruction & Development	Aaa	Not Provided	35,078	1.45%
U.S. Agencies - International Finance Corporation	Aaa	Not Provided	9,997	0.41%
Asset Backed Securities	P-1	Not Rated	18	0.01%
Asset Backed Securities	Not Rated	AAA	50,000	2.06%
Asset Backed Securities	Aaa	Not Rated	8,999	0.37%
Commercial Paper	P-1	Not Provided	179,866	7.44%
Corporate Notes	Aaa	Not Provided	10,136	0.42%
Corporate Notes	Aa2	Not Provided	34,930	1.45%
Corporate Notes	Aa3	Not Provided	37,701	1.56%
Corporate Notes	A1	Not Provided	20,117	0.83%
Corporate Notes	A2	Not Provided	10,327	0.43%
Negotiable Certificates of Deposit	P-1	Not Provided	75,037	3.11%
Repurchase Agreements	Not Rated	Not Rated	144,687	5.99%
State Local Agency Investment Fund	Not Rated	Not Rated	49,536	2.05%
Subtotal - Pooled Investments			<u>2,416,361</u>	<u>100.00%</u>
Non-Pooled Investments with City Treasurer:				
U.S. Treasury Bills	Exempt	Exempt	3,448	5.12%
U.S. Agencies - Federal Home Loan Bank ¹	Aaa	Not Provided	3,760	5.58%
U.S. Agencies - Federal Home Loan Bank ¹	P-1	Not Provided	1,498	2.22%
U.S. Agencies - Federal Home Loan Mortgage Corporation ¹	P-1	Not Provided	19,836	29.46%
U.S. Agencies - Federal National Mortgage Association ¹	P-1	Not Provided	5,220	7.75%
Commerical Paper	P-1	Not Provided	28,659	42.56%
Repurchase Agreements	Not Rated	Not Rated	4,913	7.30%
Subtotal - Non-Pooled Investments			<u>67,334</u>	<u>100.00%</u>

(continued on next page)

	Moody's	S&P	Fair Value	Percentage
Investments with Fiscal Agents, Funds Commission, and Blended Component Units:				
U.S. Treasury Bonds and Notes	Exempt	Exempt	\$ 116,073	10.28%
U.S. Agencies - Federal Home Loan Bank	Aaa	Not Provided	9,278	0.82%
U.S. Agencies - Federal Home Loan Bank	Not Rated	AA+	7,521	0.67%
U.S. Agencies - Federal Home Loan Mortgage Corporation	P-1	Not Provided	10,287	0.91%
U.S. Agencies - Federal National Mortgage Association	Aaa	Not Provided	6,550	0.58%
U.S. Agencies - Federal National Mortgage Association	P-1	Not Provided	1,467	0.13%
Commercial Paper	P-1	Not Provided	37,558	3.32%
Common Stock	Not Rated	Not Rated	3,397	0.30%
Corporate Bonds and Notes	Aaa	Not Provided	27,075	2.39%
Corporate Bonds and Notes	Aa1	Not Provided	232	0.02%
Corporate Bonds and Notes	Aa2	Not Provided	356	0.03%
Corporate Bonds and Notes	Aa3	Not Provided	224	0.02%
Corporate Bonds and Notes	A1	Not Provided	971	0.09%
Corporate Bonds and Notes	A2	Not Provided	1,553	0.14%
Corporate Bonds and Notes	A3	Not Provided	211	0.02%
Corporate Bonds and Notes	Baa1	Not Provided	412	0.04%
Corporate Bonds and Notes	Baa2	Not Provided	271	0.02%
Exchange Traded Funds	Not Rated	Not Rated	1,126	0.10%
Government Mortgage Backed Securities	Not Rated	Not Rated	13	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	9,223	0.82%
Money Market Mutual Funds	Aaa	Not Provided	117,454	10.40%
Mutual Funds - Equity	Not Rated	Not Rated	371,254	32.86%
Mutual Funds - Fixed Income	Not Rated	Not Rated	407,131	36.03%
Subtotal - Other Investments			<u>1,129,637</u>	<u>100.00%</u>
Total Investments			3,613,332	
Cash with Fiscal Agents			2,956	
Cash on Hand - Petty Cash			203	
Deposits - Held in Escrow Accounts			9,116	
Deposits - Cash and Cash Equivalents (Not Pooled)			8,057	
Deposits - Cash, Cash Equivalents, and Non-Negotiable Certificates of Deposit (Pooled)			880	
Total Investments, Deposits, and Cash			<u>\$ 3,634,544</u>	

"Exempt" - Per GASB Statement No. 40, US Treasury Obligations do not require disclosure of credit quality.

"Not Provided" - S&P rating not provided, Moody's rating disclosed.

¹ More than 5% of total investments are with U.S. Agencies whose debt is not backed by the full faith and credit of the U.S. Government.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2012, the City exceeded the 5% limit of total investments for issuers of various U.S. Agencies. Investments exceeding the 5% limit are referenced in the credit ratings table above. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are exempt.

g. Custodial Credit Risk*Deposits*

At June 30, 2012, the carrying amount of the City's cash deposits was approximately \$11,893 and the bank balance was approximately \$34,597; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$11,954 was covered by federal depository insurance and approximately \$22,643 was uninsured. Pursuant to the California Government Code, California banks and savings and loan associations are required to secure the City's deposits not covered by federal depository insurance by pledging government securities as collateral. As such, \$14,548 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent, in the City's name. The City is exposed to custodial credit risk for the remaining \$8,095, which is uninsured and uncollateralized. The amount subject to custodial credit risk represents \$8,095 in deposits with the San Diego Data Processing Corporation.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately \$9,116. For the balance of deposits in escrow accounts, approximately \$1,788 was covered by federal depository insurance. The remaining balance of \$7,328 was uninsured, but collateralized and pledged at 110%. Pursuant to the California Government Code, California banks and savings and loans associations are required to secure the City's deposits in excess of insurance by pledging government securities as collateral.

Investments

The City's investments at June 30, 2012 are categorized as described below:

- Category 1: Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.
- Non-Categorized: Includes investments made directly with another party, real estate, direct investments in mortgages and other loans, open-end mutual funds, pools managed by other governments, annuity contracts, and guaranteed investment contracts.

At June 30, 2012, the City had investments exposed to custodial credit risk. Investments within the Cemetery Perpetuity Fund's portfolio were held by Northern Trust Bank, and were not in the City's name. The following summarizes the investment types and amounts that are exposed to custodial credit risk and are classified as Category 3:

<u>Investment Type</u>	<u>Fair Value</u>
Common Stock	\$ 3,320
Corporate Bonds and Notes	4,230
Exchange Traded Funds	1,126
Government Mortgage Backed Securities	13
U.S. Treasury Bonds and Notes	1,130
Total	<u>\$ 9,819</u>

h. Restricted Cash and Investments

Cash and investments at June 30, 2012 that are restricted by legal or contractual requirements are comprised of the following:

Nonmajor Governmental Funds:	
Debt Service	\$ 31,890
Permanent Endowments	18,776
Special Revenue	171
Total Nonmajor Governmental Funds	<u>50,837</u>
Nonmajor Enterprise Funds:	
Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs	46,152
Recycling Fund - Customer deposits	7,295
Total Nonmajor Enterprise Funds	<u>53,447</u>
Water Utility Enterprise Fund:	
Customer Deposits	5,451
Interest and Redemption Funds	91,381
Total Water Utility Enterprise Fund	<u>96,832</u>
Sewer Utility Enterprise Fund:	
Interest and Redemption Funds	90,860
Miscellaneous Agency Funds:	
Special Assessment Funds and Retention Held in Escrow Accounts	36,438
Trust Funds:	
Private Purpose Trust Fund	109,831
Total Restricted Cash and Investments	<u>\$ 438,245</u>

Summary of Total Cash and Investments

Total Unrestricted Cash and Investments	\$ 8,817,128
Total Restricted Cash and Investments	438,245
Total Cash and Investments	<u>\$ 9,255,373</u>
Total Governmental Activities	
Total Business-Type Activities	\$ 1,149,207
Total Fiduciary Activities	1,159,525
Total Cash and Investments	<u>\$ 6,946,641</u>
	<u>\$ 9,255,373</u>

San Diego City Employees' Retirement System (SDCERS) – Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (i. through t.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System as of June 30, 2012.

Summary of Cash and Investments – San Diego City Employees' Retirement System

Cash on Deposit with Wells Fargo Bank	\$ 1,319
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	165,136
Investments at Fair Value	
Domestic Fixed Income Securities	1,573,318
International Fixed Income Securities	164,475
Domestic Equity Securities	1,534,892
International Equity Securities	941,597
Global Equity Securities	262,850
Real Estate	534,742
Private Equity	155,834
Infrastructure	21,227
Securities Lending Cash Collateral	<u>265,439</u>
Total Cash and Investments for SDCERS	<u><u>\$ 5,620,829</u></u>

i. Investment Policy and Portfolio Risk

The Board of Administration of SDCERS (Board) has exclusive authority over the administration and investment of SDCERS' Trust Fund assets pursuant to Section 144 of the City Charter and the California State Constitution Article XVI, Section 17. The Board is authorized to invest in any securities that are allowed by general law for savings banks. The Board may also invest in additional investments as approved by resolution of the San Diego City Council. These investments include bonds, notes or other obligations, common stock, preferred stock, real estate investments, private equity, infrastructure and pooled vehicles. The risks and correlations of each asset class and investment manager are considered relative to an entire portfolio. Investment policies permit the Board to invest in financial futures contracts provided the contracts do not hedge SDCERS' Trust Fund portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts results in the recognition of a gain or loss under GASB Statement No. 25.

Investment earnings are recorded in accordance with GASB Statement No. 25. Net investment income includes the net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and other income not included in the appreciation (depreciation) in the fair value of investments, less total investment expenses, including investment management and custodial fees and all other significant investment-related costs. SDCERS had current year realized gains that totaled \$50,300 for the year ended June 30, 2012. Pursuant to the San Diego Municipal Code, realized gains and losses determine whether certain contingent benefits will be paid each fiscal year. Realized gains and losses are reported in the net appreciation (depreciation) in fair value of investments on the financial statements.

Through its investment objectives and policies, the Board has placed considerable importance on both generating a reasonable rate of return above inflation and on the preservation of capital. Investments are made only after the risk/reward trade-offs are evaluated.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on efficient model portfolios developed from an annual asset allocation study. The returns of fixed income strategies vary less than equity returns. SDCERS' target asset allocation policy is reviewed each year to reflect changes in capital market assumptions. SDCERS' long-term target allocation to fixed income strategies as of June 30, 2012 was 25%, which includes domestic fixed income and emerging market debt. The fixed income allocation is externally managed and is comprised as follows: 22% to core domestic fixed income (benchmarked to the Barclays Capital Aggregate Bond Index) and 3% to emerging market debt (benchmarked to the 50% JP Morgan Emerging Market Bond Index Global Diversified and 50% JP Morgan Global Bond Index-Emerging Global Diversified). A 2% target allocation to convertible bond securities (benchmarked to the Merrill Lynch Convertible Index, All Qualities) is not included in the fixed income allocation, but instead is included in the domestic equity allocation. However, given that these convertible securities have fixed income attributes, the convertible bond allocation is included in the Portfolio Risk analysis. SDCERS' overall portfolio diversification limits the fixed income invested in the debt security of any one issuer to 10% of the portfolio at the time of the initial commitment, except for U.S. Government obligations (or agencies and instruments of the U.S. Government) to minimize overall market and credit risk.

A copy of the SDCERS investment policy and additional details on the results of SDCERS' investment activities are available at 401 West A Street, Suite 400, San Diego, CA 92101.

j. Interest Rate Risk

SDCERS does not have a general investment policy that addresses interest rate risk. Each investment manager's specific investment guidelines places limits on each portfolio to manage interest rate risk. Fixed income portfolios use duration to measure how a change in interest rates will affect the value of the portfolio.

Convertible bonds are generally less sensitive to changes in interest rates and more sensitive to the profitability of the underlying issuer. Company fundamentals are the overriding factor in the bond's return, while fluctuations in interest rates have significantly less impact. The following table identifies the durations of SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2012.

Type of Security	Effective Duration (in years)	Fair Value ^{1,4}
Asset-Backed Securities	1.52	\$ 44,401
Adjustable Rate Mortgages	0.85	3,081
Commercial Mortgage-Backed Securities	3.21	38,283
Collateralized Mortgage Obligations	1.38	45,432
Corporate Bonds ²	4.45	211,408
Government & Agency Obligations:		
Agency Securities	3.19	28,625
Municipals	11.45	35,141
Other Government Securities	6.62	12,920
Pass-Thru Securities	2.57	298,817
Treasury Securities	7.84	203,689
Mortgage-Backed Securities	-0.31	21
Short-Term/Other: ³		
Foreign Currency ⁴	0.08	109,495
Money Market Securities	0.07	31,652
Total	3.99	\$ 1,062,965

¹ Fair Value does not include convertible bonds, mutual funds and derivative instruments of \$674,828. These securities do not exhibit interest rate risk and duration cannot be calculated.

² Corporates do not include convertible securities of \$109,187.

³ Short Term/Other does not include derivative instruments, short-term instruments and mutual funds of \$565,642.

⁴ Foreign Currency has been added to this schedule as the duration was available.

Source: SDCERS' CAFR as of June 30, 2012

k. Investments Highly Sensitive to Interest Rate Changes

Certain terms in fixed income securities may increase the sensitivity of their fair values to changes in interest rates. The Portfolio Duration Analysis table on the previous page discloses the degree to which SDCERS' investments are sensitive to interest rate changes due simply to the remaining term to maturity. The total value of securities, as of June 30, 2012, that are highly sensitive to interest rate changes due to factors other than term to maturity are shown in the following table.

Type of Security	Fair Value	Percent of Fixed Income Portfolio
Adjustable Rate Notes	\$ 10,015	0.6%
Asset-Backed Securities	45,521	2.6%
Floating Rate Notes	95,489	5.5%
Total	\$ 151,025	8.7%

Source: SDCERS' CAFR as of June 30, 2012

Although SDCERS does not have an investment policy that pertains directly to investments that are highly sensitive to interest changes, this risk is mitigated by diversification of issuer, credit quality, maturity and security selection.

l. Credit Risk

SDCERS employs two core bond managers that invest primarily in U.S. fixed income and derivative securities, fixed income mutual funds, and some non-U.S. fixed income securities. SDCERS also invests in two emerging market debt commingled funds and one passive core fixed income index fund. The investment management agreements between SDCERS and its two core bond managers contain specific investment guidelines that identify permitted fixed income investments. One of SDCERS' domestic core fixed income managers has tactical discretion to invest in non-U.S. fixed income securities while the other domestic core fixed income manager is limited to U.S. fixed income investments only.

The permitted securities and derivatives for the two domestic core fixed income managers include U.S. Government and agency obligations, collateralized mortgage obligations, U.S. corporate securities, commercial mortgage backed securities, asset backed securities, futures, forwards, options, interest rate swaps and credit default swaps. Investment guidelines include minimum average portfolio quality of AA- rating (market value weighted) and minimum credit quality at time of purchase of BBB- for the two domestic fixed income managers.

The permitted securities for SDCERS' domestic convertible bond portfolio include convertible bonds, convertible preferred stocks, common stocks (due to forced conversions) and synthetic convertibles. SDCERS' domestic convertible bond portfolio will generally maintain an average quality rating of at least B.

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2012.

S&P Quality Rating	Total Fair Value	Adjustable- Rate Mortgages	Asset- Backed Securities	Commercial Mortgage- Backed Securities	Collateralized Mortgage Obligations	Corporates ¹	Government & Agency Obligations ²	Mortgage- Backed Securities	Short-Term/ Other ³
US Treasury	\$ 203,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,689	\$ -	\$ -
GNMA Securities	8,309	650	-	-	4,084	-	3,575	-	-
AAA	349,796	2,431	10,898	16,552	26,995	3,199	289,700	21	-
AA+	25,969	-	4,127	1,101	-	4,474	16,267	-	-
AA	4,847	-	-	-	-	2,836	2,011	-	-
AA-	22,397	-	3,876	1,733	-	8,377	8,411	-	-
A+	29,019	-	-	5,469	-	9,655	13,895	-	-
A	34,721	-	944	2,187	-	18,823	7,067	-	5,700
A-	73,545	-	-	4,824	-	61,511	7,210	-	-
BBB+	12,645	-	854	-	-	11,791	-	-	-
BBB	17,198	-	-	-	-	15,027	2,171	-	-
BBB-	25,547	-	-	109	-	25,438	-	-	-
BB+	11,077	-	-	-	-	9,309	1,768	-	-
BB	4,948	-	-	-	-	4,948	-	-	-
BB-	5,015	-	-	-	57	4,958	-	-	-
B+	3,372	-	-	-	107	3,265	-	-	-
B-	4,036	-	-	-	487	1,865	1,684	-	-
CCC	2,494	-	-	-	-	2,494	-	-	-
NR	873,218	-	23,702	6,308	13,702	132,625	21,744	-	675,137
A-2	25,951	-	-	-	-	-	-	-	25,951
Totals	\$ 1,737,793	\$ 3,081	\$ 44,401	\$ 38,283	\$ 45,432	\$ 320,595	\$ 579,192	\$ 21	\$ 706,788

¹ Corporates include convertible bonds from SDCERS' convertible bond manager.

² Includes international and municipal holdings.

³ Includes fixed income mutual fund investments of \$675,705. These institutional quality fund investments are not directly rated by major credit rating agencies such as S&P, although the underlying securities are rated. Instead, these fund investments are managed to an average credit rating for the entire fund. The following table depicts the average credit rating for each fund.

Name of Institutional Mutual Fund	Fair Value	Average Credit Rating
BlackRock U.S. Debt NL Fund	\$ 311,268	AA
MetWest Enhanced TALF Strategy	25,900	AAA
MetWest High Yield Fund B	19,714	B+
PIMCO PAPS Real Return Bond Portfolio	41,565	AAA
PIMCO PAPS International Portfolio	17,393	AA+
PIMCO PAPS Short-Term Floating NAV II Portfolio	100,991	AAA
Stone Harbor Emerging Markets Debt Blend Portfolio	76,950	BBB
Wellington Trust Company CIF II Opportunistic Emerging Markets Debt Portfolio	81,924	BBB
Total	\$ 675,705	

Source: SDCERS' CAFR as of June 30, 2012

m. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2012, SDCERS had no single issuer that exceeded 5% of total investments as required to be disclosed by GASB Statement No. 40 or 5% of plan net assets as required to be disclosed by GASB Statement No. 25, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments. With respect to the concentration of credit risk by issue, SDCERS' Investment Policy states that not more than 10% of the fixed income portfolio shall be invested in the debt security of any one issuer at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

n. Custodial Credit Risk

Custodial credit risk is the risk that if a financial institution or counterparty fails, SDCERS would not be able to recover the value of its deposits, investments, or securities. SDCERS does not have a specific policy relating to custodial credit risk. SDCERS' exposure to custodial credit risk is further discussed in the following paragraphs.

Deposits

At June 30, 2012 SDCERS' cash balance was \$1,319. SDCERS' cash deposits held in a demand deposit account (DDA) are subject to custodial credit risk. Cash on deposit with SDCERS' custodial bank totaled \$5,900 as of June 30, 2012. SDCERS' custodied assets held by State Street are not available to satisfy the obligations of State Street to its creditors.

Investments

As of June 30, 2012, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

Securities Lending Collateral

SDCERS' custodial bank acts as its securities lending agent. SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of non-cash collateral totaled \$55,200 as of June 30, 2012. The non-cash collateral is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled \$267,200 as of June 30, 2012, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pool are disclosed in the Securities Lending section.

o. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities held in a foreign currency as of June 30, 2012.

<u>Local Currency Name</u>	<u>Cash</u>	<u>Equity</u>	<u>Fixed income</u>	<u>Real Estate</u>	<u>Total</u>
Australian Dollar	\$ 94	\$ 9,832	\$ -	\$ 5,097	\$ 15,023
Canadian Dollar	(513)	12,232	10,926	2,915	25,560
Chinese Renminbi	(57)	-	-	-	(57)
Chinese Yuan	57	-	-	-	57
Danish Krone	5	3,215	-	-	3,220
Euro Currency	9,579	90,633	17,641	19,500	137,353
Hong Kong Dollar	17	11,175	-	5,583	16,775
Israeli Shekel	126	1,656	-	-	1,782
Japanese Yen	1,401	84,962	-	5,816	92,179
New Zealand Dollar	11	1,036	-	-	1,047
Norwegian Krone	2	-	-	260	262
Singapore Dollar	20	2,803	-	2,720	5,543
South Korean Won	29	2,995	-	-	3,024
Swedish Krona	1	6,444	-	569	7,014
Swiss Franc	105	23,609	-	788	24,502
Taiwan Dollar	28	-	-	-	28
United Kingdom Pound	85	65,982	1,386	3,485	70,938
Totals	\$ 10,990	\$ 316,574	\$ 29,953	\$ 46,733	\$ 404,250

This schedule does not include foreign currency exposure to two international equity, one global equity, and three fixed income institutional mutual fund investments.

Source: SDCERS' CAFR as of June 30, 2012

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held by SDCERS as an investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended to settle trades. A significant component of the diversification benefit of non-domestic investments comes from foreign currency exposure. SDCERS does not have a general investment policy in place to manage foreign currency risk or to hedge against fluctuations in foreign currency exposure. Instead, SDCERS' investment managers may hedge currencies at their discretion pursuant to their specific investment guidelines included in each of their investment management agreements.

p. Derivative Instruments

Pursuant to the requirements of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, SDCERS has provided a summary of derivative instrument activities during the reporting period and the related risks. As of June 30, 2012, the derivative instruments held by SDCERS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized in the SDCERS Statement of Changes in Plan Net Assets.

SDCERS' investment managers, as permitted by their specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the SDCERS' Investment Policy Statement. These instruments include futures, options, swaps, forwards, warrants and rights. By Board policy, these investments may not be used to leverage SDCERS' portfolio, i.e. use derivatives to increase the portfolio's notional exposure to any given asset class. These instruments are used in an attempt to enhance a portfolio's performance and/or reduce the portfolio's risk.

All investment derivatives discussed below are addressed in the Investment Policy and Portfolio Risk discussion (section i). Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The following table provides a summary of the derivative instruments outstanding as of June 30, 2012.

Investment Derivative Instruments	Net Appreciation (Depreciation) in Fair Value	Fair Value at June 30, 2012			
	Amount	Classification	Amount	Notional (Dollars)	Notional (Shares)
Credit Default Swaps	\$ (715)	Domestic Fixed Income	\$ (1,242)	\$ 69,590	
Fixed Income Futures	3,983	Domestic Fixed Income	-	52,400	
Fixed Income Options	(895)	Domestic Fixed Income	(132)	(276,200)	
Foreign Currency Futures	(739)	Domestic Fixed Income	-	4,600	
Futures Options Written	992	Domestic Fixed Income	(19)	(82)	
Foreign Currency Forwards	5,508	Domestic Fixed Income	(7)	37,159	
Index Futures	(26,144)	Domestic Fixed Income	-	79	
Interest Rate Swaps	(2,204)	Domestic Fixed Income	(642)	18,110	
Rights	35	Domestic Equity	-	-	-
Warrants	36	Domestic Equity	-	-	9
Total Derivative Instruments	\$ (20,143)		\$ (2,042)	\$ (94,344)	9

Source: SDCERS' CAFR as of June 30, 2012

Some derivative instruments, such as credit default swaps and interest rate swaps, are not exchange traded and are priced using quarterly Over-the-Counter trading data.

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the futures contracts do not have a fair value as of June 30, 2012. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under net appreciation (depreciation) in fair value of investments as they are incurred.

Foreign currency forward contracts are obligations to buy or sell a currency at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forwards is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2012.

Counterparty Credit Risk

The following table illustrates the counterparty credit ratings of SDCERS' non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2012:

<u>Counterparty Name</u>	<u>Fair Value</u>	<u>S&P Rating</u>
BNP Paribas SA	\$ 117	AA-
Bank of America N.A.	95	A
Credit Suisse FOB CME	91	A+
Goldman Sachs International	81	A-
Citibank N.A.	57	A
Morgan Stanley CME	53	A-
UBS CME	24	A
JPMorgan Chase Bank	20	A+
Deutsche Bank AG London	18	A+
JPMorgan Chase Bank N.A.	15	A+
Royal Bank of Scotland PLC	6	A
Westpac Banking Corporation	6	AA-
Total	<u>\$ 583</u>	

Source: SDCERS' CAFR as of June 30, 2012

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2012 was \$583. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2012, SDCERS did not have any significant exposure to counterparty credit risk with any single party. SDCERS does not have any specific policies relating to the posting of collateral or master netting agreements.

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2012, all of SDCERS' investments in derivative instruments were held in SDCERS' name and were not exposed to custodial credit risk.

Interest Rate Risk

At June 30, 2012, SDCERS was exposed to interest rate risk on its investments in interest rate swaps, options, and credit default swaps. The table below illustrates the maturity periods of these derivative instruments.

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Credit Default Swaps	\$ (1,242)	\$ 25	\$ (657)	\$ (610)	\$ -
Fixed Income Options	(132)	(83)	(7)	(42)	-
Interest Rate Swaps	(642)	-	24	-	(666)
Total	\$ (2,016)	\$ (58)	\$ (640)	\$ (652)	\$ (666)

Source: SDCERS' CAFR as of June 30, 2012

Derivative Instruments Highly Sensitive to Interest Rate Changes

Credit default swaps, fixed income futures, options and interest rate swaps are highly sensitive to changes in interest rates. The table below reflects the fair value and notional amount of these derivative instruments as of June 30, 2012.

Investment Type	Fair Value	Notional
Credit Default Swaps	\$ (1,242)	\$ 69,590
Fixed Income Futures	-	52,400
Fixed Income Options	(132)	(276,200)
Interest Rate Swaps	(642)	18,110
Total	\$ (2,016)	\$ (136,100)

Source: SDCERS' CAFR as of June 30, 2012

Foreign Currency Risk

At June 30, 2012, SDCERS was exposed to foreign currency risk on its investments in options, currency forward contracts and interest rate swaps denominated in foreign currencies.

Currency Name	Options	Foreign Currency Forwards		Swaps	Total
		Net Receivables	Net Payables		
Australian Dollar	\$ -	\$ 12	\$ (15)	\$ -	\$ (3)
Canadian Dollar	-	-	(71)	-	(71)
Euro Currency	-	97	(11)	(62)	24
Pound Sterling	-	-	(19)	-	(19)
Subtotal	-	109	(116)	(62)	(69)
Investments Denominated in USD	(152)	-	-	(1,821)	(1,973)
Total	\$ (152)	\$ 109	\$ (116)	\$ (1,883)	\$ (2,042)

Source: SDCERS' CAFR as of June 30, 2012

In addition to the investments listed in the above table, SDCERS has investments in foreign futures contracts with a total notional value of \$3,500. As indicated previously, futures variation margin amounts are settled each trading day and recognized as realized gains/losses as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2012.

Contingent Features

At June 30, 2012, SDCERS did not hold any positions in derivatives containing contingent features.

q. Infrastructure

SDCERS' target allocation to infrastructure is 3%, with a portfolio composition focused on value and current income-producing strategies. Unfunded capital commitments as of June 30, 2012 totaled \$181,200. As of June 30, 2012, infrastructure investments totaled \$21,227.

r. Private Equity

SDCERS' target allocation to private equity is 5%, with a portfolio composition focused on value and current income-producing strategies. As of June 30, 2012, unfunded capital commitments totaled \$167,100 and private equity investments totaled \$155,834.

s. Real Estate

SDCERS' target allocation to real estate is 11%. The Board has established the following portfolio composition targets: 10% in public real estate securities and 90% in private real estate investments. The private portfolio is further diversified with a target of 70% in core real estate and 30% in value-add and opportunistic real estate. No more than 40% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities pursuant to a policy adopted by the Board in FY 2007.

Certain real estate investments are leveraged. In those cases, partnerships have been established to purchase properties through a combination of equity contributions from SDCERS, other investors and through the utilization of debt. SDCERS engages real estate advisors and operating partners who are responsible for managing a portfolio's daily activities, performance and reporting. As of June 30, 2012, real estate investments totaled \$534,742 and unfunded capital commitments totaled \$154,700. SDCERS' share of outstanding debt in the real estate portfolio is \$127,000, excluding obligations of limited partnership interests in commingled funds. This balance of debt is comprised of all non-recourse loans that currently bear interest at rates ranging from 3.45% to 6.04% and maturity dates that range from June 2013 through November 2025. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2012, SDCERS' real estate portfolio had leverage of 38.7%.

t. Securities Lending

SDCERS has entered into an agreement with State Street Bank and Trust Company (State Street), its custodial bank, to lend domestic and international equity and fixed income securities to broker-dealers and banks in exchange for pledged collateral that will be returned for the same securities plus a fee in the future. All securities loans can be terminated on demand by either the lender or the borrower.

State Street manages SDCERS' securities lending program and receives cash and/or securities as collateral. Borrowers are required to deliver collateral for each loan equal to at least 102% for domestic loans and 105% for international loans. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default.

SDCERS had no credit risk exposure to borrowers because the amounts provided to State Street on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return or pay distributions on a loaned security. SDCERS incurred no losses during the fiscal year resulting from a default of the borrowers or State Street. Non-cash collateral (securities and letters of credit) cannot be pledged or sold without a borrower default and are therefore not reported in SDCERS' financial statements.

When lending its securities on a fully collateralized basis, SDCERS may encounter various risks related to securities lending agreements. These risks include operational risk, borrower or counterparty default risk, and collateral reinvestment risk. State Street is required to maintain its securities lending program in compliance with applicable laws of the United States and all countries in which lending activities take place, as well as all rules, regulations, and exemptions from time to time promulgated and issued under the authority of those laws.

As of June 30, 2012, securities on loan collateralized by cash had a fair value of \$264,100 and SDCERS received cash collateral of \$267,200, which was reported as securities lending obligations in the accompanying Statement of Plan Net Assets in accordance with GASB Statement No. 28. The collateral value exceeds the fair value of the securities on loan because borrowers are required to deliver collateral for each loan up to 102% for domestic loans and 105% for international loans. As of June 30, 2012, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$52,400 and a collateral value of \$55,200, which were not reported as assets or liabilities in the accompanying Statement of Plan Net Assets in accordance with GASB Statement No. 28. The total collateral pledged to SDCERS at June 30, 2012 for its securities lending activities was \$322,400.

SDCERS and the borrowers maintain the right to terminate securities lending transactions upon notice. The cash collateral received for lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund, or collateral pool. In July 2010, State Street restructured the securities lending collateral funds creating two pools, a liquidity pool and a duration pool. As of June 30, 2012, these collateral pools were not rated by the nationally-recognized statistical rating organizations (NRSROs).

As of June 30, 2012, SDCERS had \$245,900 invested in the Quality D liquidity collateral pool, which had an average duration of 36 days and an average weighted final maturity of 73 days. SDCERS had \$19,500 invested in the Quality D duration pool, which had an average duration of 40 days and an average weighted final maturity of 1,329 days. Duration is the weighted time average until cash flows are received in the collateral pool, and is measured in days. Alternatively, the weighted average final maturity measures when all final maturities in the portfolio will occur. The duration of the investments made with cash collateral does not generally match the duration of the loans. This is because the loans are terminable at any time by SDCERS or the borrower.

Discretely Presented Component Units – Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (u. through v.) are taken directly from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2012.

u. San Diego Convention Center Corporation

Cash, deposits and investments for SDCCC were categorized as follows at June 30, 2012:

Cash on hand	\$ 205
Deposits	131
Certificates of deposit (non-negotiable)	1,207
Bank money market account deposits	11,846
Total cash and investments	<u>\$ 13,389</u>

Out of the total cash balances listed above, \$1,737 represents unspent cash surcharges collected and earned from Civic Theatre events that are restricted for theatre renovation use as mandated by the governing body.

Deposits

On June 30, 2012, the carrying amount of SDCCC's cash on hand, deposits, non-negotiable certificates of deposit and bank money market account deposits was \$13,389 and the bank balance was \$13,943. Of the bank balance, \$631 was covered by federal depository insurance. The remaining uninsured balance of \$13,312 was collateralized with the collateral held by an affiliate of the counterparty's financial institution. Neither the bank money market account deposits nor the certificates of deposit are rated by credit rating agencies. The \$1,207 invested in non-negotiable certificates of deposit bear interest rates of 0.4% and have maturities greater than three months and less than one year.

Investments

SDCCC developed a formal deposit and investment policy in August 2010, which addresses custodial credit risk, credit quality risk and allowable investments. SDCCC places no limit on the amount that may be invested in any one account or fund. SDCCC's allowable investments include: obligations of the U.S. government, its agencies and instrumentalities, investment grade state and local government securities, certificates of deposit, bankers' acceptances, repurchase agreements, and money market mutual funds whose portfolios consist of only domestic securities.

v. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2012 consisted of the following:

Deposits	\$ 7,985
Petty cash	17
Cash held in investment account	2
Agency Bonds	70,043
Bankers Acceptance Notes	1,117
Corporate Bonds	10,988
Local Agency Investment Fund	9,887
San Diego County Investment Pool	<u>22,335</u>
Total cash and investments	122,374
Restricted cash and cash equivalents	<u>3,665</u>
Total	<u>\$ 126,039</u>

Deposits

The carrying amount of the San Diego Housing Commission's (SDHC) deposits, cash and petty cash was \$8,004. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California banks and savings and loan associations to secure SDHC's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SDHC's name.

The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows institutions to secure SDHC's deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits. SDHC may waive collateral requirements for cash deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investment Policy

In accordance with state statutes and HUD regulations, SDHC has authorized the Chief Financial Officer (CFO) or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the SDHC Investment Policy. An Investment Committee, consisting of two SDHC Board members, monitors the management of funds and compliance with the SDHC Investment Policy.

SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. Working with the investment committee and staff, the advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

Investments in the State's Local Agency Investment Fund and San Diego County Investment Pool represent SDHC's equity in pooled investments. Other investments such as certificates of deposits, bonds, repurchase agreements, bankers acceptance notes and checking accounts are safe kept with commercial banking and investing institutions.

Investments

As of June 30, 2012, SDHC's investments included agency bonds, bankers acceptance notes, corporate bonds, California Local Agency Investment Fund (LAIF) and San Diego County Investment Pool (SDCIP). SDHC's investments under U.S. Government Agency bonds are made up of Mortgage-Backed Security (MBS) bonds traded on an active secondary market. MBS Bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality consumer or commercial mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). While Standard & Poor's and Moody's do not specifically rate MBS, they carry an implied rating based on the high quality collateral that backs the bonds and the AAA rating by Moody's (AA+ by S&P) of the GSE (Fannie/Freddie) that issues/guarantees them. At June 30, 2012, SDHC had \$70,043 invested in Agency MBS.

Bankers acceptance notes are short-term debt instruments guaranteed by both a borrowing firm and a commercial bank. They are issued at a discount with maturities of up to 180 days. As of June 30, 2012, SDHC had \$1,117 invested in bankers acceptance notes issued through U.S. Bank and held in a safekeeping account in SDHC's name.

SDHC's investment in corporate bonds represent an investment in FDIC-guaranteed floating rate corporate debt securities (floaters) explicitly backed by the U.S. government. Unlike fixed rate instruments, the coupon rate on these floating-rate securities resets every 3 months based on the 90 day London Inter-Bank Offer Rate (LIBOR) index plus a margin or basis points. At June 30, 2012, SDHC had \$10,988 invested in FDIC insured corporate floating rate bonds.

SDHC participates in the State's LAIF. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain SDHC's assets. PMIA is not registered with the Securities and Exchange Commission (SEC) but is required to invest in accordance with California State Code. As of June 30, 2012, the average maturity of PMIA investments was 270 days and the balance of the investment portfolio was \$60,502. SDHC had \$9,887 invested with LAIF as of June 30, 2012.

In addition to LAIF, SDHC also participates in the SDCIP. SDCIP is a Standard & Poor's AAA rated fund managed by the San Diego County Treasurer-Tax Collector. The fair value of SDCIP's investment portfolio at June 30, 2012 was \$6,148. The investment portfolio had a weighted average yield to maturity of 0.51%, weighted days to maturity of 370 days and an effective duration of 0.68 years. SDHC is a voluntary participant in the County pool and as of June 30, 2012, SDHC had \$22,335 invested in SDCIP.

Investment Risk Factors

There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk and market risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates. It is the investment policy of SDHC to invest substantially all of its funds in fixed income securities, which limits the SDHC's exposure to most types of risk.

Market Risk

Market risk is the risk that the value of an investment will change due to changes in the financial market. Changes in market conditions can increase Interest Rate Risk, Liquidity Risk and Reinvestment Risk.

Interest Rate Risk is the risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes.

Liquidity Risk is the risk of being unable to liquidate an investment prior to maturity. Related to liquidity risk is the concept of marketability, or the ability to sell an instrument on short notice without incurring a meaningful loss in price.

Reinvestment Risk is the risk that the proceeds from a fixed-income security cannot be reinvested at less than the same rate of return currently generated by that holding. This risk is common with securities that are callable.

In accordance with its investment policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions. SDHC's exposure to market risk as of June 30, 2012 is as follows:

	Total Fair Value	Less Than 3 Months	4-12 Months	1-5 Years
Cash and Cash Equivalents:				
Deposits	\$ 7,985	\$ 7,985	\$ -	\$ -
Investment Other	2	2	-	-
Petty Cash	17	17	-	-
Restricted Cash and Cash Equivalents	3,665	3,665	-	-
Total Cash and Cash Equivalents	11,669	11,669	-	-
Short-Term Investments:				
U.S. Government Agency	20,100	4,363	15,737	-
Bankers Acceptance Notes	1,117	1,117	-	-
San Diego County Investment Pool	22,335	-	-	22,335
State Local Agency Investment Fund	9,887	-	9,887	-
Total Short-Term Investments	53,439	5,480	25,624	22,335
Long-Term Investments:				
U.S. Government Agency	49,943	-	-	49,943
Corporate Bonds	10,988	-	-	10,988
Total Long-Term Investments	60,931	-	-	60,931
Total Cash, Cash Equivalents, and Investments	\$ 126,039	\$ 17,149	\$ 25,624	\$ 83,266

Credit Risk

Fixed income securities are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in the investment policy. In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC diversifies the portion of the investment portfolio not invested in U.S. Treasury Bills, Notes, Bonds, and collateralized certificates of deposit to minimize potential losses from any one type of security or issuer.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing SDHC to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools such as LAIF and SDCIP are not considered subject to concentration of credit risk.

Custodial Credit Risk

Custodial risk is the risk that, in the event of the failure of the custodian, the investments may not be returned. Bonds are purchased through a Merrill Lynch account in SDHC's name. All securities are held in safekeeping by Merrill Lynch and are covered by Securities Investor Protection Corporation (SIPC) and a separate Lloyd's of London policy for a combined aggregate limit of \$600 million.

The exposure of SDHC's debt securities to credit risk as of June 30, 2012 is as follows:

	Standard & Poor's Credit Rating				Not Subject to Rating
	Total Fair Value	AAA	AA	A	
Cash and Cash Equivalents:					
Cash and Cash Equivalents	\$ 8,004	\$ -	\$ -	\$ -	\$ 8,004
Restricted Cash and Cash Equivalents	3,665	-	-	-	3,665
Total Cash and Cash Equivalents	11,669	-	-	-	11,669
Short-Term Investments:					
U.S. Government Agency	20,100	-	-	-	20,100
Bankers Acceptance Notes	1,117	-	-	1,117	-
San Diego County Investment Pool	22,335	22,335	-	-	-
State Local Agency Investment Fund	9,887	-	-	-	9,887
Total Short-Term Investments	53,439	22,335	-	1,117	29,987
Long-Term Investments:					
U.S. Government Agency	49,943	-	-	-	49,943
Corporate Bonds	10,988	-	7,388	3,600	-
Total Long-Term Investments	60,931	-	7,388	3,600	-
Total Cash, Cash Equivalents, and Investments	\$ 126,039	\$ 22,335	\$ 7,388	\$ 4,717	\$ 41,656

4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2012 was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land & Rights of Way	\$ 1,811,971	\$ 8,218	\$ (74,910)	\$ 83	\$ 1,745,362
Easements	277	8	-	5	290
Construction in Progress	221,796	157,819	(37,898)	(25,481)	316,236
Total Non-Depreciable Capital Assets	2,034,044	166,045	(112,808)	(25,393)	2,061,888
Depreciable Capital Assets:					
Structures and Improvements	1,191,582	5,159	(36,064)	3,478	1,164,155
Equipment	356,388	29,067	(32,042)	10,222	363,635
Equipment (Intangible)	38,127	-	-	(7)	38,120
Infrastructure	3,330,647	35,760	(73)	11,700	3,378,034
Total Depreciable Capital Assets	4,916,744	69,986	(68,179)	25,393	4,943,944
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(403,723)	(33,699)	11,044	(282)	(426,660)
Equipment	(214,368)	(30,581)	30,341	-	(214,608)
Equipment (Intangible)	(3,813)	(3,812)	-	-	(7,625)
Infrastructure	(1,814,684)	(88,048)	6	282	(1,902,444)
Total Accumulated Depreciation/Amortization	(2,436,588)	(156,140)	41,391	-	(2,551,337)
Total Depreciable Capital Assets - Net of Depreciation	2,480,156	(86,154)	(26,788)	25,393	2,392,607
Governmental Activities Capital Assets, Net	<u>\$ 4,514,200</u>	<u>\$ 79,891</u>	<u>\$ (139,596)</u>	<u>\$ -</u>	<u>\$ 4,454,495</u>
BUSINESS-TYPE ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land & Rights of Way	\$ 95,442	\$ 1	\$ -	\$ 12	\$ 95,455
Easements	44	363	-	21	428
Construction in Progress	215,929	126,680	(4,210)	(115,390)	223,009
Total Non-Depreciable Capital Assets	311,415	127,044	(4,210)	(115,357)	318,892
Depreciable Capital Assets:					
Structures and Improvements	1,767,118	4,717	(2,716)	(97,518)	1,671,601
Equipment	435,858	3,386	(3,559)	18,906	454,591
Equipment (Intangible)	-	6,287	-	14,235	20,522
Distribution & Collection Systems and Other Infrastructure	4,034,297	63,673	(2,365)	179,734	4,275,339
Total Depreciable Capital Assets	6,237,273	78,063	(8,640)	115,357	6,422,053
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(427,057)	(35,862)	2,562	4,910	(455,447)
Equipment	(281,778)	(16,829)	2,623	3,073	(292,911)
Distribution & Collection Systems and Other Infrastructure	(852,593)	(63,800)	1,750	(7,983)	(922,626)
Total Accumulated Depreciation/Amortization	(1,561,428)	(116,491)	6,935	-	(1,670,984)
Total Depreciable Capital Assets - Net of Depreciation	4,675,845	(38,428)	(1,705)	115,357	4,751,069
Business-Type Activities Capital Assets, Net	<u>\$ 4,987,260</u>	<u>\$ 88,616</u>	<u>\$ (5,915)</u>	<u>\$ -</u>	<u>\$ 5,069,961</u>

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

Governmental Activities:

General Government and Support	\$ 6,832
Public Safety - Police	4,304
Public Safety - Fire and Life Safety and Homeland Security	3,607
Parks, Recreation, Culture and Leisure	38,512
Transportation	76,015
Sanitation and Health	674
Neighborhood Services	<u>1,483</u>
Subtotal	131,427
Internal Service	<u>24,713</u>
Total Depreciation/Amortization Expense	<u>\$ 156,140</u>

Business-Type Activities:

Sewer Utility	\$ 65,186
Water Utility	46,030
Airports	599
Development Services	58
Environmental Services	3,385
Golf Course	1,132
Recycling	<u>101</u>
Total Depreciation/Amortization Expense	<u>\$ 116,491</u>

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2012 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corporation			
	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	\$ 16,594	\$ 771	\$ -	\$ 17,365
Depreciable Capital Assets:				
Structures and Improvements	29,501	1,948	(538)	30,911
Equipment	9,123	468	(825)	8,766
Total Depreciable Capital Assets	38,624	2,416	(1,363)	39,677
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(15,829)	(1,969)	397	(17,401)
Equipment	(7,907)	(447)	822	(7,532)
Total Accumulated Depreciation/Amortization	(23,736)	(2,416)	1,219	(24,933)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	14,888	-	(144)	14,744
Capital Assets, Net	<u>\$ 31,482</u>	<u>\$ 771</u>	<u>\$ (144)</u>	<u>\$ 32,109</u>

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	\$ 60,441	\$ 122	\$ -	\$ 60,563
Construction in Progress	466	9,365	-	9,831
Total Non-Depreciable Capital Assets	60,907	9,487	-	70,394
Depreciable Capital Assets:				
Structures and Improvements	102,442	-	-	102,442
Equipment	3,213	361	(80)	3,494
Total Depreciable Capital Assets	105,655	361	(80)	105,936
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(12,239)	(3,469)	-	(15,708)
Equipment	(2,310)	(451)	30	(2,731)
Total Accumulated Depreciation/Amortization	(14,549)	(3,920)	30	(18,439)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	91,106	(3,559)	(50)	87,497
Capital Assets, Net	<u>\$ 152,013</u>	<u>\$ 5,928</u>	<u>\$ (50)</u>	<u>\$ 157,891</u>

Capital asset activities for the City's Successor Agency for the year ended June 30, 2012 are as follows:

	Successor Agency Private-Purpose Trust Fund				
	Beginning Balance	Transfers from City	Increases	Decreases/ Adjustments	Ending Balance
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	\$ -	\$ 74,229	\$ -	\$ -	\$ 74,229
Construction in Progress	-	-	-	-	-
Total Non-Depreciable Capital Assets	-	74,229	-	-	74,229
Depreciable Capital Assets:					
Structures and Improvements	-	50,971	-	-	50,971
Equipment	-	11	-	-	11
Total Depreciable Capital Assets	-	50,982	-	-	50,982
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	-	-	(620)	-	(620)
Equipment	-	-	(3)	-	(3)
Total Accumulated Depreciation/Amortization	-	-	(623)	-	(623)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	-	50,982	(623)	-	50,359
Capital Assets, Net	\$ -	\$ 125,211	\$ (623)	\$ -	\$ 124,588

5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (IN THOUSANDS)

a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2012 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2012
Compensated Absences				\$ 70,993
Liability Claims				278,151
Capital Lease Obligations	1.89 - 4.88%	2023		69,638
Qualified Energy Conservation Bonds Lease Obligation	6.16 ¹	2026	\$ 13,142	12,392
<u>Contracts Payable:</u>				
Facilities Financing Reimbursement Agreement Obligations				17,421
<u>Loans Payable:</u>				
California Energy Resources Conservation and Development Commission, dated January 2007	4.5	2021	1,280	978
California Energy Resources Conservation and Development Commission, dated March 2007	3.95	2019	2,154	1,302
California Energy Resources Conservation and Development Commission, dated December 2011	3.0	2023	2,700	2,700
Bank of America, N.A. McGuigan Judgment, dated June 2010	3.79 ²	2015	32,762	<u>25,031</u>
Total Loans Payable				<u>30,011</u>
Section 108 Loans Payable				8,737
<u>Revenue Bonds / Lease Revenue Bonds / COPs:</u>				
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0 ³	2032	25,070	20,545
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375 ³	2023	15,255	10,025
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0 ³	2024	17,425	7,240
Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007 A	5.0 - 5.25 ³	2032	156,560	138,200
Public Facilities Financing Authority Lease Revenue Refunding Bonds, Series 2010 A	3.0-5.25 ³	2040	167,635	165,180
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 2012 A	3.8 - 5.25 ³	2028	140,440	<u>140,440</u>
Total Revenue Bonds / Lease Revenue Bonds / COPs				<u>481,630</u>
<u>Tobacco Settlement Asset-Backed Bonds:</u>				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125 ³	2023	105,400	<u>86,195</u>
Total Bonds Payable				<u>567,825</u>
Net Other Postemployment Benefits Obligation				191,122
Net Pension Obligation				<u>116,834</u>
Total Governmental Activities Long-Term Liabilities				<u>\$ 1,363,124</u>

¹ Nominal interest rate of 6.16% with a net effective rate of 2.40% inclusive of QECB federal subsidy.

² McGuigan Judgment loan payable has a 3.79% fixed rate for term of borrowing subject to increase if there is a rating downgrade or an Event of Default.

³ Interest rates are fixed and reflect the range of rates for various maturities from the date of issuance to maturity.

Arbitrage Rebate Liability is calculated via third party providers in accordance with the provisions of the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations effective as of July 1, 1993, as amended.

Liability claims are primarily liquidated by the Self Insurance (Internal Service) Fund and Enterprise Funds. Compensated absences are generally liquidated by the general fund, enterprise funds, and certain internal service funds. Pension liabilities are paid out of the operating funds based on a percentage of payroll.

Taxable QECBs were issued pursuant to the America Recovery and Reinvestment Act of 2009. The QECB financing is eligible for the direct interest subsidy payment from the U.S. Department of the Treasury within the meaning of Section 54(D)a of the Internal Revenue Code of 1986, as amended. The QECBs were issued to fund the Broad Spectrum Street Lighting Conversion Program and will be paid from annual appropriations payable out of any source of legally available funds.

Facilities Financing Reimbursement Agreements are contract provisions whereby a developer either constructs or provides funding towards a public improvement project which is included as part of an approved City Public Facilities Financing Plan. Typical improvements constructed under this program are transportation projects, parks, fire stations, and libraries. A developer is obligated to provide the infrastructure and is later reimbursed or provided program credits against future Facilities Benefit Assessment (FBA) or Development Impact Fees (DIF) payments due up to the amount of the eligible infrastructure costs as stated in an approved reimbursement agreement. Provisions of reimbursement agreements only permit FBA/DIF cash reimbursement as funds become available, rather than at a certain time, and bears no interest.

On June 30, 2010, the City entered into an Agreement Regarding Purchase of McGuigan Judgment with Bank of America, N.A. (BANA). The Agreement is related to the Settlement Agreement and Judgment between William J. McGuigan (Class Representative) and the City of San Diego, under which the City agreed to pay SDCERS \$173,000 in excess of the ARC no later than June 8, 2011. As of June 30, 2010, a balance of \$32,762 was owed to SDCERS. Under the terms of the Agreement, the outstanding balance on the McGuigan Judgment was transferred to BANA as a loan payable of the City and will be repaid in four annual payments beginning in fiscal year 2012. The Judgment Installment Payments to BANA have a fixed rate of 3.79% unless the City's long-term general obligation indebtedness rating is lowered, withdrawn, suspended or upon the occurrence of an Event of Default.

Section 108 loans are the loan guarantee provisions of the Community Development Block Grant (CDBG) program. Section 108 loans provide the community with a source of financing for economic development, housing rehabilitation, public facilities, and capital improvement and infrastructure projects.

Public safety general obligation bonds are secured by a pledge of the full faith and credit of the City or by a pledge of the City to levy ad valorem property taxes without limitation. The outstanding balance of the City's general obligation bonds was paid off in fiscal year 2012.

Revenue bonds are secured by a pledge of specific revenue generally derived from fees or service charges related to the operation of the project being financed. Certificates of Participation (COPs) and lease revenue bonds provide long-term financing through a lease agreement, installment sales agreement, or loan agreement that does not constitute indebtedness under the state constitutional debt limitation and is not subject to other statutory requirements applicable to bonds.

Tobacco Settlement Asset-Backed Bonds are limited obligations of the Tobacco Settlement Revenue Funding Corporation, which is a separate legal California nonprofit public benefit corporation established by the City of San Diego. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. The Tobacco Settlement Asset-Backed Bonds are payable from and secured solely by pledged tobacco settlement revenues.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2012, including interest payments to maturity, are as follows:

Year Ending June 30,	Capital Lease Obligations		Qualified Energy Conservation Bonds Lease Obligation		Contracts Payable		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2013	\$ 17,772	\$ 2,228	\$ 755	\$ 763	\$ -	\$ -	\$ 8,373
2014	14,464	1,592	773	717	-	-	8,699	730
2015	11,144	1,128	792	669	-	-	9,034	395
2016	8,515	778	811	620	-	-	389	46
2017	5,407	535	830	571	-	-	406	29
2018-2022	10,798	1,107	4,460	2,060	-	-	410	20
2023-2027	1,538	74	3,971	619	-	-	-	-
Unscheduled ¹	-	-	-	-	17,421	-	2,700	-
Total	<u>\$ 69,638</u>	<u>\$ 7,442</u>	<u>\$ 12,392</u>	<u>\$ 6,019</u>	<u>\$ 17,421</u>	<u>\$ -</u>	<u>\$ 30,011</u>	<u>\$ 2,276</u>

¹ The contracts payable for the Facilities Financing Reimbursement Agreements in the amount of \$17,421 do not have an annual repayment schedule. Annual payments to the Facilities Financing Reimbursement Agreements are based on availability of Facilities Benefit Assessment (FBA) and Development Impact Fee (DIF) revenues. Loan Payable to California Energy Resources Conservation and Development Commission does not have a fixed annual repayment schedule until construction of project is completed and final billing submitted.

Year Ending June 30,	Section 108 Loans Payable		Revenue Bonds / COPs		Tobacco Settlement Asset-Backed Bonds	
	Principal	Interest	Principal	Interest	Principal ¹	Interest
	2013	\$ 740	\$ 422	\$ 18,295	\$ 22,114	\$ 4,600
2014	772	391	17,770	22,629	5,000	5,814
2015	809	357	18,535	21,874	5,400	5,457
2016	811	322	19,325	21,085	5,700	5,073
2017	825	284	20,165	20,252	6,200	4,667
2018-2022	3,408	826	115,810	86,290	38,000	16,086
2023-2027	1,372	127	135,465	55,146	21,295	1,517
2028-2032	-	-	88,980	25,037	-	-
2033-2037	-	-	27,225	9,344	-	-
2038-2042	-	-	20,060	1,879	-	-
Total	<u>\$ 8,737</u>	<u>\$ 2,729</u>	<u>\$ 481,630</u>	<u>\$ 285,650</u>	<u>\$ 86,195</u>	<u>\$ 44,755</u>

¹ The Tobacco Asset-Backed Bond Principal Debt Service requirements are based upon expected Turbo Principal payments.

c. Change in Long-Term Liabilities

Additions to governmental activities long-term debt for contracts, notes and loans payable may differ from proceeds reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, due to funding received in prior fiscal years being converted from short-term to long-term debt as a result of developers extending the terms of the obligation.

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2012. The effect of bond accretion, bond premiums, discounts, and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

	Governmental Activities					
	Beginning Balance	Additions	Reductions	Transfer to Successor Agency	Ending Balance	Due Within One Year
Arbitrage Liability	\$ 3	\$ -	\$ -	\$ (3)	\$ -	\$ -
Compensated Absences	73,452	51,692	(54,151)	-	70,993	31,005
Liability Claims	313,592	41,138	(37,379)	(39,200)	278,151	36,199
Capital Lease Obligations	68,018	19,080	(17,460)	-	69,638	17,772
Qualified Energy Conservation Bonds						
Lease Obligation	13,142	-	(750)	-	12,392	755
Contracts Payable	24,419	6,333	(13,331)	-	17,421	-
Loans Payable	36,621	2,700	(8,060)	(1,250)	30,011	8,373
Section 108 Loans Payable	16,342	-	(7,605)	-	8,737	740
General Obligation Bonds	2,240	-	(2,240)	-	-	-
Revenue Bonds / COPs	531,550	140,440	(166,050)	(24,310)	481,630	18,295
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(2,014)	13,524	(683)	75	10,902	686
Net Revenue Bonds/COP's	529,536	153,964	(166,733)	(24,235)	492,532	18,981
Tax Allocation Bonds	615,495	-	(21,569)	(593,926)	-	-
Interest Accretion	18,386	2,317	(499)	(20,204)	-	-
Balance with Accretion	633,881	2,317	(22,068)	(614,130)	-	-
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	3,366	-	(94)	(3,272)	-	-
Net Tax Allocation Bonds	637,247	2,317	(22,162)	(617,402)	-	-
Tobacco Settlement Asset-Backed Bonds	89,600	-	(3,405)	-	86,195	4,600
Pooled Financing Bonds	32,010	-	(825)	(31,185)	-	-
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(72)	-	8	64	-	-
Net Pooled Financing Bonds	31,938	-	(817)	(31,121)	-	-
Net Other Postemployment Benefits Obligation	167,819	23,303	-	-	191,122	-
Net Pension Obligation	117,219	-	(385)	-	116,834	-
Total	\$ 2,121,188	\$ 300,527	\$ (334,478)	\$ (713,211)	\$ 1,374,026	\$ 118,425

d. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2012 are comprised of the following:

<u>Type of Pledged Revenue</u>	<u>Fiscal Year Maturity Date</u>	<u>Pledged Revenue to Maturity</u>	<u>Debt Principal & Interest Paid</u>	<u>Pledged Revenue Recognized</u>
<u>Pledged CDBG Revenue:</u>				
Section 108 Loans Payable		\$ 3,063	\$ 8,313	\$ 8,313
<u>Pledged Developer Revenue:</u>				
Regional Transportation Center Redevelopment Project (Section 108)	2021	1,863	257	257
<u>Pledged Development Impact Fee (DIF) Revenue:</u>				
Kearny Mesa Reimbursement Agreement, dated June 2005		1,044	2,600	2,600
<u>Pledged Facilities Benefit Assessment (FBA) Revenue:</u>				
Facilities Financing Reimbursement Agreement Obligations		16,377	10,731	10,731
Naval Training Center Civic, Arts, and Cultural Center (Section 108)	2025	6,540	507	507
Total Pledged Facilities Benefit Assessment (FBA) Revenue		22,917	11,238	11,238
<u>Pledged Tobacco Settlement Revenue:</u>				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	2023	130,950	9,772	9,197
Total		\$ 159,837	\$ 32,180	\$ 31,605

e. Defeasance and Redemption of Debt

The Convention Center Expansion Financing Authority (CCEFA) issued Lease Revenue Refunding Bonds, Series 2012A in the amount of \$140,440. The bond proceeds were used to refund the remaining outstanding CCEFA Lease Revenue Bonds, Series 1998A. The final maturity date for the Series 2012A Bonds is April 15, 2028. The refunded bonds are defeased and the corresponding liability has been removed from the Statement of Net Assets. The refunding transaction resulted in a total economic gain of approximately \$14,344 and a cash flow savings of approximately \$18,210. The refunded bonds were fully redeemed on July 20, 2012.

As of June 30, 2012, principal amounts payable from escrow funds established for defeased bonds are as follows:

<u>Defeased Bonds</u>	<u>Amount</u>
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998A	\$ 150,720

6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (IN THOUSANDS)

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2012 are comprised of the following:

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2012</u>
Arbitrage Liability				\$ 34
Compensated Absences				13,124
Liability Claims				11,247
<u>Loans Payable:</u>				
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80% ²	2020	\$ 10,606	4,704
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80 ²	2022	6,684	3,642
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80 ²	2022	33,720	18,362
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80 ²	2022	7,742	4,215
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80 ²	2021	860	426
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80 ²	2021	2,525	1,248
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99 ²	2020	3,767	1,841
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80 ²	2023	8,068	4,790
Loans Payable to State Water Resources Control Board, issued December 14, 2005	1.89 ²	2024	10,093	6,786
Loans Payable to Department of Health Services, issued July 6, 2005	2.51 ²	2026	21,525	15,670
Loans Payable to State Water Resources Control Board, issued October 15, 2006	1.99 ²	2024	3,858	2,721
Loans Payable to State Water Resources Control Board, issued February 28, 2007	1.89 ²	2026	11,068	8,525
Loans Payable to Department of Health Services, issued May 30, 2011	2.31 ²	2032	12,000	11,762
Loans Payable to Department of Health Services, issued January 1, 2012	2.31 ²	2032	20,000	19,604
Loans Payable to Department of Health Services, issued January 1, 2012	2.50 ²	2032	18,000	18,000
Loans Payable to State Water Resources Control Board, issued February 17, 2012	2.70 ²	2034	3,110	3,110
Total Loans Payable				<u>125,406</u>

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2012</u>
<u>Bonds Payable:</u>				
Subordinated Water Revenue Bonds, Series 2002	2.0-5.0% ¹	2033	\$ 286,945	\$ 16,430
Senior Sewer Revenue Bonds, Series 2009 A	2.0-5.375 ¹	2039	453,775	425,330
Senior Sewer Revenue Refunding Bonds Series 2009 B	3.0-5.5 ¹	2025	634,940	533,215
Water Revenue Refunding Bonds, Series 2009 A	2.5-5.25 ¹	2039	157,190	153,905
Water Revenue Bonds, Series 2009 B	2.5-5.75 ¹	2040	328,060	317,425
Senior Sewer Revenue Refunding Bonds Series 2010 A	5.25 ¹	2029	161,930	161,930
Water Revenue Refunding Bonds, Series 2010 A	5.0-5.25 ¹	2029	123,075	123,075
Water Revenue Refunding Bonds, Series 2012 A	2.0-5.0 ¹	2033	188,610	188,610
Total Bonds Payable				<u>1,919,920</u>
Estimated Landfill Closure and Postclosure Care				21,743
Net Other Postemployment Benefits Obligation				54,833
Net Pension Obligation				<u>23,300</u>
Total Business-Type Activities Long-Term Liabilities				<u>\$ 2,169,607</u>

¹ Interest rates are fixed and reflect the range of rates for various maturities from the date of issuance to maturity.

² Effective rate.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2012, including interest payments to maturity, are as follows:

Year Ending June 30	Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2013	\$ 7,986	\$ 2,604	\$ 69,275	\$ 93,064
2014	8,151	2,440	72,335	92,268
2015	8,319	2,272	75,370	89,240
2016	8,490	2,100	79,255	85,847
2017	8,665	1,925	82,205	82,127
2018-2022	44,077	6,898	476,420	346,130
2023-2027	22,708	2,956	458,570	223,416
2028-2032	13,900	874	278,525	122,032
2033-2037	-	-	211,020	62,316
2038-2042	-	-	116,945	9,391
Unscheduled ¹	3,110	-	-	-
Total	\$ 125,406	\$ 22,069	\$ 1,919,920	\$ 1,205,831

¹ Loan Payable to State Water Resources Control Board in the amount of \$3,110 does not have a fixed annual repayment schedule until construction of project is completed and final billing submitted.

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012. The effect of bond premiums, discounts and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

	Business-Type Activities				Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Arbitrage Liability	\$ 25	\$ 9	\$ -	\$ 34	\$ -
Compensated Absences	13,502	10,624	(11,002)	13,124	5,985
Liability Claims	15,680	2,879	(7,312)	11,247	3,712
Loans Payable	91,025	41,110	(6,729)	125,406	7,986
Revenue Bonds Payable	2,009,160	188,610	(277,850)	1,919,920	69,275
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	51,369	27,995	(10,180)	69,184	4,054
Net Revenue Bonds Payable	2,060,529	216,605	(288,030)	1,989,104	73,329
Estimated Landfill Closure/Postclosure Care	20,845	898	-	21,743	-
Net Other Postemployment Benefits Obligation	48,161	6,672	-	54,833	-
Net Pension Obligation	23,391	-	(91)	23,300	-
Totals	\$ 2,273,158	\$ 278,797	\$ (313,164)	\$ 2,238,791	\$ 91,012

d. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2012 are comprised of the following:

<u>Type of Pledged Revenue</u>	<u>Fiscal Year Maturity Date</u>	<u>Pledged Revenue to Maturity</u>	<u>Debt Principal & Interest Paid</u>	<u>Pledged Revenue Recognized</u>
<u>Pledged Net Sewer Systems Revenue:</u>				
<u>Loans</u>				
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2020	\$ 5,094	\$ 637	\$ 637
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2022	4,012	401	401
Loans Payable to State Water Resources Control Board, issued March 30, 2001	2022	20,247	2,025	2,025
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2022	4,645	464	464
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2021	464	52	52
Loans Payable to State Water Resources Control Board, issued June 11, 2001	2021	1,364	152	152
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2020	2,009	251	251
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2023	5,325	484	484
Loans Payable to State Water Resources Control Board, issued December 14, 2005	2024	7,650	637	637
Loans Payable to State Water Resources Control Board, issued October 15, 2006	2024	3,087	257	257
Loans Payable to State Water Resources Control Board, issued February 28, 2007	2026	9,786	699	699
Loans Payable to State Water Resources Control Board, issued February 17, 2012	2034	3,110	-	-
<u>Bonds and Notes</u>				
Senior Sewer Revenue Bonds, Series 2009 A	2039	764,271	36,275	35,563
Senior Sewer Revenue Refunding Bonds, Series 2009 B	2025	723,885	57,706	56,762
Senior Sewer Revenue Refunding Bonds, Series 2010 A	2029	281,345	8,501	8,195
Total Pledged Net Sewer Systems Revenue		<u>1,836,294</u>	<u>108,541</u>	<u>106,579</u>
<u>Pledged Net Water Systems Revenue:</u>				
<u>Loans</u>				
Loans Payable to Department of Health Services, issued July 6, 2005	2026	18,575	1,376	1,376
Loans Payable to Department of Health Services, issued May 30, 2011	2032	14,674	377	377
Loans Payable to Department of Health Services, issued January 1, 2012	2032	24,446	843	843
Loans Payable to Department of Health Services, issued January 1, 2012	2032	22,987	53	53
<u>Bonds and Notes</u>				
Subordinated Water Revenue Bonds, Series 2002	2033	16,829	27,296	26,620
Water Revenue Refunding Bonds, Series 2009 A	2039	236,570	8,679	8,228
Water Revenue Bonds, Series 2009 B	2040	608,617	21,735	20,511
Water Revenue Refunding Bonds, Series 2010 A	2029	210,978	6,310	5,798
Water Revenue Refunding Bonds, Series 2012 A	2033	283,256	-	-
Total Pledged Net Water Systems Revenue		<u>1,436,932</u>	<u>66,669</u>	<u>63,806</u>
Total Pledged Revenues		<u>\$ 3,273,226</u>	<u>\$ 175,210</u>	<u>\$ 170,385</u>

e. Defeasance and Redemption of Debt

PFFA issued Subordinated Water Revenue Refunding Bonds, Series 2012A in the amount of \$188,610. The bond proceeds were used to refund a portion of the outstanding Water 2002 Subordinated Bonds. The refunded bonds are defeased and the corresponding liability has been removed from the Statement of Net Assets. The final maturity date for the Series 2012A Bonds is August 1, 2032. The refunding transaction resulted in a total economic gain of approximately \$27,600 and a cash flow savings of approximately \$39,550. The refunded bonds were redeemed on August 1, 2012.

As of June 30, 2012, principal amounts payable from escrow funds established for defeased bonds are as follows:

<u>Defeased Bonds</u>	<u>Amount</u>
Subordinated Water Revenue Bonds, Series 2002	<u>\$ 211,430</u>

7. DISCRETELY PRESENTED COMPONENT UNITS LONG-TERM LIABILITIES (In Thousands)

Narratives and tables presented in the following sections are taken from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2012.

San Diego Convention Center Corporation

<u>Type of Obligation</u>	<u>Interest Rate</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2012</u>	<u>Due Within One Year</u>
Compensated Absences				\$ 1,284	\$ 1,261
Notes Payable:					
Fifth Avenue Landing LLC	5.27%	2015	\$ 12,500	12,500	-
San Diego Gas and Electric Sustainable Energy	0.00%	2012	353	169	169
Redevelopment Agency of the City of San Diego	3.00%	2018	3,000	<u>3,000</u>	<u>-</u>
Total Notes Payable				<u>15,669</u>	<u>169</u>
Total Long-Term Liabilities				<u>\$ 16,953</u>	<u>\$ 1,430</u>

SDCCC entered into a Note Purchase Contract on May 6, 2010 for \$12,500 with Fifth Avenue Landing, LLC, the proceeds of which were used for the Phase III expansion site ground lease purchase. The Fifth Avenue Landing LLC note payable is repaid at the rate of 5.27% per annum with a \$12,500 principal payment due by May 6, 2015. SDCCC is required to pay an annual interest payment of \$500, while the remaining accrued interest owed in any one year is payable at the date of final maturity.

On December 6, 2010, SDCCC entered into a Financing Loan Agreement with San Diego Gas & Electric (SDG&E) for \$353, the proceeds of which were used to retrofit energy efficient/demand lighting equipment in the Convention Center exhibit halls. SDG&E contracted with a third party to perform the installation work and extend financing to SDCCC at a zero percent per annum rate. Upon final inspection of the completed project, SDG&E paid the third party contractor for the work performed and will collect the balance of the note payable through an on-bill financing arrangement set forth in 23 equal installments through SDCCC's monthly utility bill.

SDCCC entered into a Note Purchase Contract with the Redevelopment Agency of the City of San Diego on March 16, 2011 for \$3,000, the proceeds of which were earmarked for certain design and planning costs for the Phase III expansion project. As of February 1, 2012, the RDA was dissolved, designating the City of San Diego as the Successor Agency of its assets and liabilities. The note payable to the RDA is repaid at a rate of 3% per annum, simple interest. The \$3,000 principal payment, plus any accrued interest, is due by June 30, 2018 or earlier, when sufficient financing for the design and construction of the proposed Phase III expansion project is obtained from a third party financing arrangement. The anticipated financing arrangement is expected to be the receipt of bond proceeds from the City of San Diego, which will fund the Phase III construction project.

Annual requirements to amortize long-term debt as of June 30, 2012, are as follows:

Year Ending June 30	Notes Payable	
	Principal	Interest
2013	\$ 169	\$ 500
2014	-	500
2015	12,500	1,297
2016	-	-
2017	-	-
2018	3,000	637
Total	<u>\$ 15,669</u>	<u>\$ 2,934</u>

San Diego Housing Commission (SDHC)

<u>Type of Obligation</u>	<u>Interest Rate</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2012</u>	<u>Due Within One Year</u>
Compensated Absences				\$ 1,595	\$ 1,595
Notes Payable:					
<u>Debts of SDHC</u>					
State of California (RHCP)	0.00%	2015	\$ 3,149	3,149	-
State of California (RHCP)	0.00%	2014	1,405	1,405	-
GE Capital, (Smart Corner & Maya) dated November 2011					
	6.08%	2027	15,000	14,848	270
Successor Agency of the Redevelopment Agency of the City of San Diego dated March 1992					
	0.00% forgivable	2022	696	696	-
Successor Agency of the Redevelopment Agency of the City of San Diego dated March 18, 2010					
	1.00% forgivable	2065	3,099	4,191	-
<u>Debts of the LLCs</u>					
Greystone Servicing Corp, Inc. Fannie Mae (Belden)					
	7.32%	2040	12,320	12,021	140
Greystone Servicing Corp, Inc. Fannie Mae (Northern)					
	7.32%	2040	10,810	10,547	123
Greystone Servicing Corp, Inc. Fannie Mae (Central)					
	7.32%	2040	14,010	13,669	160
PNC Bank, NA FHA (Southern)					
	3.76%	2046	25,017	24,392	376
PNC Bank, NA FHA (Northern)					
	3.76%	2046	17,500	17,064	263
PNC Bank, NA FHA (Central)					
	3.65%	2046	15,726	15,344	240
Total Notes Payable				<u>117,326</u>	<u>1,572</u>
Total Long-Term Liabilities				<u>\$ 118,921</u>	<u>\$ 3,167</u>

The JP Morgan Chase loan was paid off in July 2011. The US Bank loan represented the loan for the Smart Corner Building, which houses the administrative offices of SDHC and was due on October 31, 2011. In November 2011, \$4,458 was paid down on the US Bank loan and \$15,000 was refinanced with a loan from GE Commercial Finance. The new loan is for 15 years, amortized over 25 years with a fixed interest rate of 6.08% for ten years.

SDHC entered into a loan agreement with the former RDA as of March 18, 2010, for the acquisition and rehabilitation of the Hotel Sandford. The loan from the former RDA is a forgivable loan, with a term of 55 years and 1% simple interest. The total approved loan amount is \$6,095 with \$4,191 disbursed as of June 30, 2012.

On December 30, 2009, Belden SDHC FNMA LLC, Central SDHC FNMA LLC and Northern SDHC FNMA LLC (blended component units of the SDHC) entered into debt agreements with Greystone Servicing Corp. Inc. in the amount of \$37,140. The debt agreement is to obtain financing towards acquiring over 350 affordable housing units in the City. The FNMA loans are nonrecourse obligations of the LLCs and not of the SDHC. Under the terms of the loan agreements, the LLCs agree to pay a fixed interest rate of 7.32% on the life of the loan through the maturity date January 1, 2040.

On August 31, 2010, Northern SDHC FHA LLC, and Southern SDHC FHA LLC entered into debt agreements with PNC Bank, N. A. On September 20, 2010, Central SDHC FHA LLC entered into a debt agreement with PNC Bank, N. A. for the combined total amount of \$58,243. The debt agreements are to obtain financing towards acquiring additional affordable housing units in the City. The FHA loans are nonrecourse obligations of the LLCs and not of the SDHC. Under the terms of the loan agreements, the LLCs agree to pay a fixed interest rate not to exceed 4.0% on the life of the loan through the maturity dates of September 1, 2045 and October 1, 2045, respectively.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (“BABs”) program. State and local governments receive directly from the U.S. Treasury subsidy payments for a portion of their borrowing costs on Build America Bonds equal to 35 percent of the total coupon interest paid. The Subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA LLC, the Northern SDHC FHA LLC and the Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs loans. SDHC has received \$839 in fiscal year 2012 subsidy payments.

The annual requirements to amortize such long-term liabilities as of June 30, 2012 are as follows:

Notes Payable		
Year Ending June 30	Principal	Interest
2013	\$ 1,572	\$ 5,687
2014	3,059	5,604
2015	4,892	5,516
2016	1,834	5,424
2017	1,931	5,326
2018-2022	11,345	24,919
2023-2027	23,902	20,983
2028-2032	15,639	14,721
2033-2037	20,573	9,762
2038-2042	19,213	3,737
2043-2065	13,366	1,501
Total	<u>\$ 117,326</u>	<u>\$ 103,180</u>

8. SHORT-TERM NOTES PAYABLE (In Thousands)

The City issues Tax and Revenue Anticipation Notes (TRANS) in advance of property tax collections, depositing the proceeds into the General Fund. These notes are necessary to meet the cash requirements of the City prior to the receipt of property taxes.

Short-term debt activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	\$ -	\$ 161,150	\$ (161,000)	\$ 150

The \$161,000 FY12 TRANS issue had an effective interest rate of 0.62% and was repaid on May 30, 2012. In addition, a good faith deposit related to the FY13 TRAN in the amount of \$150 was received in June 2012.

9. JOINTLY GOVERNED ORGANIZATIONS (In Thousands)San Diego Workforce Partnership

The City of San Diego and the County of San Diego jointly govern the San Diego Workforce Partnership (Consortium). The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The purpose of the Consortium is to provide regional employment and training services in order to develop and create job opportunities throughout San Diego County. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The City does not appoint a majority of the Consortium Board, is not able to impose its will on the Consortium, and the Consortium is not fiscally dependent on the City. Therefore, it is the City's conclusion that the Consortium is a governmental organization with a jointly appointed board and not a component unit of the City. However, in the event the Consortium incurs a liability it cannot financially sustain, the City and the County have agreed to share in the payment of such an obligation.

Complete financial statements can be requested from San Diego Workforce Partnership, Inc. 3910 University Avenue, Suite 400, San Diego, CA 92105.

San Diego Geographic Information Source (SanGIS)

SanGIS was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS is governed by a Board of Directors consisting of one voting member from the City and one from the County. The Board approves the annual budget and fiscal audit, sets long range plans and strategic goals, and authorizes major project funding. All initiatives and decisions must be approved by a consensus of both members of the Board before being implemented. SanGIS objectives are to create and maintain a geographic information system, to market and license digital geographic data and software, to provide technical services and to publish geographical and land-related information.

Complete financial statements can be requested from SanGIS, 5469 Kearny Villa Road, Suite 102, San Diego, CA 92123.

10. LEASE COMMITMENTS (In Thousands)

The City leases various properties and equipment. Leased property having elements of ownership are recorded as capital leases and reported as capital assets in the government-wide financial statements, along with a corresponding capital lease obligation. Leased property that does not have elements of ownership is reported as an operating lease and is expensed when paid.

Capital Leases

The City has entered into various capital leases for equipment and structures. These capital leases have maturity dates ranging from July 1, 2012 through October 1, 2023 and interest rates ranging from 1.89% to 4.88%. A schedule of future minimum lease payments under capital leases as of June 30, 2012 is provided in Note 5. The value of all governmental capital leased assets as of June 30, 2012 is \$91,560 net of accumulated depreciation of \$44,862. These amounts are categorized by major asset class in the table below.

Values of Capital Leased Assets by Major Asset Class			
	Gross		Net Book
	Value	Depreciation	Value
<u>Governmental</u>			
Equipment	\$ 132,788	\$ (43,402)	\$ 89,386
Structures & Improvements	3,634	(1,460)	2,174
Total Governmental	<u>\$ 136,422</u>	<u>\$ (44,862)</u>	<u>\$ 91,560</u>

Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. The following is a schedule of future minimum rental payments required under operating leases entered into by the City for property that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2012:

Year Ending	Amount
June 30	
2013	\$ 11,958
2014	7,603
2015	851
2016	593
2017	553
2018-2021	1,906
Total	<u>\$ 23,464</u>

Rent expense as related to operating leases was \$12,059 for the year ended June 30, 2012.

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately \$84,401, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. Minimum annual lease revenues are reported in the following schedule:

Year Ending June 30	Amount
2013	\$ 37,810
2014	36,396
2015	35,459
2016	34,575
2017	33,262
2018-2022	151,462
2023-2027	137,292
2028-2032	128,448
2033-2037	117,969
2038-2042	111,521
2043-2047	96,223
2048-2052	40,134
2053-2057	13,903
2058-2062	5,433
Total	<u>\$ 979,887</u>

This amount does not include contingent rentals, which may be received under certain leases of property on the basis of percentage returns. Rental income as related to operating leases was \$85,796 for the year ended June 30, 2012, which includes contingent rentals of \$46,836.

11. DEFERRED COMPENSATION PLAN (In Thousands)

The City, SDCCC, SDDPC and SDHC each offer their employees a deferred compensation plan, created in accordance with Internal Revenue Service Code Section 457, State and Local Government Deferred Compensation Plans. These plans permit eligible employees to defer, pre-tax, a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of plan participants and their beneficiaries. The deferred compensation plans are not considered part of the City's financial reporting entity.

12. PENSION PLANS (In Thousands)

The City has a defined benefit pension plan and various defined contribution pension plans covering substantially all of its employees.

DEFINED BENEFIT PLAN

a. Plan Description

San Diego City Employees' Retirement System (SDCERS), as authorized by Article IX of the City Charter, is a public employee retirement system established in fiscal year 1927 by the City. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port and the Airport. The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust. These plans are administered by the SDCERS Board (Board) to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval and amendments to retirement benefits require a majority vote by those SDCERS members who are also City employees or retirees. As of January 1, 2007, benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code. See Note 24 for additional information regarding recent changes to the City's pension plan.

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees working half-time or greater and full-time employees of the Port and the Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City per GASB Statement No. 14; however, the financial statements of SDCERS Pension Trust do include the Port and the Airport activity and are reported in the Fiduciary Funds section of this report.

The information disclosed in this note relates solely to the City's participation in SDCERS. City employment classes participating in the City's defined benefit plan (Plan) are elected officers, general employees and safety employees (including police, fire and lifeguard members). These classes are represented by various unions depending on the type and nature of work performed, except for elected officials, unclassified and unrepresented employees.

<u>City of San Diego Plan Membership as of June 30, 2012 (Actual Member Count)</u>			
	<u>General</u>	<u>Safety</u>	<u>Total by Classification</u>
Active Members	5,468	2,253	7,721
Terminated Members	2,353	542	2,895
Retirees, Disabled and Beneficiaries	4,959	3,246	8,205
Total Members, as of June 30, 2012	<u>12,780</u>	<u>6,041</u>	<u>18,821</u>

Source: SDCERS' CAFR as of June 30, 2012

As a defined benefit plan, retirement benefits are determined under the Plan primarily by a member's class, hire date, age at retirement, number of years of creditable service, and the member's final compensation. The Plan provides annual cost of living adjustments not to exceed 2% to retirees, which is factored into the actuarial assumptions. Increases in retirement benefits due to cost of living adjustments do not require voter approval.

Final compensation is based upon either the highest salary earned over a consecutive twelve month period or the highest average salary earned over three one-year periods, depending on the member's hire date. To qualify for a service retirement benefit, the Plan requires ten years of service at age 62 for general members (55 for safety members) or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity. Retirement benefits are awarded at various rates ranging from 1.0% to 3.5% per year of service multiplied by final compensation depending on the member's plan and hiring date. The actual percentage of final compensation per year served component of the calculation rises as the employee's retirement age increases and depends on the retirement option selected by the employee. The maximum percentage of final compensation per year served is 2.8% for general members, 3% for safety members and 3.5% for elected officers. Depending on the number of years of service, participants of the Elected Officer's Retirement Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

Deferred Retirement Option Plan (DROP)

The Deferred Retirement Option Plan (DROP) is a program designed to allow members an alternate method of accruing additional retirement benefits from the Plan while they continue to work for the City. Only members hired before July 1, 2005 are eligible to participate in DROP. A member must be eligible for a service retirement to enter DROP. In addition, the member must agree to participate in the program up to a maximum of five years. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. The member's decision to enter DROP is irrevocable.

Upon entering DROP, the participant stops making pension contributions to SDCERS and stops earning service credit. Instead, amounts equivalent to the participant's retirement benefit plus additional DROP contributions are credited to an interest bearing individual account held in the participant's name. Effective January 1, 2012, the annual interest credited to DROP participant accounts is 1.9% while the participant is employed by the City. When the participant leaves DROP and retires from City service, the participant's DROP account balance may be paid in a lump sum, rolled over to another plan, or converted to monthly payments over either 240 months or the participant's life expectancy. The DROP annuity factor used to calculate the monthly payments is 4.4% effective January 1, 2012. Outstanding liabilities for DROP are shown on the Statement of Fiduciary Net Assets in the basic financial statements. During the period of participation, the participant continues to receive employer offered benefits available to regular employees with exception to earning service credit, as previously discussed.

Purchase of Service Credits

Plan members hired prior to July 1, 2005 are permitted to purchase service credits to be used in determining retirement allowances. The cost of purchased service credits is determined by the Board consistent with the requirements of the San Diego Municipal Code (SDMC).

Preservation of Benefits Plan

The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As provided in San Diego Municipal Code section 24.1606 and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis which is funded by the City.

In fiscal year 2012, approximately \$1,600 in benefits above 415(b) limits were paid by the City for the POB Plan. The number of participants in any given year for the POB Plan is determined by the number of Plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for the calendar year 2012 was \$200 and, for non-safety members, is adjusted downward depending on the age of the participant when benefits began. In fiscal year 2012, the City's POB ARC was approximately \$1,300; however, the City contributed approximately \$1,600 to the POB Plan, and therefore, the \$300 difference decreased the City's Net Pension Obligation (NPO). Financial statements for the Preservation of Benefits Plan are included in the Fiduciary Funds section of this report.

b. **Summary of Significant Accounting Policies – Pension**

Basis of Accounting - The pension trust fund uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the Plan.

Method Used to Value Investments - SDCERS' investments are stated at fair value. The SDCERS custodial agent provides market values of invested assets with the exception of the fair value of directly owned real estate assets, which are provided by the responsible investment manager and independent third party appraisal firms. Additionally, private equity assets are valued by the private equity managers giving consideration to the financial condition and operating results of the portfolio companies, and other factors deemed relevant. Investment income is recognized in accordance with GASB 25 and is stated net of investment management fees and related expenses.

c. **Offset Agreements**

The City has historically negotiated employee retirement contribution offset agreements with certain employee groups, which have required the City to pay a portion of the employees' retirement contributions. In recent years, such offsets have been reduced and for fiscal year 2012, the City paid retirement contribution offsets of 2.3% for members of Teamsters Local 911, which represents employees in the lifeguard service, and 0.4% for members of MEA, which amounted to approximately \$1,028 in the aggregate.

d. **Funding Policy and Contribution Rates**

City Charter Article IX Section 143 requires employees and employers to contribute to the Plan. The Charter section stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and Board enter into any multi-year funding agreements that delay full funding of the Plan. The Charter requires that employer contributions for normal retirement allowances be substantially equal to employee contributions. SDCERS' legal counsel has opined that this requirement applies to the current normal cost contribution only and not to changes in unfunded liabilities resulting from market or actuarial gains or losses. This matter is currently being litigated between SDCERS and the City.

Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed annual required contribution. The entire expense of SDCERS' administration is charged against the earnings and Plan assets of SDCERS.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2012, based on the valuation ended June 30, 2010, expressed as percentages of active payroll:

	<u>Employer Contribution Rates</u>	
	<u>Non-Safety Members</u>	<u>Safety Members</u>
Normal Cost	9.71%	14.83%
Amortization Payment ¹	26.32%	38.67%
Normal Cost Adjusted for Amortization Payment ¹	36.03%	53.50%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	34.72%	51.56%

¹ Rates assume that contributions are made uniformly during the Plan year.

Normal Cost = The actuarial present value of pension plan benefits allocated to the current year by the actuarial cost method.

Amortization Payment = The portion of the pension plan contribution, which is designed to pay interest on and to amortize the unfunded actuarial accrued liability.

Members are required to contribute a percentage of their annual salary to the Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2012, the City employee contribution rates as a percentage of annual covered payroll averaged 9.89% for general members and 15.79% for safety members.

In accordance with Chapter 2, Article 4, Division 15 of the SDMC, earnings in excess of those earned using the assumed actuarial rate of return are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: First, Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which is currently 7.5%, to the Employer and Employee Contribution Reserves and 1.9% to DROP member accounts. Second, Plan assets are used to fund the SDCERS Annual Budget. Third, Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) Annual Supplement Benefit Payment (13th Check) paid to retirees, which ranges from \$30 to \$75 (whole dollars) times the number of years of service credit. 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue to the next year and remain an obligation of SDCERS until paid). 3) Crediting interest to the Reserve for Supplemental Cost of Living Adjustment (SCOLA).

e. **Funded Status and Funding Progress**

The following table summarizes the Plan's funding status as reported in the June 30, 2011 valuation:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>UAAL (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a)/c)</u>
6/30/2011	\$ 4,739,399	\$ 6,917,175	\$ 2,177,776	68.52%	\$ 514,265	423.47%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

f. **Annual Pension Cost and Net Pension Obligation**

Annual Pension Cost

The City's annual pension cost for fiscal year 2012 is based on the SDCERS June 30, 2010 Actuarial Valuation. The following table summarizes the principal actuarial methods and assumptions used in the June 30, 2010 and June 30, 2011 actuarial valuations:

Description	Method/Assumption for the Valuation Ended	
	June 30, 2010	June 30, 2011
Actuarial Method	Entry Age Normal (EAN) ¹	Entry Age Normal (EAN)
Amortization Method	Level Percent Closed	Level Percent Closed
Equivalent Single Amortization Period	16.579 years ²	15.789 years ³
Asset Smoothing Method	Expected Value Method	Expected Value Method
Annual Rate of Return on Investments	7.75%, net of administrative expenses	7.50%, net of administrative expenses
Inflation Rate	4.00% per year, compounded annually	3.75% per year, compounded annually ⁴
Cost of Living Adjustment	2.00% per year, compounded annually	2.00% per year, compounded annually
Projected Salary Increases Due to Inflation	4.00% per year	0% for the next 2 years, 3.75% thereafter

¹ The entry age normal actuarial cost method is designed to fund a member's total plan benefit over the course of his or her career and to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (ie., level % of payroll). SDCERS adopted this actuarial cost method as of the June 30, 2007 Actuarial Valuation.

² 17 years for the outstanding balance of the 2007 unfunded actuarial liability, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 5 years for benefit changes.

³ 16 years for the outstanding balance of the 2007 unfunded actuarial liability, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 5 years for benefit changes.

⁴ Following a two-year salary freeze.

The actuarial value of assets was determined using a methodology that smoothes the effects of short-term volatility in the market value of investments. For valuations effective June 30 2007, the Board adopted a 20-year closed amortization schedule with no negative amortization and a 15-year closed amortization schedule for gains and losses beginning in fiscal year 2008.

The following table shows the City's annual pension cost (APC) and the percentage of APC contributed for the fiscal year ended June 30, 2012 and two preceding years (in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2010	\$ 156,346	124.01%	\$ 140,233
2011	231,432	99.56%	141,242
2012	232,349	100.21%	140,763

Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short-term differences and unpaid contributions that have been converted to pension-related debt. As of June 30, 2012, the City's NPO is approximately \$140,763 and is reported in accordance with GASB Statement No. 27. See table below.

The change to NPO is derived by first calculating the City's Annual Required Contribution (ARC). The ARC is calculated by actuarially determining the cost of pension benefits accrued during the year (normal cost) as well as the annual amount needed to amortize the UAAL (amortization cost) as reported by the actuary, in accordance with the amortization period and method selected. The ARC is then increased by interest accruing on any outstanding NPO (NPO Interest) and then reduced by the amortization of the UAAL that is related to the NPO (ARC Adjustment).

The following shows the calculation for NPO based on the actuarial information provided to the City (in thousands):

ARC [Fiscal Year 2012]	\$ 232,469
Interest on NPO	10,946
ARC Adjustment	<u>(11,066)</u>
Annual Pension Cost	232,349
Contributions [Fiscal Year 2012]	<u>(232,828)</u>
Change in NPO	(479)
NPO Beginning of Year [July 1, 2011]	<u>141,242</u>
NPO End of Year [June 30, 2012]	<u><u>\$ 140,763</u></u>

DEFINED CONTRIBUTION PLANS

a. Supplemental Pension Savings Plan - City

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan (SPSP). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare (SPSP-M). The SPSP and SPSP-M Plans were merged into a single plan (SPSP) on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act (FICA) effective July 1, 1991, the City established the Supplemental Pension Savings Plan-Hourly (SPSP-H). These supplemental plans are defined contribution plans administered by Wells Fargo to provide pension benefits for eligible employees. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general members, lifeguard members and elected officers participate in the plan. Eligible employees may participate from the date of employment; however, the plan was closed to general and lifeguard members hired on or after July 1, 2009 and January 1, 2011, respectively.

The following table details plan participation as of June 30, 2012:

<u>Plan</u>	<u>Participants</u>
SPSP	7,158
SPSP – H	4,109

The SPSP Plan requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each pay period. Participants in the Plan hired before July 1, 1986 may voluntarily contribute up to an additional 4.5% and participants hired on or after July 1, 1986 may voluntarily contribute up to an additional 3.05% of total salary, with the City matching each. Hourly employees contribute 3.75% on a mandatory basis which is also matched by City contributions.

Under the SPSP Plan, the City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service at a rate of 20% for each year of service. Hourly employees are immediately 100% vested. The unvested portion of City contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the City's cost.

In fiscal year 2012, the City and the covered employees contributed \$19,074 and \$19,934, respectively. As of June 30, 2012, the fair value of plan assets totaled \$539,226. SPSP, which includes SPSP-H, is considered part of the City of San Diego's financial reporting entity and is reported as a pension trust fund.

b. **401(a) Plan - City**

The City established a 401(a) Plan for all General Member employees hired on or after July 1, 2009. The 401(a) Plan is a defined contribution plan administered by Wells Fargo to provide pension benefits for eligible employees. Employees are eligible to participate from the date of employment and are immediately 100% vested. Employees contribute 1% on a mandatory basis, which is matched by City contributions. Additionally, employees can make voluntary contributions to their 401(a) Plan accounts through payroll deductions not to exceed IRS limits. Voluntary contributions to the plan are not matched by the City.

The City and employees contributed \$202 and \$228, respectively, during the fiscal year ended June 30, 2012. As of June 30, 2012, the fair value of plan assets totaled \$713. The 401(a) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

c. **401(k) Plan - City**

The City established a 401(k) Plan effective July 1, 1985. The 401(k) Plan is a defined contribution plan administered by Wells Fargo to provide pension benefits for eligible employees. Employees are eligible to participate from the date of employment. Employees make contributions to their 401(k) Plan accounts through payroll deductions.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed \$15,699 during the fiscal year ended June 30, 2012. There is no City contribution towards the 401(k) Plan.

As of June 30, 2012, the fair value of plan assets totaled \$267,783. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

d. **Pension Plan – Civic San Diego (CSD)**

CSD has a Money Purchase Pension Plan covering all full-time permanent employees (CSD Plan). The CSD Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During the fiscal year, CSD contributes semi-monthly an amount equal to 8% of the total semi-monthly compensation for all full-time permanent employees. CSD's contributions for each employee are fully vested after six years of continuous service. CSD's total payroll (excluding benefits) in fiscal year 2012 was \$3,037. CSD's contributions were calculated using the base salary amount (including benefits) of all full-time permanent employees of \$3,091. CSD made the required 8% contribution amounting to \$221 (net of forfeitures) for fiscal year 2012.

In addition, CSD has a Tax Deferred Annuity Plan under IRC section 403(b) (403(b) Plan) covering all full-time permanent employees. The 403(b) Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan by the employer and the employees, plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CSD contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. CSD's contributions for each employee are fully vested at time of contribution. The 403(b) Plan includes amounts deposited by employees prior to CSD becoming a contributor to the 403(b) Plan. CSD made the required 16% contribution amounting to approximately \$492 for fiscal year 2012.

The fiduciary responsibilities of CSD consist of making contributions and remitting deposits collected. The City does not hold these assets in a trustee or agency capacity for CSD; therefore, these assets are not reported within the City's basic financial statements.

e. **Pension Plan - San Diego Convention Center Corporation (SDCCC)**

SDCCC's Money Purchase Pension Plan (SDCCC Plan) is a governmental plan under IRC section 414(d) and became effective January 1, 1986. The SDCCC Plan is a qualified defined contribution plan and as such, benefits depend on amounts contributed to the SDCCC Plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers employees not otherwise entitled to a retirement/pension provided through a collective bargaining unit agreement. Employees are eligible at the earlier of the date on which they complete six months of continuous full-time service, or the twelve-month period beginning on the hire date (or any subsequent Plan year) during which they complete 1,000 hours of service. Effective January 1, 2009, employees are eligible to participate in the Plan on the first day of the month after completion of 1,000 hours of service during the twelve-month period beginning on the employees' hire date (or during any subsequent Plan years).

A plan year is defined as a calendar year. The SDCCC Plan's balance for each eligible employee is vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with the plan provisions. A trustee bank holds the SDCCC Plan assets. The City does not act in a trustee or agency capacity for the SDCCC Plan; therefore, these assets are not reported within the City's basic financial statements.

For the year ended June 30, 2012, pension expenses for the SDCCC Plan amounted to \$1,544. SDCCC records pension expenses during the fiscal year based upon employee compensation that is included in gross income covered compensation.

f. **Pension Plan - San Diego Data Processing Corporation (SDDPC)**

SDDPC administers a Money Purchase Pension Plan (SDDPC Plan) covering substantially all employees of SDDPC who are eligible for membership as defined by the plan document. The SDDPC Plan is a defined contribution plan, wherein benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from their date of employment. During each plan year, SDDPC contributes 20% of the plan defined eligible wages for each participant in the plan. SDDPC contributions for each employee are fully vested after four years of continuous service. The City does not act in a trustee or agency capacity for the SDDPC Plan; therefore, these assets are not reported within the City's basic financial statements. In fiscal year 2012, SDDPC made the required 20% contribution, amounting to approximately \$3,246.

SDDPC also administers a Tax Sheltered Annuity Plan (403b Plan), a voluntary defined contribution plan covering all employees of SDDPC who are eligible for membership as defined by the plan document and who elect to participate. There were no employer contributions to this plan.

g. **Pension Plan - San Diego Housing Commission (SDHC)**

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (SDHC Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce the SDHC's current-period contribution requirement. SDHC's covered payroll in fiscal year 2012 was approximately \$14,758. SDHC made the required 14% contribution, amounting to approximately \$2,066 and plan members contributed \$90 for fiscal year 2012. The City does not act in a trustee or agency capacity for the SDHC Plan; therefore, these assets are not reported within the City's basic financial statements.

h. **Pension Plan - Southeastern Economic Development Corporation (SEDC)**

SEDC has a 403(b) Tax Sheltered Annuity Plan (Defined Contribution Plan) covering all employees (SEDC Plan). The plan is currently administered by VLP Corporate Services, LLP with Merrill Lynch as the investment advisor. Employees are eligible on their date of employment, and SEDC contributes an amount equal to 12% of all employees' salaries. SEDC's total payroll in fiscal year 2012 was approximately \$767 and SEDC made the required 403(b) contribution totaling \$80. SEDC Plan members contributed an additional \$14. The City does not act in a trustee or agency capacity for the SEDC Plan; therefore, these assets are not reported within the City's basic financial statements.

13. OTHER POSTEMPLOYMENT BENEFITS (In Thousands)

a. Plan Description

The City provides postemployment healthcare benefits to qualifying general, safety and elected members, as provided for in SDMC Sections 24.1201 through 24.1204 and 29.0101 through 29.0103. The Other Postemployment Benefit Plan (the "OPEB Plan"), which includes approximately 6,013¹ retirees, 6,724¹ active employees and 687¹ terminated vested members as of June 30, 2012, is composed of defined benefit and defined contribution options. Plan selection is based on hire date, retire date and individual employee elections.

The City's defined benefit plan is closed to employees hired on or after July 1, 2005. In addition, the Annual Inflation associated with the benefit was frozen for active employees, effective July 1, 2009 and continued until June 30, 2011, pending further negotiation. Employees retiring during that period were not entitled to the Annual Inflation. However, employees retiring after June 30, 2011 are entitled to the Annual Inflation with exception of Police Officers Association (POA) and Local 127 members.

Defined Benefit Plan

The defined benefit plan is primarily for health eligible retirees, not inclusive of dependents, who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Additionally, employees in the defined benefit plan must have 10 years of service with the City to receive 50% of the retiree health benefit and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Health eligible retirees can obtain health insurance coverage with the plan of their choice, including any City sponsored, union sponsored, or privately secured health plan. Health eligible retirees who are also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, ranging from approximately \$8,400¹ to \$9,700¹ per year depending on retirement date, in addition to reimbursement/payment for Medicare Part B premiums, which ranges from \$1,200¹ to \$1,400¹ per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, ranging from approximately \$8,900¹ to \$10,300¹ per year depending on retirement date. Reimbursements for health eligible retirees are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services (Annual Inflation). Annual adjustments may not exceed 10% for any plan year. Non-health eligible employees who retired or terminated prior to October 6, 1980 and who are otherwise eligible for retirement allowances are also eligible for reimbursement/payment of healthcare benefits limited to a total of \$1,200¹ per year. Reimbursements for non-health eligible retirees are not subject to annual adjustments.

Defined Contribution Plan

The City also provides two defined contribution options to eligible employees. For employees hired prior to July 1, 2005 and who elected to participate in the plan, the City provides a lump sum benefit to members when they become service and age eligible for retirement benefits. There is no member contribution to this plan. For general members hired after July 1, 2009, the City established a trust vehicle for a defined contribution plan, which requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Contributions to the defined contribution plans are reported in an agency fund, as the City does not administer the plan and is simply a conduit until contribution amounts are provided to the plan administrators. Elected and safety members are ineligible for this plan.

¹ Reported as a whole number.

b. Summary of Significant Accounting Policies

Basis of Accounting - The postemployment healthcare benefit plan trust fund uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the OPEB Plan.

Method Used to Value Investments - CalPERS, which administers the retirement benefits trust described below as an agent multiple employer plan, states investments at fair value. Certain real estate and alternative investments are reported at net asset value, are audited annually and may be periodically appraised by an independent third party. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the CERBT.

c. Contributions and Reserves

In accordance with SDMC Section 24.1204, postemployment healthcare benefits are to be paid directly by the City from any source available to it other than the Pension Plan. Member contributions to the OPEB Plan are dependent upon plan election. In addition, members are required to pay for the benefits of their beneficiaries (amounts vary based on coverage elections). In fiscal year 2012, the City contributed \$23,857 to the defined benefit plan.

In addition to current retirees and beneficiaries, the defined benefit plan includes active members and therefore, the City also pre-funds future expenses related to postemployment healthcare benefits through an investment trust administered by CalPERS. The CalPERS Employers Retirement Benefits Trust (CERBT) requires the City to pre-fund in an amount not less than \$5 annually. The ARC for the OPEB Plan is calculated by the City's actuary on an annual basis.

The City plans to contribute \$57,800 to the postemployment healthcare benefit plan annually through fiscal year 2015. This contribution is allocated to the various components of the plan based on the following priority order: 1) fund current year postemployment healthcare benefits from the pay-as-you-go trust fund, 2) fund contributions to defined contribution plans, and 3) contribute the residual balance to the CERBT. All contributions to the CERBT become trust assets, which can only be used to pay for expenses of the defined benefit plan.

The City did not contribute to the CERBT in fiscal year 2012. As of June 30, 2012, the fair value of the City's assets invested in the CERBT was approximately \$102,596. This balance is net of all contributions to and distributions from the plan as well as fiscal year 2012 annual investment losses and administrative expenses amounting to approximately \$570 and \$134, respectively.

d. Funded Status and Funding Progress

The following table summarizes the OPEB Plan's funding status as of the most recent valuation date:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12	\$ 104,304	\$ 553,432	\$ 449,128	18.85%	\$ 124,675	360.24%

¹ Includes payroll for active employees in the defined benefit options only.

The schedules presented as required supplementary information following the notes to the financial statements present information regarding the funded status and employer contributions for the current and preceding fiscal years. The Schedule of Funding Progress is intended to present information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The Schedule of Employer Contributions is intended to present trend information about the amounts contributed to the OPEB Plan by employers in comparison to the ARC determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the actuarial value of assets. The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC for the fiscal year 2012 (actuarial valuation as of June 30, 2011), as well as for the most current actuarial valuation (as of June 30, 2012):

<u>Description</u>	<u>Method/Assumption</u>
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	30 years, open
Actuarial Asset Valuation Method	Fair Value
Discount Rate	7.06%
Inflation Rate	N/A ¹
Projected Payroll Increases	N/A ¹
Health Care Cost Trend Rate	FY11 9.5% grading down 0.5% each year to 5.0% FY12 9.0% grading down 0.5% each year to 4.5%

¹ Postemployment healthcare benefits are not based on inflation or payroll, but rather are determined based on the Health Care Cost Trend Rate.

Source: Buck Consultants

e. Other Postemployment Benefit Cost and Net OPEB Obligation (NOPEBO)

The following table presents the annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of fiscal year 2012, as well as for the two preceding fiscal years:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
06/30/10	\$ 115,442	49.11%	\$ 152,631
06/30/11	123,534	47.65%	217,297
06/30/12	54,027	44.16%	247,467

The following table shows the calculation of the City's net OPEB obligation of the OPEB Plan for the fiscal year ended June 30, 2012 (based on the valuation as of June 30, 2011):

ARC [Fiscal Year 2012]	\$ 49,061
Interest on NOPEBO	15,341
ARC Adjustment	<u>(10,375)</u>
Annual OPEB Cost	54,027
Contributions [Fiscal Year 2012]	<u>(23,857)</u>
Change in NOPEBO	30,170
NOPEBO Beginning of Year [July 1, 2011]	<u>217,297</u>
NOPEBO End of Year [June 30, 2012]	<u><u>\$ 247,467</u></u>

14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (In Thousands)

Interfund Working Capital Advance (WCA) balances are the result of loans between funds that are expected to be repaid in excess of one year. \$600 represents an advance from the Capital Outlay Fund to the Other Construction Fund for energy upgrades to be reimbursed by the California Energy Commission upon project completion.

Contributing Fund (Receivable)	Benefitting Fund (Payable)	
	NonMajor Governmental	
NonMajor Governmental	\$	600

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. \$1,600 represents a loan from the General Fund to Central Stores to cover a cash deficit.

Contributing Fund (Receivable)	Benefitting Fund (Payable)	
	Internal Service	
General Fund	\$	1,600

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT, Storm Drain, and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for the capital projects and debt service needs during the fiscal year.

Interfund transfer balances for the year ended June 30, 2012 are as follows:

Contributing Fund	Benefitting Fund						Total
	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	\$ 36,390	\$ -	\$ -	\$ 12	\$ 30,222	\$ 66,624
Nonmajor Governmental	74,273	145,238	-	-	45	93	219,650
Sewer Utility	6,495	-	-	-	-	1,103	7,598
Water Utility	6,271	41	-	-	-	496	6,808
Nonmajor Enterprise	1,432	1,206	-	-	864	19	3,521
Internal Service	2,815	296	130	79	58	2	3,380
Total	\$ 91,286	\$ 183,172	\$ 130	\$ 79	\$ 979	\$ 31,935	\$ 307,581

15. RISK MANAGEMENT (In Thousands)

The City is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has established various self-insurance programs and maintains contracts with various insurance companies to manage excessive risks.

The City maintains an excess liability insurance policy in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for amounts up to \$50,000. The City's self-insurance retention amount is \$3,000.

The City offers a cafeteria-style flexible benefits plan. For Municipal Employees Association (MEA) and Local-911 and Local-127 represented employees, this plan requires employees to choose a health plan unless covered elsewhere, and also a life insurance plan. It also gives employees the option of obtaining dental and/or vision insurance. For all other employees, the benefits plan is the same, with the exception that \$50 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees receive flexible benefit dollars as taxable earnings and may use those dollars for medical/dental/vision and childcare reimbursement accounts.

The City is self-insured for workers' compensation and long-term disability (LTD). All operating funds of the City participate in both of these programs and make payments to the Self Insurance Fund, an Internal Service Fund. Each fund contributes an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenses in the contributing funds and operating revenues in the Self Insurance Fund.

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2012 were determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities were calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, Water Utility Fund, and Government-wide financial statements.

A reconciliation of total liability claims, for all three funds, showing current and prior year activity is presented below:

	Public Liability	Workers' Comp & Long- Term Disability	Total
Balance, July 1, 2010	\$ 174,095	\$ 168,534	\$ 342,629
Claims and Changes in Estimates	10,325	26,514	36,839
Claim Payments	<u>(26,797)</u>	<u>(23,399)</u>	<u>(50,196)</u>
Balance, June 30, 2011	157,623	171,649	329,272
Claims and Changes in Estimates	14,990	29,027	44,017
Claim Payments	(18,495)	(26,196)	(44,691)
Transfer to Successor Agency	<u>(39,200)</u>	<u>-</u>	<u>(39,200)</u>
Balance, June 30, 2012	<u>\$ 114,918</u>	<u>\$ 174,480</u>	<u>\$ 289,398</u>

The City, in collaboration with CSAC-EIA, maintains an "All Risk" policy, which includes flood coverage for scheduled locations for amounts up to \$25,000 per occurrence under the primary policy, with a \$25 deductible. Limits include coverage for business interruption losses for designated lease-financed locations. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member are mutually subject to the same loss. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, grant requirements, acquisitions, and in response to changes in the insurance marketplace.

Earthquake coverage is provided for designated buildings/structures and, as required, certain designated City lease-financed locations in the amount of \$60,000, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 5% of total insured values per unit per occurrence, subject to a \$100 minimum. The City's earthquake coverage is purchased jointly and shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an individual earthquake occurrence. Depending upon the availability and affordability of such earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

The City is a public agency subject to liability for the dishonest and negligent acts or omissions of its officers and employees acting within the scope of their duty ("employee dishonesty" and "faithful performance"). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the CSAC-EIA pool. Coverage is provided in the amount of \$10,000 per occurrence, subject to a \$25 deductible.

During fiscal year 2012, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

See Contingencies, Note 18, for additional information.

16. FUND BALANCE / NET ASSETS (DEFICIT) (In Thousands)

The Development Services Enterprise fund, Central Stores Internal Service fund and Publishing Services Internal Service fund have net assets deficits of \$11,559, \$431 and \$551, respectively. These deficits are primarily due to the accumulation of unfunded expenses related to long-term liabilities such as the NPO, NOPEBO and Compensated Absences. The departments are in the process of identifying a solution to correct future net asset deficits.

The Self Insurance Internal Service fund has a net assets deficit of \$117,675, which represents unfunded estimated claims and claim settlements related to Public Liability, Workers' Compensation, and Long-Term Disability. It is anticipated that individual claim settlements will be funded through future user charges subsequent to the filing of a claim and prior to its settlement. The City funded the current year's claim settlements through the departments' operating budgets. Additionally, the City's Reserve Policy calls for a reserve goal of 50% of outstanding claims to be achieved no later than fiscal year 2019. Additionally, the Long-Term Disability fund reserve was set to be \$12,000 by fiscal year 2014 as recommended in the June 30, 2009 actuarial valuation report.

17. COMMITMENTS (In Thousands)

As of June 30, 2012, the City's contractual commitments, which include encumbrances, are as follows:

General Fund	\$ 11,858
Other Governmental Funds	152,490
Sewer Utility	83,308
Water Utility	70,452
Other Enterprise Funds	2,920
Total Contractual Commitments	<u>\$ 321,028</u>

Consent Decree

In October 2007, the City settled litigation filed by the U.S. Environmental Protection Agency (EPA) and two environmental groups by agreeing to additional requirements to reduce sewer spills, which are set forth in a court approved Consent Decree (Consent Decree). The Consent Decree requires, among other things, increased maintenance and infrastructure improvements, including the replacement or rehabilitation of 250 miles of pipeline and trunk sewer, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The annual cost of this future commitment is estimated at \$42,262 in capital projects and \$40,380 in operational maintenance to the sewer system in fiscal year 2013. Sewer Utility expects to fund these commitments through a combination of existing net assets, system revenues, and financing proceeds. Sewer Utility is currently in compliance with the Consent Decree requirements and expects to substantially fulfill all the terms of the Consent Decree by the end of fiscal year 2013.

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In December 2008, the City received a second renewal of a modified permit for the Point Loma Wastewater Treatment Plant and agreed to identify opportunities to maximize recycling wastewater for potable and non potable uses. In August 2010, the EPA issued another waiver and renewed the modified permit for 5 more years. There is no assurance that additional waivers will be approved. If the City cannot operate under a modified permit, there could be significant future obligations to fund the secondary treatment requirements. In October 2009, in conjunction with the approval of the waiver, the California Coastal Commission required the City to complete a Recycled Water Study in two years. The City submitted the Recycled Water Study to the California Coastal Commission in July 2012.

California Department of Public Health Compliance Order

In 1997, the State of California Department of Public Health (DPH) issued a compliance order requiring the City to correct operational deficiencies and begin necessary capital improvements related to the City's water system. This Compliance Order was last amended in May of 2007 (Amendment 11), and included additional items that were not in the original Compliance Order. The DPH Compliance Order will remain in effect until the required projects are completed. Presently, the City is meeting all of the requirements of the DPH Compliance Order, including the progress of mandated projects and the ongoing obligation to provide DPH with quarterly progress reports.

For fiscal years 2013 to 2018, the City's DPH Compliance Order project costs are estimated to be a combined total of \$234,959. Water Utility expects to fund these commitments through a combination of existing net assets, system revenues, and financing proceeds. Water Utility expects to substantially fulfill all the terms of the Compliance Order by the end of fiscal year 2018.

18. CONTINGENCIES (In Thousands)

FEDERAL AND STATE GRANTS

The City recognizes as revenue grant monies received as reimbursement for costs incurred related to certain Federal and State programs it administers. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2012 is in process.

LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes, but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City received 1,966 notices of claims in fiscal year 2012.

As of June 30, 2012, the City estimates the amount of tort and non-tort liabilities to be \$114,918, which has been reported in the Government-wide Statement of Net Assets and the proprietary funds financial statements. The liability was actuarially determined and was supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The liability recorded is the City's best estimate based on information available as of the issuance of this report. The City Attorney also estimates that in the event of an adverse ruling, certain pending lawsuits and claims have a reasonable possibility of resulting in an additional liability, in the aggregate, ranging from \$0 - \$147,000. However, the potential liabilities related to these claims are not individually accrued because it is not probable that a loss has been incurred as of June 30, 2012.

Agreements Between the City and the Former Redevelopment Agency

Pursuant to AB 26, the former redevelopment agency dissolved as of February 1, 2012, at which time the City, as Successor Agency, received the former redevelopment agency's assets and assumed the responsibility for winding down the former redevelopment agency's operations. A subsequent statute, AB 1484, clarified certain aspects of AB 26 and imposed new obligations on all successor agencies aimed largely at expediting the transfer of any uncommitted cash balances of the former redevelopment agency to the local county auditor-controller for pro rata distribution to local taxing entities. The Successor Agency is an entity separate from the City and is reported as a private-purpose trust fund even though the City serves as the Successor Agency. The Successor Agency's role under AB 26 and AB 1484 is explained further in Note 23.

The dissolution of the former redevelopment agency may result in adverse fiscal impacts to the City. For instance, AB 26 generally purports to invalidate agreements between the City and the former redevelopment agency, subject to limited exceptions. In a letter dated October 19, 2012, the California Department of Finance (DOF) preliminarily objected to numerous line items in the third Recognized Obligation Payment Schedule (ROPS 3), which covers payments to be made by the Successor Agency to third parties during the first six months of calendar year 2013. One category of the challenged line items in ROPS 3 includes payments owed by the Successor Agency to the City under several agreements between the City and the former redevelopment agency. On October 26, 2012, the Successor Agency requested the opportunity to meet and confer with the DOF regarding its objections to ROPS 3, pursuant to AB 1484. It is anticipated that the DOF will issue its final determination on this matter by mid-December 2012. In the event of an adverse ruling, AB 1484 allows for the oversight board to reinstate the loans between the City and the former redevelopment agency; however, the accrued interest related to the loans must be recalculated at a historical interest rate equal to LAIF which would result in an estimated \$125,000 reduction of accrued interest.

If the DOF's final determination upholds its preliminary objection to the agreements between the City and the former redevelopment agency, and assuming that final determination is not overturned in any subsequent litigation, then the City would be impacted in two ways. First, the City would not be able to rely on redevelopment funds to make any future payments contemplated by any invalidated agreements. Second, pursuant to a so-called "claw-back" provision in both AB 26 and AB 1484, it is anticipated that the City would be required to reimburse the Successor Agency in the amount of certain prior payments made to the City under the invalidated agreements. The claw-back provision directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the Successor Agency. By letter dated April 20, 2012, the State Controller has ordered the City to comply with this directive. However, the City is awaiting the DOF's final determination on ROPS 3 in order to determine whether the City will be required to reimburse the Successor Agency in the amount of prior payments made to the City under the challenged agreements.

If the City ultimately is required to reimburse the Successor Agency under the claw-back provision, then the reimbursement payment would be approximately \$28,000 with respect to the aggregate total of prior payments made under the challenged debt agreements since January 1, 2011 (not inclusive of ROPS 3). The City has earmarked \$14,400 to address the potential fiscal impacts arising from the dissolution of the former redevelopment agency in the fiscal year 2013 budget. In addition, the City's General Fund unassigned fund balance, which includes the City's pro rata share of property taxes distributed by the local county auditor-controller to local taxing entities in connection with the dissolution of the former redevelopment agency, is also available to address these issues.

In addition, on March 1, 2011 the City and the RDA executed a 30 year repayment agreement to memorialize multiple loans made by the City to the RDA in prior years. The loans were made from various City funds. The total amount of the loan agreement was \$193,760, including principal in the amount of \$65,797 and accrued interest through June 30, 2011, in the amount of \$127,963. Pursuant to the repayment agreement, no additional interest will accrue after this date. The balance of the loan agreement as of June 30, 2012 is \$192,901, including principal in the amount of \$65,167 and accrued interest of \$127,734. The determination of whether a payment is due in any fiscal year was determined during the annual budget process of the RDA and the City.

In consultation with legal counsel, Management has consistently taken the position that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the Successor Agency. The City's position on this issue is not a position of settled law, and there is considerable legal uncertainty regarding this issue. It is reasonably possible that the DOF's final determination and, if applicable, a subsequent determination in a court of law may resolve this issue unfavorably to the City. The financial impact of this determination is unknown at this time.

Significant regulatory actions are described below (other regulatory actions are described in Note 17 – Commitments).

POLLUTION REMEDIATION OBLIGATIONS

California Regional Water Quality Board Administrative Proceeding

This matter involves cleanup and abatement order No. R9-2012-0024 adopted by the Regional Water Quality Control Board (RWQCB) on March 14, 2012. The order names the City as one of the responsible parties for conditions of pollution in San Diego Bay and requires remediation of polluted bay sediments near historic shipyards on San Diego Bay. The City is named as a "Discharger" in the order along with other entities, which include shipyard operators, the local electric utility SDG&E, and the U.S. Navy.

A Remedial Action Plan for the cleanup project has been submitted by the Dischargers to the RWQCB. The cleanup project has an estimated cost of \$75,000 plus an additional \$6,000 to \$9,000 of costs related to site investigation, assessment and RWQCB oversight. The order includes post-remedial monitoring requirements which, depending on monitoring results and trends, may lead to further cleanup orders. CERCLA litigation is pending for contribution levels among the Dischargers, however the parties are continuing to address allocation of these costs in mediation while the litigation is pending. Many variables exist, which make accurate estimation of the City's share of the total costs impossible at this time. A conservative, high-range estimate of the City's exposure is 25% of cleanup and associated response costs; however, a lesser percentage is possible. The City has tendered claims on insurance policies in regard to this order, which remain pending.

County Department of Environmental Health (DEH) Unauthorized Release Cases

The City owns/owned Underground Storage Tank (UST) Systems at various locations including, but not limited to: Airports, Fleet Operations Yards, Police Substations, and Fire-Rescue Facilities. The City has been named as a responsible party by the DEH in 20 cases located at 10 UST sites, the earliest of which dates back to fiscal year 1987. The nature of the pollution involves soil and groundwater contamination by the USTs. The City has been able to utilize the State's UST Cleanup Fund to obtain reimbursement for a vast majority of the site assessment and mitigation costs. An estimate of the City's pollution liability has been established using a variety of methods and assumptions including, but not limited to: soil borings and groundwater monitoring wells to determine lateral and vertical extent of impacts; soil vapor assessment studies; corrective action planning; active soil and groundwater treatment; and attenuation monitoring. The liability for each site ranges from \$0 to \$1,000, and all but two estimates are under \$100. Given that the vast majority of all costs are paid out of the State's UST Cleanup Fund and the majority of the estimates are of relatively small amounts, the estimates are expensed when incurred throughout the year in the responsible fund and no liability is accrued in the financial statements.

Sewage Spill at Pump Station 64

On September 8, 2011, during a regional countywide electrical power outage, all power was lost at Sewer Pump Station 64. As a result of the power outage, 2.4 million gallons of sewage was spilled into the Penasquitos Creek and ultimately the Los Penasquitos Lagoon. For six days following the event, the City posted notification on the beaches five miles north and south of the mouth of the lagoon warning of contaminated water. The City also pumped a mixture of sewage and creek water from the Penasquitos Creek, recovering approximately 931,550 gallons of sewage.

The discharge of untreated sewage is a violation of State Water Board Order No. 2006-0003-DWQ, Statewide General Waste Discharge Requirements for Sanitary Sewer Systems and San Diego Water Board Order No. R9-2007-0005, Waste Discharge Requirements for Sewage Collection Agencies in the San Diego Region. The City received an Investigative Order from the California RWQCB pertaining to the sewage spill. The City submitted a technical report to the RWQCB on October 14, 2011 and a final monitoring report on February 17, 2012. These reports provided information to the RWQCB to evaluate the nature, circumstances, extent and impacts of the discharge of untreated sewage. The City is currently in settlement discussions with the State Board and the RWQCB. A final decision has not been rendered.

The California Water Code provides for various enforcement options, including civil monetary remedies for violations of Order No. 2006-0003-DWQ. Water Code section 13350 provides that any person who violates any waste discharge requirement issued by a Regional Board shall be civilly liable. Water Code section 13350(e)(2) provides that civil liability may be assessed on a per gallon basis, and may not exceed \$10 (whole dollars) for each gallon of waste discharged.

19. DEBT WITHOUT GOVERNMENT COMMITMENT (In Thousands)

The City and former Redevelopment Agency of the City of San Diego have authorized the issuance of certain Mortgage Revenue Bonds, Parking Revenue Bonds, Tax Allocation Bonds, Pooled Financing Bonds, Special Assessment/Special Tax Bonds, Loans and Notes. The City has no legal obligation to make payment on these bonds, loans or notes and has not pledged any City assets as a guarantee to the bondholders/lenders. These bonds, loans and notes do not constitute indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans, certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. Accordingly, no liability has been recorded in the City's government-wide statement of net assets. Long-term liabilities of the former Redevelopment Agency are reported in the Successor Agency private-purpose trust fund.

The following describes the outstanding debt without government commitment:

a. Mortgage Revenue Bonds

Single-family mortgage revenue bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons of low or moderate income who are unable to qualify for conventional mortgages at market rates. Multi-family housing revenue bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City to be partially occupied by persons of low income.

As of June 30, 2012, the status of mortgage revenue bonds issued is as follows:

	Original Amount	Balance June 30, 2012
Mortgage Revenue	\$ 15,700	\$ 4,655

b. Special Assessment/Special Tax Bonds

The special assessment districts, including Community Facilities Districts in various parts of the City, have issued debt to finance infrastructure improvements and facilities within their respective districts. The special assessment bonds are secured by special tax liens and assessments on the real property within the special assessment district and are not direct liabilities of the City. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. The City acts as the agent in the collection and remittance of the special taxes and assessments for these Districts and initiates foreclosure proceedings as required under the bond covenants.

As of June 30, 2012, the status of each of the special assessment bonds issued is as follows:

	Original Amount	Balance June 30, 2012
Reassessment District No. 1999-1, Issued February 1999	\$ 38,145	\$ 9,680
Communities Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2000 B	4,350	3,700
Reassessment District No. 2003-1, Issued August 2003	8,850	4,450
Assessment District No. 4096 (Piper Ranch), Issued December 2003	5,430	4,040
Communities Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2004 A	9,965	7,880
Communities Facilities District No.3 (Liberty Station), Series 2006 A	16,000	14,815
Communities Facilities District No.3 (Liberty Station), Series 2008 A	3,950	3,670
Communities Facilities District No.4 (Black Mountain Ranch Villages), Series 2008 A	12,365	11,660
Communities Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2011	51,680	51,680
Communities Facilities District No.1 (Miramar Ranch North), Series 2012	24,795	24,795
Total Special Assessment / Special Tax Bonds:	<u>\$ 162,310</u>	<u>\$ 136,370</u>

c. Refunding Revenue Bonds

The Public Facilities Financing Authority of the City of San Diego issued Refunding Revenue Bonds in February 1999 for the purpose of acquiring the Limited Obligation Refunding Bonds issued by the City of San Diego Reassessment District No.1999-1 and sold to the Authority for the purpose of refunding certain outstanding prior assessment district bonds of the City. The Bonds are special obligations of the Authority payable solely from and secured by amounts received from the acquired Limited Obligations, investment income with respect to any monies held by the Trustee in the funds and accounts established under the indenture and any amounts, including proceeds of the sale of the Bonds, held in any fund or account established pursuant to the Indenture.

As of June 30, 2012, the status of each of the refunding revenue bonds issued is as follows:

	Original Amount	Balance June 30, 2012
Reassessment District No. 1999-1, Series 1999 A Senior Lien Bonds	\$ 30,515	\$ 6,500
Reassessment District No. 1999-1, Series 1999 B Subordinate Lien Bonds	7,630	1,605
Total Refunding Revenue Bonds	<u>\$ 38,145</u>	<u>\$ 8,105</u>

d. Parking Revenue and Tax Allocation Bonds

The former Redevelopment Agency of the City of San Diego issued parking revenue bonds for the purpose of financing certain public parking facilities and tax allocation bonds for the purpose of financing or refinancing redevelopment activities. The parking revenue and tax allocation bonds are secured by certain pledged revenues of the former Redevelopment Agency and are not direct liabilities of the City. In no event will the bonds be payable out of any funds or properties other than those of the Successor Agency or former Redevelopment Agency along with any monies held by the Trustee in the funds and accounts established under the indenture and any amounts, including proceeds of the sale of the Bonds, held in any fund or account established pursuant to the Indenture.

As of June 30, 2012, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance June 30, 2012
Revenue Bonds		
Centre City Parking Revenue Bonds, Series 1999 A	\$ 12,105	\$ 8,750
Centre City Parking Revenue Bonds, Series 2003 B	20,515	15,560
Total Revenue Bonds	32,620	24,310
Tax Allocation Bonds:		
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	1,200	590
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	12,970	3,945
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	25,680	20,480
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	11,360	4,730
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	13,610	10,920
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	5,690	4,605
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	10,141	7,696
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	6,100	4,195
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	21,390	16,510
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	15,025	11,115
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	13,000	10,360
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	7,000	5,580
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A	58,425	54,270
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	31,000	11,980
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	865	175
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	4,530	4,040
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	8,000	5,520

	Original Amount	Balance June 30, 2012
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	\$ 7,145	\$ 5,415
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	5,360	5,360
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	101,180	83,880
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	27,785	22,560
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	8,905	7,250
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	76,225	72,735
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	33,760	30,735
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	69,000	55,415
North Park Redevelopment Project Tax Allocation Bonds, Series 2009 A	13,930	13,930
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 A	5,635	5,635
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 B	9,590	9,590
Crossroads Redevelopment Project Tax Allocation Bonds, Series 2010 A	4,915	4,870
Housing Set-Aside Tax Allocation Bonds, Series 2010 A	58,565	58,210
Naval Training Center Redevelopment Project Tax Allocation Bonds, Series 2010 A	19,765	19,455
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 A	2,900	2,900
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 B	5,030	4,940
Total Tax Allocation Bonds	<u>710,011</u>	<u>593,926</u>
Total Parking Revenue and Tax Allocation Bonds	<u>\$ 742,631</u>	<u>\$ 618,236</u>

Accreted Interest Payable on Tax Allocation Bonds

City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 B	\$ 9,565
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A	10,639
Total Accreted Interest Payable	<u>\$ 20,204</u>

e. Pooled Financing Bonds

The PFFA of the City of San Diego issued Pooled Financing Bonds in July 2007 for the purpose of making loans to the former RDA of the City of San Diego to be used for financing and refinancing redevelopment activities. The Bonds are obligations of the PFFA payable solely from and secured by amounts received from the loan agreement, certain pledge revenues, and monies held by trustee in the funds and the accounts established under the indenture and any amounts, including proceeds of the sale of the Bonds, held in any fund or account established pursuant to the indenture. The loan between the PFFA and the Redevelopment Agency has been eliminated from this note since the Pooled Financing Bonds and related loans are both obligations transferred to the Successor Agency.

	Original Amount	Balance June 30, 2012
<u>Pooled Financing Bonds:</u>		
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	\$ 17,230	\$ 15,160
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	17,755	16,025
Total Pooled Financing Bonds	<u>\$ 34,985</u>	<u>\$ 31,185</u>

f. Loans and Notes

The former Redevelopment Agency of the City of San Diego issued loans and notes for the purpose of financing redevelopment activities. The loans and notes are secured by certain pledged revenues of the former Redevelopment Agency. Additional information on obligations due to the City is included in Note 23.

	Original Amount	Balance June 30, 2012
<u>Loans Payable:</u>		
California Housing Financing Agency (HELP) Loan dated October 2008	\$ 1,250	\$ 1,250
City San Diego - City Heights Section 108 Loan dated August 2001	2,250	1,445
City San Diego - Naval Training Center Section 108 Loan dated June 2004	5,910	4,599
City San Diego - HUD Settlement Agreement dated various dates	45,311	34,835
City of San Diego - Miscellaneous dated various dates	65,169	65,167
Total Loans Payable	<u>\$ 119,890</u>	<u>\$ 107,296</u>
<u>Notes Payable:</u>		
City of San Diego - Naval Training Center dated April 2002	\$ 8,300	\$ 8,300
Total Notes Payable	<u>\$ 8,300</u>	<u>\$ 8,300</u>
<u>Accrued Interest Payable:</u>		
City San Diego - HUD Settlement Agreement	\$ 33,476	\$ 33,182
City of San Diego - Miscellaneous	-	127,734
City Note Payable dated April 2002	-	9,858
Total Accrued Interest Payable	<u>\$ 33,476</u>	<u>\$ 170,774</u>

Amortization Requirements

The annual amortization requirements to amortize such private purpose trust funds long-term debt outstanding as of June 30, 2012, including interest payments to maturity, are as follows:

Year Ended June 30,	Revenue Bonds		Tax Allocation Bonds			Pooled Financing Bonds	
	Principal	Interest	Principal	Unaccrued	Interest	Principal	Interest
				Appreciation ¹			
2013	\$ 1,135	\$ 1,315	\$ 24,688	\$ 2,388	\$ 31,762	\$ 860	\$ 1,762
2014	1,195	1,257	26,249	2,455	30,465	900	1,718
2015	1,255	1,194	27,103	2,459	29,122	950	1,671
2016	1,320	1,127	28,502	2,440	27,724	1,000	1,621
2017	1,390	1,055	30,006	2,414	26,222	1,050	1,568
2018-2022	8,190	3,985	158,448	10,653	106,351	5,755	6,901
2023-2027	9,825	1,330	129,733	4,900	70,111	6,140	5,235
2028-2032	-	-	81,397	154	41,192	8,165	3,141
2033-2037	-	-	47,000	-	21,785	5,375	973
2038-2042	-	-	40,800	-	5,659	990	29
Total	<u>24,310</u>	<u>11,264</u>	<u>593,926</u>	<u>27,863</u>	<u>390,393</u>	<u>31,185</u>	<u>24,619</u>
Add:							
Accrued Appreciation through June 30, 2012	-	-	20,204	-	-	-	-
Total	<u>\$ 24,310</u>	<u>\$ 11,264</u>	<u>\$ 614,130</u>	<u>\$ 27,863</u>	<u>\$ 390,393</u>	<u>\$ 31,185</u>	<u>\$ 24,619</u>

Year Ended June 30,	Loans Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2013	\$ 4,301	\$ 430	\$ -	\$ -
2014	4,819	318	-	-
2015	6,606	649	-	-
2016	8,677	1,203	-	-
2017	11,848	1,661	-	-
2018-2022	3,256	31,154	-	-
2023-2027	1,372	127	-	-
Unscheduled ²	66,417	127,848	8,300	9,858
Total	<u>\$ 107,296</u>	<u>\$ 163,389</u>	<u>\$ 8,300</u>	<u>\$ 9,858</u>

¹ Unaccrued Appreciation represents the amount to be accreted in future years regardless of the timing of cash flows.

² The loans payable to the City in the amount of 65,167, loan payable to the California Housing Financing Agency in the amount 1,250, note payable to the City in the amount of 8,300 and accrued interest associated with Loans and Note of \$137,706 are payable when practicable.

Change in Long-Term Liabilities:

The following is a summary of changes in long-term liabilities reported in the private purpose trust funds for the year ended June 30, 2012. The effect of bond accretion, bond premiums, discounts, and differed amounts on refunding are reflected as adjustments to long-term liabilities.

	<u>Beginning Balance</u>	<u>Transfer from former RDA</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Arbitrage Liability	\$ -	\$ 3	\$ -	\$ -	\$ 3
Liability Claims	-	39,200	31,360	-	70,560
Loans Payable	-	1,250	109,888	(3,842)	107,296
Note Payable	-	-	8,300	-	8,300
Revenue Bonds / COPs	-	24,310	-	-	24,310
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	-	(75)	-	2	(73)
Net Revenue Bonds/COP's	-	24,235	-	2	24,237
Tax Allocation Bonds	-	593,926	-	-	593,926
Interest Accretion	-	20,204	-	-	20,204
Balance with Accretion	-	614,130	-	-	614,130
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	-	3,272	-	(442)	2,830
Net Tax Allocation Bonds	-	617,402	-	(442)	616,960
Pooled Financing Bonds	-	31,185	-	-	31,185
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	-	(64)	389	(7)	318
Net Pooled Financing Bonds	-	31,121	389	(7)	31,503
Interest accrued on City Loans and Note	-	-	170,774	-	170,774
Total	<u>\$ -</u>	<u>\$ 713,211</u>	<u>\$ 321,100</u>	<u>\$ (4,289)</u>	<u>\$ 1,029,633</u>

20. CLOSURE AND POST-CLOSURE CARE COST (In Thousands)

State and federal laws and regulations require that the City place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$21,743 reported as landfill closure and post-closure care liability as of June 30, 2012 represents the cumulative amount reported to date based on the use of 82% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post-closure care of \$4,815 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care as of June 30, 2012. The City expects to close the landfill in fiscal year 2022. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The City is in compliance with these requirements and as of June 30, 2012, cash or equity in pooled cash and investments of \$44,604 was held for this purpose. The net asset related to this amount is reported as restricted on the statement of net assets in the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

The City is required by state and federal laws and regulations to demonstrate financial resources sufficient to conduct corrective action for all known or reasonably foreseeable releases from the Miramar Landfill site to meet the current corrective action cost estimate approved by the San Diego Regional Water Quality Control Board. The City is in compliance with these requirements and as of June 30, 2012 cash or equity in pooled cash and investments of \$1,548 was held for this purpose. This amount is reported as restricted assets on the statement of net assets in the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

21. OPERATING AGREEMENTS (In Thousands)San Diego Data Processing Corporation and Automated Regional Justice Information System

SDDPC has a yearly information technology services contract agreement with a joint powers agency known as the Automated Regional Justice Information System (ARJIS) whose main purpose is to pursue development of computerized law enforcement systems in the region.

Under the agreement, SDDPC provides information technology services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental agency clients. Included in SDDPC's services revenue is approximately \$2,875 related to ARJIS for the year ended June 30, 2012.

City of San Diego and Padres L.P.

On February 1, 2000, the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the new Petco Park Ballpark Facility (Facility). The Padres have a 30% divided interest and the City owns 70%, which is shown as a capital asset in the City's statement of net assets. The occupancy agreement expires on December 14, 2033 and includes the right to exercise two 5-year extensions. Upon expiration, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, up to a maximum of \$3,500 per year, subject to certain inflationary adjustments. In fiscal year 2012, the City paid approximately \$3,880 related to the operation and maintenance of the Facility.

Rural/Metro of San Diego, Inc.

On July 1, 2011, the City entered into an interim emergency medical services agreement with respect to the management and operation of emergency medical services and medical transportation services for the 911 medical system within the City of San Diego. Under this agreement, the City is entitled to an annual operational fee in the amount of \$9,000 and \$10,000 for fiscal years 2012 and 2013, respectively, payable in four equal quarterly payments. The interim agreement has a two-year term beginning July 1, 2011 and ending June 30, 2013.

22. FUND BALANCES (In Thousands)

The following table provides additional detail regarding the City's governmental fund balances:

	General Fund	Other Governmental Funds	Total Governmental Funds
NONSPENDABLE			
Not in Spendable Form	\$ 22,140	\$ 722	\$ 22,862
Legally/Contractually Required to be Maintained Intact	-	18,780	18,780
Total Nonspendable	<u>22,140</u>	<u>19,502</u>	<u>41,642</u>
RESTRICTED			
Grants	-	232,249	232,249
Facilities Benefit Assessments	-	139,624	139,624
Redevelopment Cooperation Agreement	40,383	86,790	127,173
Other Construction	-	76,732	76,732
Impact Fees	-	72,293	72,293
Emergency Reserve	58,506	-	58,506
Capital Outlay	-	56,374	56,374
Underground Surcharge	-	48,494	48,494
Public Facilities Financing Authority	-	41,776	41,776
Acquisition, Improvement and Operations	-	32,381	32,381
Traffic Congestion Relief (Prop 42)	-	14,087	14,087
Special Gas Tax Street Improvement	-	13,739	13,739
Tobacco Settlement Revenue Funding Corporation	-	12,694	12,694
TransNet	-	12,452	12,452
Developer Contributions	-	10,636	10,636
Fiesta Island Sludge	-	7,203	7,203
Naval Training Center Public Arts Center	-	4,917	4,917
Special Assessment/Special Tax Bonds	-	4,219	4,219
Environmental Growth	-	4,042	4,042
Other	3,215	5,758	8,973
Total Restricted	<u>102,104</u>	<u>876,460</u>	<u>978,564</u>

Continued on Next Page

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
COMMITTED			
Other Construction	\$ -	\$ 21,425	\$ 21,425
Parking Meter Districts	20,920	-	20,920
Transient Occupancy Tax	-	14,310	14,310
Sea World Traffic Mitigation	-	9,384	9,384
Emergency Medical Services	-	5,997	5,997
Regional Parks	-	6,855	6,855
Park & Recreation Districts	-	6,505	6,505
De Anza Operating/Settlement	6,902	-	6,902
Police Decentralization	4,118	-	4,118
Qualcomm Stadium Operations	-	3,543	3,543
Mission Bay Reserve	-	3,439	3,439
Library Improvement	3,284	-	3,284
Wireless Communications Technology	2,792	-	2,792
SAP Support	2,031	-	2,031
Information Technology	1,896	-	1,896
Civic San Diego	-	1,311	1,311
International Gateway of the Americas	1,283	-	1,283
Acquisition, Improvement and Operations	-	1,030	1,030
Other	1,605	40,923	42,528
Total Committed	<u>44,831</u>	<u>114,722</u>	<u>159,553</u>
UNASSIGNED	<u>109,475</u>	<u>(43,841)</u>	<u>65,634</u>
GRAND TOTAL	<u>\$ 278,550</u>	<u>\$ 966,843</u>	<u>\$ 1,245,393</u>

The amounts reported in the Restricted and Committed categories as "Other" are composed of a variety of small restrictions/commitments, none of which are significant enough to be identified separately in this schedule.

23. SUCCESSOR AGENCY TRUST FOR ACTIVITIES OF THE FORMER REDEVELOPMENT AGENCY (In Thousands)Background

On December 29, 2011, the California Supreme Court upheld AB 26, leading to the dissolution of all redevelopment agencies in the State of California as of February 1, 2012. This action impacted the reporting entity of the City of San Diego, which had previously reported a redevelopment agency as a blended component unit.

AB 26 and AB 1484 provide that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the former redevelopment agency's assets until they are distributed to other units of state and local government or, where appropriate, to private parties. On January 12, 2012, the City Council adopted resolution number 307238, designating the City to serve as the Successor Agency for the former redevelopment agency.

After enactment of AB 26, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the approval of a newly established Oversight Board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In addition, under more recent legislation known as AB 1484, enacted on June 27, 2012, the Successor Agency generally must dispose of the former redevelopment agency's real estate assets for certain permissible uses in accordance with a long-range property management plan, which is expected to be submitted by the Successor Agency to the Oversight Board and the California Department of Finance for approval in mid-2013.

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated or transferred to another entity.

Fiscal Impacts

As described in AB 26, the liability of the Successor Agency, acting pursuant to the powers granted by AB 26, is limited to the extent of the total sum of property tax revenues it receives and the value of the assets transferred to it. As further described in AB 1484, the Successor Agency is a separate public entity from the City, and the former redevelopment agency's liabilities shall not be transferred to the City. As explained in Note 18, however, the implementation of AB 26 and AB 1484 may result in adverse fiscal impacts to the City.

Reconciliation of Extraordinary Gain/Loss in Financial Statements

In accordance with the timeline set forth in AB 26 (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months (ended January 31, 2012) of activity of the redevelopment agency continued to be reported in the governmental funds of the City, and the redevelopment agency was treated as a blended component unit of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The purpose of the following reconciliation is to highlight the details of the asset and liability transfers from the former redevelopment agency to the Successor Agency as of February 1, 2012. The first component of the reconciliation highlights the details of the conversion of the extraordinary loss reported in the City's governmental funds financial statements (which uses the current financial resources measurement focus and modified accrual basis of accounting) to the extraordinary gain

reported in the government-wide financial statements (which uses the economic resources measurement focus and accrual basis of accounting). The second component of the reconciliation highlights the details of the conversion of the extraordinary gain reported in the City's government-wide financial statements to the extraordinary loss reported in the Fiduciary Funds financial statements.

The difference between the extraordinary loss recognized in the governmental financial statements and the extraordinary loss recognized in the fiduciary financial statements is reconciled as follows:

**RECONCILIATION OF THE EXTRAORDINARY LOSS REPORTED IN GOVERNMENTAL FUNDS TO THE
EXTRAORDINARY LOSS RECOGNIZED IN THE SUCCESSOR AGENCY TRUST FUND FINANCIAL STATEMENTS**

Total Extraordinary Loss reported in governmental funds (page 54) - Increase to net assets of the Successor Agency	\$ 317,084
Total Extraordinary Gain reported in Proprietary funds (page 57) Decrease to net assets of the Successor Agency	(1,866)
Deferred Charges reported in the government-wide financial statements - Increase to net assets of the Successor Agency	9,600
Capital assets recorded in the government-wide financial statements - Increase to net assets of the Successor Agency	125,211
Due to Successor Agency reported in the government-wide financial statements - Increase to net assets of the Successor Agency	80,145
Long-Term liabilities reported in the government-wide financial statements - Decrease to net assets of the Successor Agency:	
Accrued Interest	(14,302)
Arbitrage Liability	(3)
Liability Claims	(39,200)
Loans Payable	(1,250)
Revenue Bonds Payable	(24,235)
Tax Allocation Bonds Payable	(617,402)
Pooled Financing Bonds Payable	<u>(31,121)</u>
Total Extraordinary Gain reported in the Government-wide Statement of Activities (page 51) - Decrease to net assets of the Successor Agency	<u>(197,339)</u>
Working Capital Advances to City - Increase to net assets of the Successor Agency	232,542
Land Held for Resale - Increase to net assets of the Successor Agency	515
PFFA Loan Payable - Increase to net assets of the Successor Agency	<u>31,185</u>
Total Extraordinary Gain of the Successor Agency reported in the Fiduciary Statement of Net Assets (page 61)	<u>\$ 66,903</u>

24. SUBSEQUENT EVENTS (In Thousands)

On July 1, 2012, the City issued the fiscal year 2013 Tax and Revenue Anticipation Notes in the amount of \$100,685 to meet the annual General Fund cash flow needs of the City. The final maturity date of the fiscal year 2013 Tax Revenue Anticipation Notes is June 28, 2013.

On July 3, 2012, the Public Facilities Financing Authority of the City of San Diego issued \$72,000 of Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) and \$18,745 of Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding). The Series 2012B fully refunded the outstanding Fire and Life Safety Lease Revenue Bonds, Series 2002B. The Series 2012A and B Bonds are special, limited obligations of the Authority secured solely by the base rental payments payable under the Facility Lease. The interest rates for the Series 2012A range from 2.00% to 5.25% and for the Series 2012B from 2.00% to 5.00%. The final maturity for the Series 2012A Bonds is April 15, 2042 and the 2012B Bonds April 15, 2032.

On July 3, 2012, the City received \$5,198 from a \$29,961 State Revolving Fund loan agreement with the State Water Resources Control Board for the Point Loma Grit Process Improvement Project. The interest rate on the loan is 2.70% and the repayment period for the loan is 20 years, beginning one year after the completion of construction on the project.

On July 18, 2012, the City received an initial disbursement of \$312 from a \$5,734 State Revolving Fund Loan agreement with the State Water Resources Control Board for the Sewer Pipeline Rehabilitation Project. The interest rate on the loan is 2.20% and the repayment period for the loan is 20 years, beginning one year after the completion of construction on the project.

On July 31, 2012, the City returned \$71,369 in land, \$8,776 in structures and improvements and \$31,555 in Land Held for Resale and related contracts to the Successor Agency. These assets were originally transferred from the RDA to the City on March 15, 2011; however, AB 26 directed the State Controller to review the propriety of transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. As a result, the State Controller issued a written order on April 20, 2012 requiring the reversal of prior asset transfers that are not contractually committed. The obligation to return the amounts has been reported in the financial statements as of June 30, 2012.

Pension Reform Ballot Initiative

On June 5, 2012, voters approved Proposition B, which was entitled "Amendments to the San Diego City Charter Affecting Retirement Benefits". Generally, the amendments will provide all new City employees hired on or after the effective date of the amendments, except sworn police officers, with a 401(k) style plan instead of a defined benefit plan. The initiative also contains other provisions intended to limit pension benefits for existing employees by imposing a six-year freeze on inflationary salary increases, thereby limiting the base compensation used to calculate pension benefits.

Several City labor organizations have filed unfair labor practice claims against the City with the California Public Employment Relations Board ("PERB") alleging that the City was required to meet and confer with the City's labor unions before Proposition B was placed on the ballot. The City has argued that Proposition B is a citizens' initiative and the relevant law would only require the City to meet and confer if Proposition B was initiated by the City Council. The City received a stay of the administrative proceedings before PERB and sought to have claims adjudicated by the Superior Court. This stay was appealed by the San Diego Municipal Employees Association (MEA) and the appellate court ruled that the City must exhaust administrative remedies before PERB prior to seeking judicial relief. The City sought Supreme Court review of the Court of Appeal decision, but was denied. A PERB administrative law judge

conducted an evidentiary hearing on the union unfair labor practice claims and the final brief was completed on October 4, 2012. The judge has indicated that he will render a decision approximately 60 days after final briefing. In the meantime, PERB and MEA sought a preliminary injunction in the Superior Court to halt implementation of Proposition B, and the Court denied that injunction. In addition, the City and labor unions have come to an interim agreement on a defined contribution plan, which was approved by City Council on October 1, 2012. The details of the final plan are dependent upon the outcome of this litigation, which may delay or preclude the implementation of some or all of the Proposition B amendments to the City Charter.

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Required Supplementary Information (Unaudited)
June 30, 2012

PENSION TRUST FUND**Schedule of Funding Progress**

The following table shows the funding progress of the City's pension trust fund for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2009	\$ 4,175,229	\$ 6,281,636	\$ 2,106,407	66.47%	\$ 536,591	392.55%
6/30/2010	4,382,047	6,527,224	2,145,177	67.13%	530,238	404.57%
6/30/2011	4,739,399	6,917,175	2,177,776	68.52%	514,265	423.47%

Source: Cheiron, Inc.

OPEB TRUST FUND**Schedule of Funding Progress**

The following table shows the funding progress of the City's OPEB trust fund for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2010	\$ 72,720	\$ 1,200,910	\$ 1,128,190	6.06%	\$ 472,561	238.74%
6/30/2011	116,608	1,248,151	1,131,543	9.34%	455,537	248.40%
6/30/2012	104,304	553,432	449,128	18.85%	124,675	360.24%

¹ Includes payroll for active employees in the defined benefit options only.

Schedule of Employer Contributions

The following table shows contributions to the City's OPEB trust fund for the last three fiscal years (in thousands):

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2010	\$ 113,426	\$ 56,689	49.98%
6/30/2011	120,324	58,868	48.92%
6/30/2012	49,061	23,857	48.63%

Source: Buck Consultants

REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND

GENERAL FUND

The general fund is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

General fund revenues are derived from such sources as: Taxes; Licenses and Permits; Fines, Forfeitures, and Penalties; Revenue from the Use of Money and Property; Revenue from Other Agencies; Charges for Current Services; and Other Revenue.

Current expenditures and encumbrances are classified by the functions of: General Government and Support; Public Safety–Police; Public Safety–Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; Capital Outlay; and Debt Service Principal and Interest. Appropriations are made from the fund annually.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes.....	\$ 380,909	\$ 383,409	\$ 408,776	\$ 25,367
Sales Taxes.....	216,611	217,529	220,277	2,748
Transient Occupancy Taxes.....	74,787	76,787	78,268	1,481
Other Local Taxes.....	72,957	72,957	74,818	1,861
Licenses and Permits.....	35,220	35,215	31,117	(4,098)
Fines, Forfeitures and Penalties.....	37,675	64,675	62,976	(1,699)
Revenue from Use of Money and Property.....	41,052	43,751	46,842	3,091
Revenue from Federal Agencies.....	1,890	818	1,608	790
Revenue from Other Agencies.....	3,958	3,958	965	(2,993)
Charges for Current Services.....	157,838	190,247	177,447	(12,800)
Other Revenue.....	2,820	3,620	5,297	1,677
TOTAL REVENUES.....	1,025,717	1,092,966	1,108,391	15,425
EXPENDITURES				
Current:				
General Government and Support.....	221,447	221,447	212,483	8,964
Public Safety - Police.....	380,653	387,028	387,027	1
Public Safety - Fire and Life Safety and Homeland Security.....	189,270	197,297	197,124	173
Parks, Recreation, Culture and Leisure.....	119,366	117,813	114,098	3,715
Transportation.....	73,783	62,352	60,872	1,480
Sanitation and Health.....	66,835	64,717	63,896	821
Neighborhood Services.....	17,745	17,347	16,554	793
Capital Projects.....	-	772	772	-
Debt Service:				
Principal Retirement.....	1,028	3,913	3,913	-
Interest.....	2,285	2,286	2,286	-
TOTAL EXPENDITURES.....	1,072,412	1,074,972	1,059,025	15,947
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES.....	(46,695)	17,994	49,366	31,372
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds.....	-	1,663	1,663	-
Transfers from Other Funds.....	102,330	59,223	79,122	19,899
Transfers to Proprietary Funds.....	(3,224)	(30,225)	(30,225)	-
Transfers to Other Funds.....	(54,478)	(57,984)	(57,984)	-
TOTAL OTHER FINANCING SOURCES (USES).....	44,628	(27,323)	(7,424)	19,899
Extraordinary Gain.....	-	-	20,433	20,433
NET CHANGE IN FUND BALANCE.....	(2,067)	(9,329)	62,375	71,704
FUND BALANCE - BEGINNING.....	117,891	117,891	117,891	-
FUND BALANCE - ENDING.....	\$ 115,824	\$ 108,562	\$ 180,266	\$ 71,704

Note to Required Supplementary Information Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Budgetary Data

On or before the first meeting in May of each year, the City Manager submits to the City Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. This budget includes annual budgets for the following funds:

- **General Fund**
- **Special Revenue Funds:**
 - City of San Diego:
 - Acquisition, Improvement and Operations
 - Environmental Growth Funds:
 - Two-Thirds Requirement
 - One-Third Requirement
 - Qualcomm Stadium Operations
 - Special Gas Tax Street Improvement
 - Street Division Operations
 - Transient Occupancy Tax
 - Underground Surcharge
 - Zoological Exhibits
 - Other Special Revenue
 - Civic San Diego
 - Southeastern Economic Development Corporation
- **Debt Service Funds:**
 - City of San Diego:
 - Public Safety Communications Project
- **Capital Projects Funds:**
 - City of San Diego:
 - TransNet

Public hearings are then conducted to obtain citizen comments on the proposed budget. A budget resolution legally adopting the budget for the next fiscal year is passed prior to June 30 and during the month of July the appropriation ordinance is passed by the City Council appropriating funds according to the budget resolution. Budgets are prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures and (2) the increase/decrease in advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments and proceeds from capital leases.

The legal level of budgetary control for the City's general fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. All amendments to the adopted budget require City Council approval except as delegated in the Annual Appropriation Ordinance.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. Appropriations lapse at year-end to the extent that they have not been expended or encumbered, except for those of a capital nature, which continue to subsequent years.

The following is a reconciliation of the net change in fund balance prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2012 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	\$ 32,802
Add (Deduct):	
Encumbrances Outstanding, June 30, 2012	(10,737)
Unrealized Gains, June 30, 2012	(738)
Unrealized Gains, June 30, 2011	1,620
General Fund Activity not included in annual Appropriations Ordinance ¹	39,428
Net Change in Fund Balances - Budgetary Basis	<u>\$ 62,375</u>

b. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted governmental funds.

Encumbrances outstanding at year-end are disclosed since the commitments will be honored through subsequent years' appropriations and are included within the Restricted, Committed and Assigned fund balance categories. Additionally, encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

¹ The General Fund budgetary schedule includes only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54. These additional funds are administered as separate budgetary entities by the City, and are primarily related to the Cooperation Agreement between the City and the Successor Agency.

SUPPLEMENTARY INFORMATION - GENERAL FUND

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive Negative
PROPERTY TAXES					
One Percent Property Tax Allocation	\$ -	\$ -	\$ -	\$ 279,316	\$ (279,316)
Current Year - Secured (One Percent Allocation).....	255,097	-	255,097	-	255,097
Current Year Supplemental - Secured	1,900	-	1,900	-	1,900
Current Year - Unsecured	8,889	-	8,889	-	8,889
Current Unsecured Supplemental Roll	52	-	52	-	52
Homeowners' Exemptions - Secured	2,639	-	2,639	-	2,639
Homeowners' Exemptions - Unsecured	2	-	2	-	2
Prior years' - Secured	623	-	623	-	623
Prior years' - Unsecured	(45)	-	(45)	-	(45)
In-Lieu Vehicle License Fees	104,529	-	104,529	104,093	436
Interest and Penalties on Delinquent Taxes	1,369	-	1,369	-	1,369
Escapes - Secured	2,661	-	2,661	-	2,661
Escapes - Unsecured	312	-	312	-	312
Other Property Taxes	24,278	-	24,278	-	24,278
State Secured Unitary	6,470	-	6,470	-	6,470
TOTAL PROPERTY TAXES	<u>408,776</u>	<u>-</u>	<u>408,776</u>	<u>383,409</u>	<u>25,367</u>
SALES TAXES	220,277	-	220,277	217,529	2,748
TRANSIENT OCCUPANCY TAXES	78,268	-	78,268	76,787	1,481
OTHER LOCAL TAXES					
Franchises	69,071	-	69,071	67,809	1,262
Property Transfer Tax	5,747	-	5,747	5,148	599
TOTAL OTHER LOCAL TAXES	<u>74,818</u>	<u>-</u>	<u>74,818</u>	<u>72,957</u>	<u>1,861</u>
LICENSES AND PERMITS					
General Business Licenses	7,565	-	7,565	6,388	1,177
Refuse Collection Business Licenses	637	-	637	650	(13)
Other Regulatory Business Licenses	1	-	1	-	1
Rental Unit Tax	6,980	-	6,980	5,425	1,555
Parking Meter Revenue	7,929	-	7,929	8,487	(558)
Other Licenses and Permits	8,005	-	8,005	14,265	(6,260)
TOTAL LICENSES AND PERMITS	<u>31,117</u>	<u>-</u>	<u>31,117</u>	<u>35,215</u>	<u>(4,098)</u>
FINES, FORFEITURES AND PENALTIES					
California Vehicle Code Violations	27,598	-	27,598	33,167	(5,569)
Other City Ordinance Code Violations	35,378	-	35,378	31,508	3,870
TOTAL FINES, FORFEITURES AND PENALTIES	<u>62,976</u>	<u>-</u>	<u>62,976</u>	<u>64,675</u>	<u>(1,699)</u>

Continued on Next Page

¹ Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.

**GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)**

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM USE OF MONEY AND PROPERTY					
Interest on Investments	\$ 48	\$ 882	\$ 930	\$ 1,888	\$ (958)
Balboa Park Rents and Concessions	220	-	220	214	6
Mission Bay Park Rents and Concessions	27,949	-	27,949	27,981	(32)
Other Rents and Concessions	17,743	-	17,743	13,668	4,075
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY ...	45,960	882	46,842	43,751	3,091
REVENUE FROM FEDERAL AGENCIES	1,608	-	1,608	818	790
REVENUE FROM OTHER AGENCIES					
State Motor Vehicle License Fees	-	-	-	3,264	(3,264)
Local Relief	93	-	93	210	(117)
State Grants	872	-	872	484	388
TOTAL REVENUE FROM OTHER AGENCIES	965	-	965	3,958	(2,993)
CHARGES FOR CURRENT SERVICES					
Administrative Services to Other Agencies	411	-	411	252	159
Cemetery Revenue	619	-	619	665	(46)
Engineering Services	550	-	550	449	101
Fire Services	6,570	-	6,570	11,981	(5,411)
Library Revenue	1,499	-	1,499	1,307	192
Miscellaneous Recreation Revenue	3,526	-	3,526	3,234	292
Other Services	1,121	-	1,121	372	749
Paramedic Services	380	-	380	319	61
Planning and Miscellaneous Filing Fees	51	-	51	30	21
Police Services	4,603	-	4,603	2,938	1,665
Swimming Pools Revenue	1,005	-	1,005	1,166	(161)
Services Rendered to Other Funds for:					
General Government and Financial	135,697	-	135,697	148,422	(12,725)
Engineering	-	-	-	99	(99)
Park Design	-	-	-	1,295	(1,295)
Miscellaneous Services	21,415	-	21,415	17,718	3,697
TOTAL CHARGES FOR CURRENT SERVICES	177,447	-	177,447	190,247	(12,800)
OTHER REVENUE					
Other Refunds of Prior Years' Expenditures	1,666	-	1,666	341	1,325
Repairs and Damage Recoveries	410	-	410	370	40
Sale of Personal Property	152	-	152	122	30
Miscellaneous Revenue	3,069	-	3,069	2,787	282
TOTAL OTHER REVENUE	5,297	-	5,297	3,620	1,677
TOTAL REVENUES	1,107,509	882	1,108,391	1,092,966	15,425

¹ Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.

**GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)**

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSFERS FROM PROPRIETARY FUNDS					
Internal Service Funds:					
City of San Diego:					
Fleet Services	\$ 347	\$ -	\$ 347	\$ 347	\$ -
Publishing Services	2	-	2	2	-
Self Insurance	1,312	-	1,312	1,312	-
Miscellaneous Internal Service	2	-	2	2	-
TOTAL TRANSFERS FROM PROPRIETARY FUNDS	1,663	-	1,663	1,663	-
TRANSFERS FROM OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement & Operations	2	-	2	2	-
Environmental Growth Fund	9,629	-	9,629	9,629	-
Qualcomm Stadium Operations	3	-	3	3	-
Street Division Operations	4	-	4	4	-
Transient Occupancy Tax	13,898	-	13,898	13,898	-
Zoological Exhibits	22	-	22	22	-
Other Special Revenue - Budgeted	21,605	-	21,605	11,605	10,000
Grants	4,500	-	4,500	4,500	-
Other Special Revenue - Unbudgeted	10,552	-	10,552	2,803	7,749
Debt Service Funds					
Redevelopment Agency	650	-	650	650	-
Capital Projects Funds:					
City of San Diego:					
Capital Outlay	269	-	269	269	-
TransNet	15,076	-	15,076	15,076	-
Other Construction	340	-	340	340	-
Redevelopment Agency	2,150	-	2,150	-	2,150
Permanent Funds:					
Cemetery Perpetuity	422	-	422	422	-
TOTAL TRANSFERS FROM OTHER FUNDS	79,122	-	79,122	59,223	19,899
TOTAL REVENUE AND TRANSFERS	\$ 1,188,294	\$ 882	\$ 1,189,176	\$ 1,153,852	\$ 35,324

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT AND SUPPORT					
Departmental:					
Mayor					
Salaries and Wages.....	\$ 319	\$ -	\$ 319	\$ 319	\$ -
Non-Personnel.....	196	-	196	216	20
Total Mayor.....	<u>515</u>	<u>-</u>	<u>515</u>	<u>535</u>	<u>20</u>
City Council District 1					
Salaries and Wages.....	477	-	477	477	-
Non-Personnel.....	375	-	375	543	168
Total City Council District 1.....	<u>852</u>	<u>-</u>	<u>852</u>	<u>1,020</u>	<u>168</u>
City Council District 2					
Salaries and Wages.....	448	-	448	448	-
Non-Personnel.....	341	-	341	618	277
Total City Council District 2.....	<u>789</u>	<u>-</u>	<u>789</u>	<u>1,066</u>	<u>277</u>
City Council District 3					
Salaries and Wages.....	492	-	492	537	45
Non-Personnel.....	476	-	476	625	149
Total City Council District 3.....	<u>968</u>	<u>-</u>	<u>968</u>	<u>1,162</u>	<u>194</u>
City Council District 4					
Salaries and Wages.....	437	-	437	454	17
Non-Personnel.....	457	-	457	683	226
Total City Council District 4.....	<u>894</u>	<u>-</u>	<u>894</u>	<u>1,137</u>	<u>243</u>
City Council District 5					
Salaries and Wages.....	478	-	478	547	69
Non-Personnel.....	258	-	258	665	407
Total City Council District 5.....	<u>736</u>	<u>-</u>	<u>736</u>	<u>1,212</u>	<u>476</u>
City Council District 6					
Salaries and Wages.....	572	-	572	572	-
Non-Personnel.....	332	-	332	517	185
Total City Council District 6.....	<u>904</u>	<u>-</u>	<u>904</u>	<u>1,089</u>	<u>185</u>
City Council District 7					
Salaries and Wages.....	544	-	544	544	-
Non-Personnel.....	449	-	449	551	102
Total City Council District 7.....	<u>993</u>	<u>-</u>	<u>993</u>	<u>1,095</u>	<u>102</u>
City Council District 8					
Salaries and Wages.....	514	-	514	628	114
Non-Personnel.....	448	1	449	589	140
Total City Council District 8.....	<u>962</u>	<u>1</u>	<u>963</u>	<u>1,217</u>	<u>254</u>
Council Administration					
Salaries and Wages.....	880	-	880	899	19
Non-Personnel.....	720	2	722	955	233
Total Council Administration.....	<u>1,600</u>	<u>2</u>	<u>1,602</u>	<u>1,854</u>	<u>252</u>
City Clerk					
Salaries and Wages.....	2,205	-	2,205	2,302	97
Non-Personnel.....	2,189	-	2,189	2,374	185
Total City Clerk.....	<u>4,394</u>	<u>-</u>	<u>4,394</u>	<u>4,676</u>	<u>282</u>
Independent Budget Analyst					
Salaries and Wages.....	978	-	978	988	10
Non-Personnel.....	572	-	572	683	111
Independent Budget Analyst.....	<u>1,550</u>	<u>-</u>	<u>1,550</u>	<u>1,671</u>	<u>121</u>

¹ Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)**

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
City Attorney					
Salaries and Wages.....	\$ 23,766	\$ -	\$ 23,766	\$ 24,005	\$ 239
Non-Personnel.....	16,790	51	16,841	17,646	805
Total City Attorney.....	40,556	51	40,607	41,651	1,044
Personnel					
Salaries and Wages.....	3,715	-	3,715	3,715	-
Non-Personnel.....	2,598	14	2,612	2,854	242
Total Personnel.....	6,313	14	6,327	6,569	242
Ethics Commission					
Salaries and Wages.....	392	-	392	393	1
Non-Personnel.....	382	41	423	515	92
Total Ethics Commission.....	774	41	815	908	93
City Auditor					
Salaries and Wages.....	1,664	-	1,664	1,720	56
Non-Personnel.....	1,744	4	1,748	1,810	62
Total City Auditor.....	3,408	4	3,412	3,530	118
Assistant Chief Operating Officer					
Salaries and Wages.....	195	-	195	195	-
Non-Personnel.....	114	-	114	120	6
Total Assistant Chief Operating Officer.....	309	-	309	315	6
Citywide Administration					
Salaries and Wages.....	1,087	-	1,087	1,176	89
Non-Personnel.....	1,036	-	1,036	1,196	160
Total Citywide Administration.....	2,123	-	2,123	2,372	249
Business Office					
Salaries and Wages.....	482	-	482	515	33
Non-Personnel.....	421	41	462	487	25
Total Business Office.....	903	41	944	1,002	58
Human Resources					
Salaries and Wages.....	1,009	-	1,009	1,049	40
Non-Personnel.....	752	-	752	851	99
Total Human Resources.....	1,761	-	1,761	1,900	139
Office of the CIO					
Non-Personnel.....	193	-	193	193	-
Total Office of the CIO.....	193	-	193	193	-
Community and Legislative Services					
Salaries and Wages.....	2,880	-	2,880	3,022	142
Non-Personnel.....	2,245	38	2,283	2,641	358
Total Community and Legislative Services.....	5,125	38	5,163	5,663	500
Chief Financial Officer					
Salaries and Wages.....	329	-	329	389	60
Non-Personnel.....	178	27	205	492	287
Total Chief Financial Officer.....	507	27	534	881	347
City Comptroller					
Salaries and Wages.....	5,565	-	5,565	5,629	64
Non-Personnel.....	4,332	19	4,351	4,559	208
Total City Comptroller.....	9,897	19	9,916	10,188	272

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Debt Management					
Salaries and Wages.....	\$ 1,262	\$ -	\$ 1,262	\$ 1,371	\$ 109
Non-Personnel.....	816	2	818	976	158
Total Debt Management.....	<u>2,078</u>	<u>2</u>	<u>2,080</u>	<u>2,347</u>	<u>267</u>
Financial Management					
Salaries and Wages.....	2,189	-	2,189	2,346	157
Non-Personnel.....	1,513	-	1,513	1,755	242
Total Financial Management.....	<u>3,702</u>	<u>-</u>	<u>3,702</u>	<u>4,101</u>	<u>399</u>
Purchasing and Contracts					
Salaries and Wages.....	2,313	-	2,313	2,313	-
Non-Personnel.....	1,793	4	1,797	1,797	-
Total Purchasing and Contracts.....	<u>4,106</u>	<u>4</u>	<u>4,110</u>	<u>4,110</u>	<u>-</u>
City Treasurer					
Salaries and Wages.....	5,932	-	5,932	6,278	346
Non-Personnel.....	7,710	166	7,876	8,332	456
Total City Treasurer.....	<u>13,642</u>	<u>166</u>	<u>13,808</u>	<u>14,610</u>	<u>802</u>
Real Estate Assets					
Salaries and Wages.....	1,895	-	1,895	1,895	-
Non-Personnel.....	1,848	-	1,848	2,071	223
Total Real Estate Assets.....	<u>3,743</u>	<u>-</u>	<u>3,743</u>	<u>3,966</u>	<u>223</u>
Engineering and Capital Projects					
Salaries and Wages.....	23,610	-	23,610	24,114	504
Non-Personnel.....	17,561	277	17,838	18,254	416
Total Engineering and Capital Projects.....	<u>41,171</u>	<u>277</u>	<u>41,448</u>	<u>42,368</u>	<u>920</u>
General Services					
Salaries and Wages.....	5,151	-	5,151	5,282	131
Non-Personnel.....	8,178	397	8,575	8,575	-
Total General Services.....	<u>13,329</u>	<u>397</u>	<u>13,726</u>	<u>13,857</u>	<u>131</u>
Public Works					
Salaries and Wages.....	239	-	239	260	21
Non-Personnel.....	189	3	192	229	37
Total Public Works.....	<u>428</u>	<u>3</u>	<u>431</u>	<u>489</u>	<u>58</u>
Citywide Expenses					
Salaries and Wages.....	29	-	29	29	-
Non-Personnel.....	38,507	3,454	41,961	42,160	199
Total Citywide Expenses.....	<u>38,536</u>	<u>3,454</u>	<u>41,990</u>	<u>42,189</u>	<u>199</u>
Citywide Expenses/Continuing Projects					
Non-Personnel.....	135	46	181	504	323
Total Citywide Expenses/Continuing Projects.....	<u>135</u>	<u>46</u>	<u>181</u>	<u>504</u>	<u>323</u>
TOTAL GENERAL GOVERNMENT AND SUPPORT.....	<u>207,896</u>	<u>4,587</u>	<u>212,483</u>	<u>221,447</u>	<u>8,964</u>

¹ Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)**

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PUBLIC SAFETY-POLICE					
Departmental:					
Police					
Salaries and Wages.....	\$ 206,489	\$ -	\$ 206,489	\$ 206,489	\$ -
Non-Personnel.....	179,848	690	180,538	180,539	1
Total Police	<u>386,337</u>	<u>690</u>	<u>387,027</u>	<u>387,028</u>	<u>1</u>
TOTAL PUBLIC SAFETY - POLICE.....	<u>386,337</u>	<u>690</u>	<u>387,027</u>	<u>387,028</u>	<u>1</u>
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY					
Departmental:					
Fire - Rescue					
Salaries and Wages.....	110,760	-	110,760	110,760	-
Non-Personnel.....	84,668	212	84,880	84,883	3
Total Fire - Rescue.....	<u>195,428</u>	<u>212</u>	<u>195,640</u>	<u>195,643</u>	<u>3</u>
Office of Homeland Security					
Salaries and Wages.....	897	-	897	972	75
Non-Personnel.....	586	1	587	682	95
Total Office of Homeland Security.....	<u>1,483</u>	<u>1</u>	<u>1,484</u>	<u>1,654</u>	<u>170</u>
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY.....	<u>196,911</u>	<u>213</u>	<u>197,124</u>	<u>197,297</u>	<u>173</u>
PARKS, RECREATION, CULTURE AND LEISURE					
Departmental:					
Library					
Salaries and Wages.....	14,927	-	14,927	17,666	2,739
Non-Personnel.....	16,783	74	16,857	16,858	1
Total Library.....	<u>31,710</u>	<u>74</u>	<u>31,784</u>	<u>34,524</u>	<u>2,740</u>
Parks and Recreation					
Salaries and Wages.....	31,156	-	31,156	31,527	371
Non-Personnel.....	48,438	1,369	49,807	50,222	415
Total Parks and Recreation	<u>79,594</u>	<u>1,369</u>	<u>80,963</u>	<u>81,749</u>	<u>786</u>
Reservoir Concessions					
Non-Personnel.....	1,265	86	1,351	1,540	189
Total Reservoir Concessions.....	<u>1,265</u>	<u>86</u>	<u>1,351</u>	<u>1,540</u>	<u>189</u>
TOTAL PARKS, RECREATION CULTURE AND LEISURE.....	<u>112,569</u>	<u>1,529</u>	<u>114,098</u>	<u>117,813</u>	<u>3,715</u>
TRANSPORTATION					
Departmental:					
Engineering and Capital Projects - Transportation					
Salaries and Wages.....	8,680	-	8,680	9,198	518
Non-Personnel.....	6,609	80	6,689	6,690	1
Total Engineering and Capital Projects - Transportation.....	<u>15,289</u>	<u>80</u>	<u>15,369</u>	<u>15,888</u>	<u>519</u>
Transportation					
Salaries and Wages.....	15,854	-	15,854	16,814	960
Non-Personnel.....	27,629	2,020	29,649	29,650	1
Total Transportation	<u>43,483</u>	<u>2,020</u>	<u>45,503</u>	<u>46,464</u>	<u>961</u>
TOTAL TRANSPORTATION.....	<u>58,772</u>	<u>2,100</u>	<u>60,872</u>	<u>62,352</u>	<u>1,480</u>

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**GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)**

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
SANITATION AND HEALTH					
Departmental:					
Environmental Protection					
Salaries and Wages.....	\$ 7,393	\$ -	\$ 7,393	\$ 7,502	\$ 109
Non-Personnel.....	25,101	396	25,497	25,544	47
Total Environmental Protection.....	<u>32,494</u>	<u>396</u>	<u>32,890</u>	<u>33,046</u>	<u>156</u>
Storm Water					
Salaries and Wages.....	6,025	-	6,025	6,357	332
Non-Personnel.....	24,355	626	24,981	25,314	333
Total Storm Water.....	<u>30,380</u>	<u>626</u>	<u>31,006</u>	<u>31,671</u>	<u>665</u>
TOTAL SANITATION AND HEALTH.....	<u>62,874</u>	<u>1,022</u>	<u>63,896</u>	<u>64,717</u>	<u>821</u>
NEIGHBORHOOD SERVICES					
Departmental:					
Development Services					
Salaries and Wages.....	6,301	-	6,301	6,528	227
Non-Personnel.....	6,020	423	6,443	6,590	147
Total Development Services.....	<u>12,321</u>	<u>423</u>	<u>12,744</u>	<u>13,118</u>	<u>374</u>
Economic Development					
Salaries and Wages.....	1,900	-	1,900	2,026	126
Non-Personnel.....	1,737	173	1,910	2,203	293
Total Economic Development.....	<u>3,637</u>	<u>173</u>	<u>3,810</u>	<u>4,229</u>	<u>419</u>
TOTAL NEIGHBORHOOD SERVICES.....	<u>15,958</u>	<u>596</u>	<u>16,554</u>	<u>17,347</u>	<u>793</u>
TOTAL CAPTIAL PROJECTS.....	<u>772</u>	<u>-</u>	<u>772</u>	<u>772</u>	<u>-</u>
DEBT SERVICE					
Principal Retirement.....	3,913	-	3,913	3,913	-
Interest.....	2,286	-	2,286	2,286	-
TOTAL DEBT SERVICE.....	<u>6,199</u>	<u>-</u>	<u>6,199</u>	<u>6,199</u>	<u>-</u>
TOTAL EXPENDITURES.....	<u>1,048,288</u>	<u>10,737</u>	<u>1,059,025</u>	<u>1,074,972</u>	<u>15,947</u>

¹ Amounts include only those funds associated with General Fund operations as defined by the City. Financial statements prepared on a GAAP basis also include these funds, as well as other funds that do not meet the criteria to be classified as a Special Revenue, Capital Projects or Debt Service fund, pursuant to GASB Statement No. 54.

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)**

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSFERS TO PROPRIETARY FUNDS					
Internal Service Funds:					
City of San Diego:					
Fleet Services.....	\$ 2,387	\$ -	\$ 2,387	\$ 2,387	\$ -
Self Insurance.....	27,000	-	27,000	27,000	-
Central Stores.....	13	-	13	13	-
Miscellaneous Internal Service.....	825	-	825	825	-
Total Internal Service Funds	<u>30,225</u>	<u>-</u>	<u>30,225</u>	<u>30,225</u>	<u>-</u>
TOTAL TRANSFERS TO PROPRIETARY FUNDS.....	<u>30,225</u>	<u>-</u>	<u>30,225</u>	<u>30,225</u>	<u>-</u>
TRANSFERS TO OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Interfund Transfers.....	25,858	-	25,858	25,858	-
Acquisition, Improvement and Operations.....	1,003	-	1,003	1,003	-
Grants.....	309	-	309	309	-
Other Special Revenue - Unbudgeted.....	6,872	-	6,872	6,872	-
Total Special Revenue Funds.....	<u>34,042</u>	<u>-</u>	<u>34,042</u>	<u>34,042</u>	<u>-</u>
Debt Service Funds:					
City of San Diego:					
McGuigan Loan Fund.....	7,971	-	7,971	7,971	-
Public Facilities Financing Authority.....	5,438	-	5,438	5,438	-
Total Debt Service Funds.....	<u>13,409</u>	<u>-</u>	<u>13,409</u>	<u>13,409</u>	<u>-</u>
Capital Projects Funds:					
City of San Diego:					
Other Construction.....	10,515	-	10,515	10,515	-
Redevelopment Cooperation Agreement.....	18	-	18	18	-
Total Capital Projects Funds	<u>10,533</u>	<u>-</u>	<u>10,533</u>	<u>10,533</u>	<u>-</u>
TOTAL TRANSFERS TO OTHER FUNDS.....	<u>57,984</u>	<u>-</u>	<u>57,984</u>	<u>57,984</u>	<u>-</u>
TOTAL EXPENDITURES AND TRANSFERS.....	<u>\$ 1,136,497</u>	<u>\$ 10,737</u>	<u>\$ 1,147,234</u>	<u>\$ 1,163,181</u>	<u>\$ 15,947</u>

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NON MAJOR GOVERNMENTAL FUNDS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012
(In Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	\$ 246,372	\$ -	\$ 428,316	\$ -	\$ 674,688
Receivables:					
Taxes - Net of Allowance for Uncollectibles	21,896	2	-	-	21,898
Accounts - Net of Allowance for Uncollectibles	9,563	4,871	59,496	1	73,931
Claims	8	-	-	-	8
Special Assessments	2,371	-	-	-	2,371
Notes	3,478	-	49,518	-	52,996
Loans	227,333	-	17,330	-	244,663
Accrued Interest	261	14	521	13	809
Grants	18,516	-	12,463	-	30,979
Advances to Other Funds	-	-	600	-	600
Advances to Other Agencies	6,243	-	-	-	6,243
Land Held for Resale	-	-	25,586	-	25,586
Prepaid Items	122	-	-	-	122
Restricted Cash and Investments	171	31,890	-	18,776	50,837
TOTAL ASSETS	\$ 536,334	\$ 36,777	\$ 593,830	\$ 18,790	\$ 1,185,731
LIABILITIES					
Accounts Payable	\$ 37,258	\$ -	\$ 25,111	\$ -	\$ 62,369
Accrued Wages and Benefits	681	-	-	-	681
Other Accrued Liabilities	90	-	8	-	98
Due to Fiduciary Fund	-	-	23,786	-	23,786
Due to Other Agencies	-	-	28	-	28
Unearned Revenue	5,432	-	36,303	-	41,735
Deferred Revenue	23,123	4,871	61,589	-	89,583
Advances from Other Funds	-	-	600	-	600
Contract Deposits	8	-	-	-	8
TOTAL LIABILITIES	66,592	4,871	147,425	-	218,888
FUND EQUITY					
Fund Balances:					
Nonspendable.....	122	-	600	18,780	19,502
Restricted.....	396,782	31,906	447,762	10	876,460
Committed.....	86,792	-	27,930	-	114,722
Unassigned.....	(13,954)	-	(29,887)	-	(43,841)
TOTAL FUND EQUITY	469,742	31,906	446,405	18,790	966,843
TOTAL LIABILITIES AND FUND EQUITY	\$ 536,334	\$ 36,777	\$ 593,830	\$ 18,790	\$ 1,185,731

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	\$ 10,255	\$ 93,147	\$ -	\$ -	\$ 103,402
Special Assessments	46,964	-	-	-	46,964
Sales Taxes	-	-	37,407	-	37,407
Transient Occupancy Taxes	70,527	-	-	-	70,527
Other Local Taxes	99,136	-	-	-	99,136
Licenses and Permits	580	-	10,209	-	10,789
Fines, Forfeitures and Penalties	1,840	-	-	-	1,840
Revenue from Use of Money and Property	18,119	1,025	6,450	381	25,975
Revenue from Federal Agencies	57,985	-	10,539	-	68,524
Revenue from Other Agencies	10,731	9,197	25,707	-	45,635
Revenue from Private Sources	2,611	96	35,613	131	38,451
Charges for Current Services	34,158	-	-	74	34,232
Other Revenue	18,036	-	17,171	-	35,207
TOTAL REVENUES	370,942	103,465	143,096	586	618,089
EXPENDITURES					
Current:					
General Government and Support	35,345	20	11,176	-	46,541
Public Safety - Police	6,304	-	42	-	6,346
Public Safety - Fire, Life Safety and Homeland Security	29,685	-	27	-	29,712
Parks, Recreation, Culture and Leisure	113,080	-	2,387	219	115,686
Transportation	77,458	-	13,114	-	90,572
Sanitation and Health	5,853	-	4,253	-	10,106
Neighborhood Services	33,061	-	125,408	-	158,469
Capital Outlay	19,113	-	173,720	-	192,833
Debt Service:					
Principal Retirement	7,605	51,100	329	-	59,034
Cost of Issuance	-	880	-	-	880
Interest on Long-Term Debt	1,472	51,537	106	-	53,115
TOTAL EXPENDITURES	328,976	103,537	330,562	219	763,294
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	41,966	(72)	(187,466)	367	(145,205)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	660	819	64	-	1,543
Transfers from Other Funds	51,394	67,908	62,327	-	181,629
Transfers to Proprietary Funds	(138)	-	-	-	(138)
Transfers to Other Funds	(118,426)	(4,972)	(95,550)	(564)	(219,512)
Transfers to Escrow Agent	-	(152,936)	-	-	(152,936)
Proceeds from the Sale of Capital Assets	1,803	-	10,252	-	12,055
Loans Issued	-	-	2,700	-	2,700
Revenue Bonds Issued	-	140,440	-	-	140,440
Premium on Bonds Issued	-	13,524	-	-	13,524
TOTAL OTHER FINANCING SOURCES (USES)	(64,707)	64,783	(20,207)	(564)	(20,695)
Extraordinary Loss	(23,079)	(209,301)	(97,368)	-	(329,748)
NET CHANGE IN FUND BALANCES	(45,820)	(144,590)	(305,041)	(197)	(495,648)
Fund Balances at Beginning of Year	515,562	176,496	751,446	18,987	1,462,491
FUND BALANCES AT END OF YEAR	\$ 469,742	\$ 31,906	\$ 446,405	\$ 18,790	\$ 966,843

NON MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for debt service or major capital projects) that are restricted or committed to expenditures for specified purposes.

CITY OF SAN DIEGO

ACQUISITION, IMPROVEMENT AND OPERATIONS

This Fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees, and interest earnings derived there from.

ENVIRONMENTAL GROWTH

This Fund was established in accordance with Section 103.1a of the City Charter to receive 25 percent of all monies derived from the revenues accruing to the City from gas, electricity, and steam franchises. One third of the franchise monies and the interest derived there from are used exclusively for the purpose of preserving and enhancing the environment of the City of San Diego. Two thirds of the franchise monies and the interest derived there from are used as matching funds for open space acquisition and for debt service of bonds issued by the San Diego Open Space Facilities District No. 1.

QUALCOMM STADIUM OPERATIONS

This Fund accounts for the operations of the Stadium. The Stadium hosts various sporting events for its football tenants. Revenues are derived from rents, concessions, parking, and advertising.

SPECIAL GAS TAX STREET IMPROVEMENT

This Fund was established to account for the receipt of motor vehicle fuel taxes from the State under Sections 2106 and 2107 of the Streets and Highways Code. Expenditures are for the construction, improvement, maintenance, and operation of public streets and highways.

STREET DIVISION OPERATIONS

This Fund was established to account for the operations of Transportation's Street division. Revenues are derived from sales tax allocations and transfers from Gas Tax and TransNet, as well as services performed by the Streets Division. Expenditures are for maintenance and operation of City streets.

TRANSIENT OCCUPANCY TAX

This Fund was established to receive and expend transient occupancy taxes. Since 1964, a tax has been imposed on transients of hotel and motel rooms in the City of San Diego. Effective August 1994, the tax was increased from 9% to 10.5%.

UNDERGROUND SURCHARGE

This fund was established to account primarily for the capital improvement activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with San Diego Gas & Electric.

ZOOLOGICAL EXHIBITS

This Fund was established to collect monies from a fixed property tax levy authorized by Section 77a of the City Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City of San Diego.

OTHER SPECIAL REVENUE - BUDGETED

This Fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by departments such as Police, Development Services, and General Services. Revenues in this Fund are derived from service charges, revenues from other agencies, and fines.

GRANTS

This Fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

OTHER SPECIAL REVENUE FUND - UNBUDGETED

This Fund was established to account for revenues earmarked for a variety of special programs administered by such departments as Engineering and Capital Projects, Libraries, Park and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, contributions from other agencies and private sources, and interest earnings.

BLENDED COMPONENT UNITS

CIVIC SAN DIEGO

This Fund was established to account for the revenues and expenditures of the former Centre City Development Corporation. CSD is a non-profit corporation that administers certain redevelopment projects in downtown San Diego and provides redevelopment advisory services to the City of San Diego. CSD is primarily funded by the City of San Diego.

REDEVELOPMENT AGENCY

This Fund was established to account for the activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The special revenue account is used to account for funds restricted for the benefit of low and moderate income housing. Funding is primarily from property tax increment revenues and the City of San Diego. Pursuant to State of California Assembly Bill X1 26, the RDA was dissolved on February 1, 2012 and the assets were transferred to a private-purpose trust fund, which can be found in the Fiduciary Funds in the Basic Financial Statements section of this report.

SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This Fund was established to account for revenues and expenditures of the San Diego Industrial Development Authority (SDIDA). SDIDA was formed in 1983 pursuant to the California Industrial Development Financing Act for the purpose of providing an alternative method of financing to participating parties for economic development purposes, through the sale and issuance of revenue bonds. Revenues are derived from fees collected from companies applying for industrial development bond financing. Expenditures are incurred for management and administrative services provided by the City of San Diego.

SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Southeastern Economic Development Corporation (SEDC). SEDC is a non-profit corporation that administers economic development projects within the community of Southeast San Diego and provides redevelopment advisory services to RDA. SEDC is primarily funded by RDA and by the City of San Diego pursuant to operating agreements under which SEDC is reimbursed for eligible costs incurred in connection with such activities.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the Tobacco Settlement Revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City of San Diego.

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**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2012
(In Thousands)**

	City of San Diego	Civic San Diego
ASSETS		
Cash and Investments.....	\$ 245,346	\$ 449
Receivables:		
Taxes - Net of Allowance for Uncollectibles	21,896	-
Accounts - Net of Allowance for Uncollectibles	8,425	952
Claims.....	8	-
Special Assessments.....	2,371	-
Notes.....	3,478	-
Loans.....	227,333	-
Accrued Interest.....	261	-
Grants.....	18,516	-
Advances to Other Agencies.....	6,243	-
Prepaid Items.....	110	2
Restricted Cash and Investments.....	-	-
	\$ 533,987	\$ 1,403
TOTAL ASSETS.....	\$ 533,987	\$ 1,403
LIABILITIES		
Accounts Payable.....	\$ 37,257	\$ -
Accrued Wages and Benefits.....	580	-
Other Accrued Liabilities.....	-	90
Unearned Revenue.....	5,432	-
Deferred Revenue.....	23,123	-
Contract Deposits.....	8	-
	66,400	90
TOTAL LIABILITIES.....	66,400	90
FUND EQUITY		
Fund Balances:		
Nonspendable.....	110	2
Restricted.....	396,611	-
Committed.....	84,820	1,311
Unassigned.....	(13,954)	-
	467,587	1,313
TOTAL FUND EQUITY.....	467,587	1,313
TOTAL LIABILITIES AND FUND EQUITY.....	\$ 533,987	\$ 1,403

Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
\$ -	\$ 66	\$ 511	\$ -	\$ 246,372
-	-	-	-	21,896
-	-	186	-	9,563
-	-	-	-	8
-	-	-	-	2,371
-	-	-	-	3,478
-	-	-	-	227,333
-	-	-	-	261
-	-	-	-	18,516
-	-	-	-	6,243
-	-	-	10	122
-	-	-	171	171
<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 697</u>	<u>\$ 181</u>	<u>\$ 536,334</u>
\$ -	\$ -	\$ 1	\$ -	\$ 37,258
-	-	101	-	681
-	-	-	-	90
-	-	-	-	5,432
-	-	-	-	23,123
-	-	-	-	8
<u>-</u>	<u>-</u>	<u>102</u>	<u>-</u>	<u>66,592</u>
-	-	-	10	122
-	-	-	171	396,782
-	66	595	-	86,792
-	-	-	-	(13,954)
<u>-</u>	<u>66</u>	<u>595</u>	<u>181</u>	<u>469,742</u>
<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 697</u>	<u>\$ 181</u>	<u>\$ 536,334</u>

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012
(In Thousands)

	<u>City of San Diego</u>	<u>Civic San Diego</u>
REVENUES		
Property Taxes.....	\$ 10,255	\$ -
Special Assessments.....	46,964	-
Transient Occupancy Taxes.....	70,527	-
Other Local Taxes.....	99,136	-
Licenses and Permits.....	580	-
Fines, Forfeitures and Penalties.....	1,840	-
Revenue from Use of Money and Property.....	17,424	(9)
Revenue from Federal Agencies.....	57,985	-
Revenue from Other Agencies.....	10,731	-
Revenue from Private Sources.....	2,569	-
Charges for Current Services.....	26,702	6,153
Other Revenue.....	17,033	41
TOTAL REVENUES.....	<u>361,746</u>	<u>6,185</u>
EXPENDITURES		
Current:		
General Government and Support.....	7,465	6,219
Public Safety - Police.....	6,304	-
Public Safety - Fire and Life Safety and Homeland Security.....	29,685	-
Parks, Recreation, Culture and Leisure.....	113,080	-
Transportation.....	77,458	-
Sanitation and Health.....	5,853	-
Neighborhood Services.....	31,793	-
Capital Outlay.....	14,713	-
Debt Service:		
Principal Retirement.....	7,605	-
Interest on Long-Term Debt.....	1,472	-
TOTAL EXPENDITURES.....	<u>295,428</u>	<u>6,219</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>66,318</u>	<u>(34)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds.....	660	-
Transfers from Other Funds.....	45,044	-
Transfers to Proprietary Funds.....	(138)	-
Transfers to Other Funds.....	(101,250)	-
Proceeds from the Sale of Capital Assets.....	1,803	-
TOTAL OTHER FINANCING SOURCES (USES).....	<u>(53,881)</u>	<u>-</u>
Extraordinary Gain (Loss).....	225,131	-
NET CHANGE IN FUND BALANCES.....	<u>237,568</u>	<u>(34)</u>
Fund Balances at Beginning of Year.....	230,019	1,347
FUND BALANCES AT END OF YEAR.....	<u>\$ 467,587</u>	<u>\$ 1,313</u>

<u>Redevelopment Agency</u>	<u>San Diego Industrial Development Authority</u>	<u>Southeastern Economic Development Corporation</u>	<u>Tobacco Settlement Revenue Funding Corporation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,255
-	-	-	-	46,964
-	-	-	-	70,527
-	-	-	-	99,136
-	-	-	-	580
-	-	-	-	1,840
704	-	-	-	18,119
-	-	-	-	57,985
-	-	-	-	10,731
42	-	-	-	2,611
-	-	1,303	-	34,158
437	-	525	-	18,036
<u>1,183</u>	<u>-</u>	<u>1,828</u>	<u>-</u>	<u>370,942</u>
20,158	-	1,460	43	35,345
-	-	-	-	6,304
-	-	-	-	29,685
-	-	-	-	113,080
-	-	-	-	77,458
-	-	-	-	5,853
1,268	-	-	-	33,061
4,400	-	-	-	19,113
-	-	-	-	7,605
-	-	-	-	1,472
<u>25,826</u>	<u>-</u>	<u>1,460</u>	<u>43</u>	<u>328,976</u>
<u>(24,643)</u>	<u>-</u>	<u>368</u>	<u>(43)</u>	<u>41,966</u>
-	-	-	-	660
6,306	-	-	44	51,394
-	-	-	-	(138)
(17,176)	-	-	-	(118,426)
-	-	-	-	1,803
<u>(10,870)</u>	<u>-</u>	<u>-</u>	<u>44</u>	<u>(64,707)</u>
<u>(248,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,079)</u>
(283,723)	-	368	1	(45,820)
<u>283,723</u>	<u>66</u>	<u>227</u>	<u>180</u>	<u>515,562</u>
<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 595</u>	<u>\$ 181</u>	<u>\$ 469,742</u>

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)

	<u>City of San Diego</u>	
	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>
REVENUES		
Property Taxes.....	\$ 10,169	\$ 8,082
Special Assessments.....	46,964	42,108
Transient Occupancy Taxes.....	70,527	70,495
Other Local Taxes.....	99,054	93,865
Licenses and Permits.....	578	556
Fines, Forfeitures and Penalties.....	125	1,165
Revenue from Use of Money and Property.....	11,578	11,758
Revenue from Federal Agencies.....	639	1,010
Revenue from Other Agencies.....	6,233	6,000
Revenue from Private Sources.....	967	927
Charges for Current Services.....	21,868	10,394
Other Revenue.....	1,440	10,271
TOTAL REVENUES.....	270,142	256,631
EXPENDITURES		
Current:		
General Government and Support.....	3,522	8,346
Public Safety - Police.....	1,121	2,723
Public Safety - Fire and Life Safety and Homeland Security.....	6,731	6,913
Parks, Recreation, Culture and Leisure.....	108,945	132,645
Transportation.....	90,222	158,221
Sanitation and Health.....	1,521	1,613
Neighborhood Services.....	9,985	8,612
Capital Outlay.....	7,407	13,995
TOTAL EXPENDITURES.....	229,454	333,068
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	40,688	(76,437)
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds.....	5	-
Transfers from Other Funds.....	23,584	26,418
Transfers to Proprietary Funds.....	(93)	(93)
Transfers to Other Funds.....	(83,658)	(89,214)
Proceeds from the Sale of Capital Assets.....	1,803	-
TOTAL OTHER FINANCING SOURCES (USES).....	(58,359)	(62,889)
NET CHANGE IN FUND BALANCES.....	(17,671)	(139,326)
Fund Balances - Beginning.....	140,099	140,099
FUND BALANCES - ENDING.....	\$ 122,428	\$ 773

Civic San Diego		Southeastern Economic Development Corporation		Total		Variance with Final Budget Positive (Negative)
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	
\$ -	\$ -	\$ -	\$ -	\$ 10,169	\$ 8,082	\$ 2,087
-	-	-	-	46,964	42,108	4,856
-	-	-	-	70,527	70,495	32
-	-	-	-	99,054	93,865	5,189
-	-	-	-	578	556	22
-	-	-	-	125	1,165	(1,040)
(9)	-	-	-	11,569	11,758	(189)
-	-	-	-	639	1,010	(371)
-	-	-	-	6,233	6,000	233
-	-	-	-	967	927	40
6,153	8,367	1,303	1,471	29,324	20,232	9,092
41	-	525	250	2,006	10,521	(8,515)
6,185	8,367	1,828	1,721	278,155	266,719	11,436
6,219	8,162	1,460	1,721	11,201	18,229	(7,028)
-	-	-	-	1,121	2,723	(1,602)
-	-	-	-	6,731	6,913	(182)
-	-	-	-	108,945	132,645	(23,700)
-	-	-	-	90,222	158,221	(67,999)
-	-	-	-	1,521	1,613	(92)
-	-	-	-	9,985	8,612	1,373
-	-	-	-	7,407	13,995	(6,588)
6,219	8,162	1,460	1,721	237,133	342,951	(105,818)
(34)	205	368	-	41,022	(76,232)	117,254
-	-	-	-	5	-	5
-	-	-	-	23,584	26,418	(2,834)
-	-	-	-	(93)	(93)	-
-	-	-	-	(83,658)	(89,214)	5,556
-	-	-	-	1,803	-	1,803
-	-	-	-	(58,359)	(62,889)	4,530
(34)	205	368	-	(17,337)	(139,121)	121,784
1,347	1,347	227	227	141,673	141,673	-
\$ 1,313	\$ 1,552	\$ 595	\$ 227	\$ 124,336	\$ 2,552	\$ 121,784

**CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2012
(In Thousands)**

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Qualcomm Stadium Operations	Special Gas Tax Street Improvement	Street Division Operations
ASSETS					
Cash and Investments.....	\$ 30,759	\$ 1,000	\$ 5,003	\$ 13,743	\$ 510
Receivables:					
Taxes - Net of Allowance for Uncollectibles	-	3,071	-	-	-
Accounts - Net of Allowance for Uncollectibles	608	-	416	44	-
Claims.....	-	-	-	8	-
Special Assessments.....	2,371	-	-	-	-
Notes.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Accrued Interest.....	37	8	5	17	-
Grants.....	-	-	-	-	-
Advances to Other Agencies.....	6,020	-	-	-	-
Prepaid Items.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 39,795	\$ 4,079	\$ 5,424	\$ 13,812	\$ 510
LIABILITIES					
Accounts Payable.....	\$ 5,235	\$ 37	\$ 1,308	\$ 21	\$ -
Accrued Wages and Benefits.....	176	-	154	-	-
Unearned Revenue.....	-	-	-	-	-
Deferred Revenue.....	973	-	416	52	-
Contract Deposits.....	-	-	3	-	-
TOTAL LIABILITIES.....	6,384	37	1,881	73	-
FUND EQUITY					
Fund Balances:					
Nonspendable.....	-	-	-	-	-
Restricted.....	32,381	4,042	-	13,739	-
Committed.....	1,030	-	3,543	-	510
Unassigned.....	-	-	-	-	-
TOTAL FUND EQUITY.....	33,411	4,042	3,543	13,739	510
TOTAL LIABILITIES AND FUND EQUITY.....	\$ 39,795	\$ 4,079	\$ 5,424	\$ 13,812	\$ 510

				Unbudgeted		
Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Other Special Revenue	Total
\$ 10,150	\$ 45,808	\$ 5,545	\$ 25,287	\$ 6,268	\$ 101,273	\$ 245,346
6,682	11,912	229	-	-	2	21,896
2,907	-	-	3,813	4	633	8,425
-	-	-	-	-	-	8
-	-	-	-	-	-	2,371
-	-	-	-	-	3,478	3,478
-	-	-	-	221,069	6,264	227,333
3	53	-	44	15	79	261
-	-	-	-	18,516	-	18,516
-	-	-	-	-	223	6,243
110	-	-	-	-	-	110
<u>\$ 19,852</u>	<u>\$ 57,773</u>	<u>\$ 5,774</u>	<u>\$ 29,144</u>	<u>\$ 245,872</u>	<u>\$ 111,952</u>	<u>\$ 533,987</u>
\$ 2,958	\$ 9,267	\$ 5,226	\$ 2,697	\$ 9,383	\$ 1,125	\$ 37,257
56	12	-	182	-	-	580
-	-	-	-	5,432	-	5,432
2,418	-	176	2,261	12,725	4,102	23,123
-	-	-	-	-	5	8
<u>5,432</u>	<u>9,279</u>	<u>5,402</u>	<u>5,140</u>	<u>27,540</u>	<u>5,232</u>	<u>66,400</u>
110	-	-	-	-	-	110
-	48,494	372	14,178	232,249	51,156	396,611
14,310	-	-	9,826	-	55,601	84,820
-	-	-	-	(13,917)	(37)	(13,954)
<u>14,420</u>	<u>48,494</u>	<u>372</u>	<u>24,004</u>	<u>218,332</u>	<u>106,720</u>	<u>467,587</u>
<u>\$ 19,852</u>	<u>\$ 57,773</u>	<u>\$ 5,774</u>	<u>\$ 29,144</u>	<u>\$ 245,872</u>	<u>\$ 111,952</u>	<u>\$ 533,987</u>

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Qualcomm Stadium Operations	Special Gas Tax Street Improvement	Street Division Operations
REVENUES					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	46,964	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	12,435	-	20,234	-
Licenses and Permits.....	-	-	9	-	-
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	172	33	6,116	214	4
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	1,733	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	4,835	-	186	-	160
Other Revenue.....	344	-	225	15	-
TOTAL REVENUES.....	54,048	12,468	6,536	20,463	164
EXPENDITURES					
Current:					
General Government and Support.....	2,862	-	-	40	-
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	45,444	2,157	11,138	-	-
Transportation.....	-	-	-	19,179	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	8,911	-	-	-	-
Capital Outlay.....	2,512	40	97	9	-
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest on Long-Term Debt.....	-	-	-	-	-
TOTAL EXPENDITURES.....	59,729	2,197	11,235	19,228	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(5,681)	10,271	(4,699)	1,235	164
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds.....	5	-	-	-	-
Transfers from Other Funds.....	2,620	-	8,580	-	-
Transfers to Proprietary Funds.....	(6)	-	(87)	-	-
Transfers to Other Funds.....	(56)	(9,947)	(4,989)	(1,292)	(4)
Proceeds from the Sale of Capital Assets.....	-	-	-	1,803	-
TOTAL OTHER FINANCING SOURCES (USES).....	2,563	(9,947)	3,504	511	(4)
Extraordinary Gain	-	-	-	-	-
NET CHANGE IN FUND BALANCES.....	(3,118)	324	(1,195)	1,746	160
Fund Balances at Beginning of Year.....	36,529	3,718	4,738	11,993	350
FUND BALANCES AT END OF YEAR.....	\$ 33,411	\$ 4,042	\$ 3,543	\$ 13,739	\$ 510

				Unbudgeted		
Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Other Special Revenue	Total
\$ -	\$ -	\$ 10,169	\$ -	\$ -	\$ 86	\$ 10,255
-	-	-	-	-	-	46,964
70,527	-	-	-	-	-	70,527
-	48,051	-	18,334	-	82	99,136
56	-	-	513	-	2	580
-	-	-	125	-	1,715	1,840
1,212	216	22	3,229	(214)	6,420	17,424
-	-	-	639	57,346	-	57,985
4,500	-	-	-	3,913	585	10,731
967	-	-	-	-	1,602	2,569
67	-	-	16,620	-	4,834	26,702
290	-	-	566	333	15,260	17,033
<u>77,619</u>	<u>48,267</u>	<u>10,191</u>	<u>40,026</u>	<u>61,378</u>	<u>30,586</u>	<u>361,746</u>
-	-	-	61	2,669	1,833	7,465
-	-	-	1,115	5,177	12	6,304
-	-	-	6,731	22,133	821	29,685
36,743	-	9,980	194	1,360	6,064	113,080
17	35,002	-	20,783	2,186	291	77,458
-	-	-	1,517	4,336	-	5,853
-	-	-	-	18,392	4,490	31,793
18	4,390	-	54	4,393	3,200	14,713
-	-	-	-	-	-	-
-	-	-	-	7,169	436	7,605
-	-	-	-	1,109	363	1,472
<u>36,778</u>	<u>39,392</u>	<u>9,980</u>	<u>30,455</u>	<u>68,924</u>	<u>17,510</u>	<u>295,428</u>
<u>40,841</u>	<u>8,875</u>	<u>211</u>	<u>9,571</u>	<u>(7,546)</u>	<u>13,076</u>	<u>66,318</u>
-	-	-	-	15	640	660
12,247	-	-	137	367	21,093	45,044
-	-	-	-	-	(45)	(138)
(50,981)	(413)	(22)	(15,947)	(4,507)	(13,092)	(101,250)
-	-	-	-	-	-	1,803
<u>(38,734)</u>	<u>(413)</u>	<u>(22)</u>	<u>(15,810)</u>	<u>(4,125)</u>	<u>8,596</u>	<u>(53,881)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,911</u>	<u>220</u>	<u>225,131</u>
2,107	8,462	189	(6,239)	213,240	21,892	237,568
<u>12,313</u>	<u>40,032</u>	<u>183</u>	<u>30,243</u>	<u>5,092</u>	<u>84,828</u>	<u>230,019</u>
<u>\$ 14,420</u>	<u>\$ 48,494</u>	<u>\$ 372</u>	<u>\$ 24,004</u>	<u>\$ 218,332</u>	<u>\$ 106,720</u>	<u>\$ 467,587</u>

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 2012
 (In Thousands)

	Acquisition, Improvement and Operations				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	46,964	-	46,964	42,108	4,856
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	-	-	-	-
Licenses and Permits.....	-	-	-	-	-
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	172	81	253	209	44
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	1,733	-	1,733	-	1,733
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	4,835	-	4,835	2,386	2,449
Other Revenue.....	344	-	344	8	336
TOTAL REVENUES.....	54,048	81	54,129	44,711	9,418
EXPENDITURES					
Current:					
General Government and Support.....	2,862	513	3,375	3,118	(257)
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	45,444	2,747	48,191	68,362	20,171
Transportation.....	-	-	-	-	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	8,911	1,074	9,985	8,612	(1,373)
Capital Outlay.....	2,512	266	2,778	1,733	(1,045)
TOTAL EXPENDITURES.....	59,729	4,600	64,329	81,825	17,496
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(5,681)	(4,519)	(10,200)	(37,114)	26,914
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds.....	5	-	5	-	5
Transfers from Other Funds.....	2,620	-	2,620	5,474	(2,854)
Transfers to Proprietary Funds.....	(6)	-	(6)	(6)	-
Transfers to Other Funds.....	(56)	-	(56)	(1,391)	1,335
Proceeds from the Sale of Capital Assets.....	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	2,563	-	2,563	4,077	(1,514)
NET CHANGE IN FUND BALANCES.....	(3,118)	(4,519)	(7,637)	(33,037)	25,400
Fund Balances - Beginning.....	36,529	-	36,529	36,529	-
FUND BALANCES - ENDING.....	\$ 33,411	\$ (4,519)	\$ 28,892	\$ 3,492	\$ 25,400

Environmental Growth					Qualcomm Stadium Operations				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
12,435	-	12,435	12,039	396	-	-	-	-	-
-	-	-	-	-	9	-	9	4	5
-	-	-	-	-	-	-	-	-	-
33	-	33	108	(75)	6,116	14	6,130	6,078	52
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	186	-	186	243	(57)
-	-	-	-	-	225	-	225	224	1
12,468	-	12,468	12,147	321	6,536	14	6,550	6,549	1
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,157	312	2,469	3,043	574	11,138	80	11,218	12,997	1,779
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
40	-	40	-	(40)	97	-	97	1	(96)
2,197	312	2,509	3,043	534	11,235	80	11,315	12,998	1,683
10,271	(312)	9,959	9,104	855	(4,699)	(66)	(4,765)	(6,449)	1,684
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,580	-	8,580	8,580	-
-	-	-	-	-	(87)	-	(87)	(87)	-
(9,947)	-	(9,947)	(11,922)	1,975	(4,989)	(7)	(4,996)	(4,996)	-
-	-	-	-	-	-	-	-	-	-
(9,947)	-	(9,947)	(11,922)	1,975	3,504	(7)	3,497	3,497	-
324	(312)	12	(2,818)	2,830	(1,195)	(73)	(1,268)	(2,952)	1,684
3,718	-	3,718	3,718	-	4,738	-	4,738	4,738	-
\$ 4,042	\$ (312)	\$ 3,730	\$ 900	\$ 2,830	\$ 3,543	\$ (73)	\$ 3,470	\$ 1,786	\$ 1,684

Continued on Next Page

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 2012
 (In Thousands)

	Special Gas Tax Street Improvement				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	-	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	20,234	-	20,234	21,773	(1,539)
Licenses and Permits.....	-	-	-	-	-
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	214	33	247	399	(152)
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	-	-	-	-	-
Other Revenue.....	15	-	15	-	15
TOTAL REVENUES.....	20,463	33	20,496	22,172	(1,676)
EXPENDITURES					
Current:					
General Government and Support.....	40	-	40	95	55
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	-	-	-	-	-
Transportation.....	19,179	9	19,188	19,188	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	-	-	-	-	-
Capital Outlay.....	9	-	9	11,800	11,791
TOTAL EXPENDITURES.....	19,228	9	19,237	31,083	11,846
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	1,235	24	1,259	(8,911)	10,170
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	-	-	-	-	-
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(1,292)	-	(1,292)	(2,889)	1,597
Proceeds from the Sale of Capital Assets.....	1,803	-	1,803	-	1,803
TOTAL OTHER FINANCING SOURCES (USES).....	511	-	511	(2,889)	3,400
NET CHANGE IN FUND BALANCES.....	1,746	24	1,770	(11,800)	13,570
Fund Balances - Beginning.....	11,993	-	11,993	11,993	-
FUND BALANCES - ENDING.....	\$ 13,739	\$ 24	\$ 13,763	\$ 193	\$ 13,570

Street Division Operations					Transient Occupancy Tax				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	70,527	-	70,527	70,495	32
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	56	-	56	50	6
-	-	-	-	-	-	-	-	-	-
4	-	4	4	-	1,212	2	1,214	1,348	(134)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	4,500	-	4,500	4,500	-
-	-	-	-	-	967	-	967	927	40
160	-	160	-	160	67	-	67	100	(33)
-	-	-	-	-	290	-	290	-	290
164	-	164	4	160	77,619	2	77,621	77,420	201
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	36,743	149	36,892	38,061	1,169
-	-	-	-	-	17	-	17	27	10
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	18	-	18	-	(18)
-	-	-	-	-	36,778	149	36,927	38,088	1,161
164	-	164	4	160	40,841	(147)	40,694	39,332	1,362
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	12,247	-	12,247	12,246	1
-	-	-	-	-	-	-	-	-	-
(4)	-	(4)	(4)	-	(50,981)	-	(50,981)	(50,990)	9
-	-	-	-	-	-	-	-	-	-
(4)	-	(4)	(4)	-	(38,734)	-	(38,734)	(38,744)	10
160	-	160	-	160	2,107	(147)	1,960	588	1,372
350	-	350	350	-	12,313	-	12,313	12,313	-
\$ 510	\$ -	\$ 510	\$ 350	\$ 160	\$ 14,420	\$ (147)	\$ 14,273	\$ 12,901	\$ 1,372

Continued on Next Page

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)

	Underground Surcharge				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	-	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	48,051	-	48,051	44,805	3,246
Licenses and Permits.....	-	-	-	-	-
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	216	141	357	550	(193)
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	-	-	-	-	-
Other Revenue.....	-	-	-	-	-
TOTAL REVENUES.....	48,267	141	48,408	45,355	3,053
EXPENDITURES					
Current:					
General Government and Support.....	-	46	46	5,068	5,022
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	-	-	-	-	-
Transportation.....	35,002	13,425	48,427	107,011	58,584
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	-	-	-	-	-
Capital Outlay.....	4,390	-	4,390	-	(4,390)
TOTAL EXPENDITURES.....	39,392	13,471	52,863	112,079	59,216
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	8,875	(13,330)	(4,455)	(66,724)	62,269
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	-	-	-	-	-
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(413)	-	(413)	(413)	-
Proceeds from the Sale of Capital Assets.....	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(413)	-	(413)	(413)	-
NET CHANGE IN FUND BALANCES.....	8,462	(13,330)	(4,868)	(67,137)	62,269
Fund Balances - Beginning.....	40,032	-	40,032	40,032	-
FUND BALANCES - ENDING.....	\$ 48,494	\$ (13,330)	\$ 35,164	\$ (27,105)	\$ 62,269

Zoological Exhibits					Other Special Revenue				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ 10,169	\$ -	\$ 10,169	\$ 8,082	\$ 2,087	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	18,334	-	18,334	15,248	3,086
-	-	-	-	-	513	-	513	502	11
-	-	-	-	-	125	-	125	1,165	(1,040)
22	-	22	22	-	3,229	89	3,318	3,040	278
-	-	-	-	-	639	-	639	1,010	(371)
-	-	-	-	-	-	-	-	1,500	(1,500)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	16,620	-	16,620	7,665	8,955
-	-	-	-	-	566	-	566	10,039	(9,473)
10,191	-	10,191	8,104	2,087	40,026	89	40,115	40,169	(54)
-	-	-	-	-	61	-	61	65	4
-	-	-	-	-	1,115	6	1,121	2,723	1,602
-	-	-	-	-	6,731	-	6,731	6,913	182
9,980	-	9,980	9,980	-	194	1	195	202	7
-	-	-	-	-	20,783	1,807	22,590	31,995	9,405
-	-	-	-	-	1,517	4	1,521	1,613	92
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	54	21	75	461	386
9,980	-	9,980	9,980	-	30,455	1,839	32,294	43,972	11,678
211	-	211	(1,876)	2,087	9,571	(1,750)	7,821	(3,803)	11,624
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	137	-	137	118	19
-	-	-	-	-	-	-	-	-	-
(22)	-	(22)	(22)	-	(15,947)	-	(15,947)	(16,587)	640
-	-	-	-	-	-	-	-	-	-
(22)	-	(22)	(22)	-	(15,810)	-	(15,810)	(16,469)	659
189	-	189	(1,898)	2,087	(6,239)	(1,750)	(7,989)	(20,272)	12,283
183	-	183	183	-	30,243	-	30,243	30,243	-
\$ 372	\$ -	\$ 372	\$ (1,715)	\$ 2,087	\$ 24,004	\$ (1,750)	\$ 22,254	\$ 9,971	\$ 12,283

Continued on Next Page

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)

	Total				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Property Taxes.....	\$ 10,169	\$ -	\$ 10,169	\$ 8,082	\$ 2,087
Special Assessments.....	46,964	-	46,964	42,108	4,856
Transient Occupancy Taxes.....	70,527	-	70,527	70,495	32
Other Local Taxes.....	99,054	-	99,054	93,865	5,189
Licenses and Permits.....	578	-	578	556	22
Fines, Forfeitures and Penalties.....	125	-	125	1,165	(1,040)
Revenue from Use of Money and Property.....	11,218	360	11,578	11,758	(180)
Revenue from Federal Agencies.....	639	-	639	1,010	(371)
Revenue from Other Agencies.....	6,233	-	6,233	6,000	233
Revenue from Private Sources.....	967	-	967	927	40
Charges for Current Services.....	21,868	-	21,868	10,394	11,474
Other Revenue.....	1,440	-	1,440	10,271	(8,831)
TOTAL REVENUES.....	269,782	360	270,142	256,631	13,511
EXPENDITURES					
Current:					
General Government and Support.....	2,963	559	3,522	8,346	4,824
Public Safety - Police.....	1,115	6	1,121	2,723	1,602
Public Safety - Fire and Life Safety and Homeland Security.....	6,731	-	6,731	6,913	182
Parks, Recreation, Culture and Leisure.....	105,656	3,289	108,945	132,645	23,700
Transportation.....	74,981	15,241	90,222	158,221	67,999
Sanitation and Health.....	1,517	4	1,521	1,613	92
Neighborhood Services.....	8,911	1,074	9,985	8,612	(1,373)
Capital Outlay.....	7,120	287	7,407	13,995	6,588
TOTAL EXPENDITURES.....	208,994	20,460	229,454	333,068	103,614
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	60,788	(20,100)	40,688	(76,437)	117,125
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds.....	5	-	5	-	5
Transfers from Other Funds.....	23,584	-	23,584	26,418	(2,834)
Transfers to Proprietary Funds.....	(93)	-	(93)	(93)	-
Transfers to Other Funds.....	(83,651)	(7)	(83,658)	(89,214)	5,556
Proceeds from the Sale of Capital Assets.....	1,803	-	1,803	-	1,803
TOTAL OTHER FINANCING SOURCES (USES).....	(58,352)	(7)	(58,359)	(62,889)	4,530
NET CHANGE IN FUND BALANCES.....	2,436	(20,107)	(17,671)	(139,326)	121,655
Fund Balances - Beginning.....	140,099	-	140,099	140,099	-
FUND BALANCES - ENDING.....	\$ 142,535	\$ (20,107)	\$ 122,428	\$ 773	\$ 121,655

**CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING BALANCE SHEET
June 30, 2012
(In Thousands)**

	<u>Two-Thirds Requirement</u>	<u>One-Third Requirement</u>	<u>Total</u>
ASSETS			
Cash and Investments.....	\$ 321	\$ 679	\$ 1,000
Receivables:			
Taxes	2,047	1,024	3,071
Accrued Interest.....	6	2	8
TOTAL ASSETS.....	<u>\$ 2,374</u>	<u>\$ 1,705</u>	<u>\$ 4,079</u>
LIABILITIES			
Accounts Payable.....	\$ 6	\$ 31	\$ 37
FUND EQUITY			
Fund Balances:			
Restricted	2,368	1,674	4,042
TOTAL LIABILITIES AND FUND EQUITY.....	<u>\$ 2,374</u>	<u>\$ 1,705</u>	<u>\$ 4,079</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012
(In Thousands)**

	<u>Two-Thirds Requirement</u>	<u>One-Third Requirement</u>	<u>Total</u>
REVENUES			
Other Local Taxes.....	\$ 8,290	\$ 4,145	\$ 12,435
Revenue from Use of Money and Property.....	25	8	33
TOTAL REVENUES.....	<u>8,315</u>	<u>4,153</u>	<u>12,468</u>
EXPENDITURES			
Current:			
Parks, Recreation, Culture and Leisure.....	19	2,138	2,157
Capital Outlay.....	21	19	40
TOTAL EXPENDITURES.....	<u>40</u>	<u>2,157</u>	<u>2,197</u>
EXCESS OF REVENUES OVER EXPENDITURES.....	<u>8,275</u>	<u>1,996</u>	<u>10,271</u>
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds.....	(8,078)	(1,869)	(9,947)
NET CHANGE IN FUND BALANCES.....	197	127	324
Fund Balances at Beginning of Year.....	2,171	1,547	3,718
FUND BALANCES AT END OF YEAR.....	<u>\$ 2,368</u>	<u>\$ 1,674</u>	<u>\$ 4,042</u>

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 ENVIRONMENTAL GROWTH FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 2012
 (In Thousands)

	Two-Thirds Requirement				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Other Local Taxes.....	\$ 8,290	\$ -	\$ 8,290	\$ 8,026	\$ 264
Revenue from Use of Money and Property.....	25	-	25	54	(29)
TOTAL REVENUES.....	8,315	-	8,315	8,080	235
EXPENDITURES					
Current:					
Parks, Recreation, Culture and Leisure.....	19	195	214	541	327
Capital Outlay.....	21	-	21	-	(21)
TOTAL EXPENDITURES.....	40	195	235	541	306
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	8,275	(195)	8,080	7,539	541
OTHER FINANCING SOURCES (USES)					
Transfers to Other Funds.....	(8,078)	-	(8,078)	(9,967)	1,889
NET CHANGE IN FUND BALANCES.....	197	(195)	2	(2,428)	2,430
Fund Balances - Beginning	2,171	-	2,171	2,171	-
FUND BALANCES - ENDING	\$ 2,368	\$ (195)	\$ 2,173	\$ (257)	\$ 2,430

One-Third Requirement					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ 4,145	\$ -	\$ 4,145	\$ 4,013	\$ 132	\$ 12,435	\$ -	\$ 12,435	\$ 12,039	\$ 396
8	-	8	54	(46)	33	-	33	108	(75)
4,153	-	4,153	4,067	86	12,468	-	12,468	12,147	321
2,138	117	2,255	2,502	247	2,157	312	2,469	3,043	574
19	-	19	-	(19)	40	-	40	-	(40)
2,157	117	2,274	2,502	228	2,197	312	2,509	3,043	534
1,996	(117)	1,879	1,565	314	10,271	(312)	9,959	9,104	855
(1,869)	-	(1,869)	(1,955)	86	(9,947)	-	(9,947)	(11,922)	1,975
127	(117)	10	(390)	400	324	(312)	12	(2,818)	2,830
1,547	-	1,547	1,547	-	3,718	-	3,718	3,718	-
\$ 1,674	\$ (117)	\$ 1,557	\$ 1,157	\$ 400	\$ 4,042	\$ (312)	\$ 3,730	\$ 900	\$ 2,830

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NON MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for general long-term debt principal, interest, and related costs.

CITY OF SAN DIEGO

PUBLIC SAFETY COMMUNICATIONS PROJECT

This fund was established to account for the payment of principal and interest on general obligation bonds issued in 1991. These bonds are serviced by property taxes.

MCGUIGAN LOAN FUND

This fund was established to account for the initial receipt and principal and interest payments related to a loan from Bank of America; the proceeds of which were used to satisfy the outstanding obligation of the McGuigan Settlement. This loan is serviced by contributions from various operating departments within the City.

QUALIFIED ENERGY CONSERVATION BONDS (QECB)

This fund was established to account for the initial receipt and principal and interest payments related to a taxable QECB Equipment Lease issued pursuant to the America Recovery and Reinvestment Act of 2009. The QECB financing is eligible for the direct interest subsidy payment from the U.S. Department of the Treasury within the meaning of Section 54D(a) of the Internal Revenue Code of 1986, as amended. The QECB Lease was issued to fund the Broad Spectrum Street Lighting Conversion Program and will be paid from annual appropriations payable out of any source of legally available funds.

BLENDED COMPONENT UNITS

CITY OF SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD (MTDB) AUTHORITY

This fund was established to account for the debt service activities of the City of San Diego Metropolitan Transit Development Board Authority (MTDB). MTDB was created to acquire and construct mass public transit guideways, systems and related facilities. MTDB's debt service fund is used to account for the payment of long-term debt principal and interest. This fund is serviced by investment income, lease payments from the City of San Diego, and proceeds from lease revenue bonds and certificates of participation.

CONVENTION CENTER EXPANSION FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Convention Center Expansion Financing Authority (CCEFA). CCEFA, created by the City of San Diego and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the existing convention center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing, acquisition and construction of public capital facility improvements of RDA or the City. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

REDEVELOPMENT AGENCY

This fund was established to account for the debt service activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. This

fund is serviced by property tax increments, sale of real estate, and investment income. Pursuant to State of California Assembly Bill X1 26, the RDA was dissolved on February 1, 2012 and the assets were transferred to a private-purpose trust fund which can be found in the Fiduciary Funds in the Basic Financial Statements section of this report.

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the debt service activities of the San Diego Facilities and Equipment Leasing Corporation (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. The City makes lease payments from annual appropriations payable out of any source of legally available funds.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the debt service activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

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NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2012
(In Thousands)

	<u>City of San Diego</u>	<u>City of San Diego/MTDB Authority</u>	<u>Convention Center Expansion Financing Authority</u>
ASSETS			
Receivables:			
Taxes.....	\$ 2	\$ -	\$ -
Accounts.....	-	-	-
Accrued Interest.....	1	-	-
Restricted Cash and Investments.....	<u>513</u>	<u>-</u>	<u>155</u>
TOTAL ASSETS.....	<u>\$ 516</u>	<u>\$ -</u>	<u>\$ 155</u>
LIABILITIES			
Deferred Revenue.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES.....	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY			
Fund Balances:			
Restricted.....	<u>516</u>	<u>-</u>	<u>155</u>
TOTAL FUND EQUITY.....	<u>516</u>	<u>-</u>	<u>155</u>
TOTAL LIABILITIES AND FUND EQUITY.....	<u>\$ 516</u>	<u>\$ -</u>	<u>\$ 155</u>

<u>Public Facilities Financing Authority</u>	<u>Redevelopment Agency</u>	<u>San Diego Facilities and Equipment Leasing Corporation</u>	<u>Tobacco Settlement Revenue Funding Corporation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 2
-	-	-	4,871	4,871
13	-	-	-	14
<u>18,699</u>	<u>-</u>	<u>-</u>	<u>12,523</u>	<u>31,890</u>
<u>\$ 18,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,394</u>	<u>\$ 36,777</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,871</u>	<u>\$ 4,871</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,871</u>	<u>4,871</u>
<u>18,712</u>	<u>-</u>	<u>-</u>	<u>12,523</u>	<u>31,906</u>
<u>18,712</u>	<u>-</u>	<u>-</u>	<u>12,523</u>	<u>31,906</u>
<u>\$ 18,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,394</u>	<u>\$ 36,777</u>

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012
(In Thousands)

	<u>City of San Diego</u>	<u>City of San Diego/MTDB Authority</u>	<u>Convention Center Expansion Financing Authority</u>
REVENUES			
Property Taxes.....	\$ 89	\$ -	\$ -
Revenue from Use of Money and Property.....	(9)	-	7
Revenue from Other Agencies.....	-	-	-
Revenue from Private Sources.....	-	-	-
TOTAL REVENUES.....	80	-	7
EXPENDITURES			
Current:			
General Government and Support.....	-	20	-
Debt Service:			
Principal Retirement.....	9,971	720	6,065
Cost of Issuance.....	-	-	880
Interest on Long-Term Debt.....	1,337	434	7,636
TOTAL EXPENDITURES.....	11,308	1,174	14,581
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES....	(11,228)	(1,174)	(14,574)
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds.....	819	-	-
Transfers from Other Funds.....	8,175	1,154	13,701
Transfers to Other Funds.....	(31)	-	-
Transfers to Escrow Agent.....	-	-	(152,936)
Revenue Bonds Issued.....	-	-	140,440
Premium on Bonds Issued.....	-	-	13,524
TOTAL OTHER FINANCING SOURCES (USES).....	8,963	1,154	14,729
Extraordinary Loss	-	-	-
NET CHANGE IN FUND BALANCES.....	(2,265)	(20)	155
Fund Balances at Beginning of Year.....	2,781	20	-
FUND BALANCES AT END OF YEAR.....	\$ 516	\$ -	\$ 155

<u>Public Facilities Financing Authority</u>	<u>Redevelopment Agency</u>	<u>San Diego Facilities and Equipment Leasing Corporation</u>	<u>Tobacco Settlement Revenue Funding Corporation</u>	<u>Total</u>
\$ -	\$ 93,058	\$ -	\$ -	\$ 93,147
172	366	-	489	1,025
-	-	-	9,197	9,197
-	96	-	-	96
<u>172</u>	<u>93,520</u>	<u>-</u>	<u>9,686</u>	<u>103,465</u>
-	-	-	-	20
7,800	22,654	485	3,405	51,100
-	-	-	-	880
<u>17,564</u>	<u>17,918</u>	<u>273</u>	<u>6,375</u>	<u>51,537</u>
<u>25,364</u>	<u>40,572</u>	<u>758</u>	<u>9,780</u>	<u>103,537</u>
<u>(25,192)</u>	<u>52,948</u>	<u>(758)</u>	<u>(94)</u>	<u>(72)</u>
-	-	-	-	819
26,802	17,318	758	-	67,908
-	(4,897)	-	(44)	(4,972)
-	-	-	-	(152,936)
-	-	-	-	140,440
-	-	-	-	13,524
<u>26,802</u>	<u>12,421</u>	<u>758</u>	<u>(44)</u>	<u>64,783</u>
<u>(31,192)</u>	<u>(178,109)</u>	<u>-</u>	<u>-</u>	<u>(209,301)</u>
<u>(29,582)</u>	<u>(112,740)</u>	<u>-</u>	<u>(138)</u>	<u>(144,590)</u>
<u>48,294</u>	<u>112,740</u>	<u>-</u>	<u>12,661</u>	<u>176,496</u>
<u>\$ 18,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,523</u>	<u>\$ 31,906</u>

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2012
(In Thousands)

	Budgeted		Unbudgeted		Total
	Public Safety Communications	McGuigan Loan	Qualified Energy Conservation	Total	
	Project	Fund	Bond		
ASSETS					
Receivables:					
Taxes.....	\$ 2	\$ -	\$ -	\$ 2	
Accrued Interest.....	1	-	-	1	
Restricted Cash and Investments.....	513	-	-	513	
TOTAL ASSETS.....	\$ 516	\$ -	\$ -	\$ 516	
FUND EQUITY					
Fund Balances:					
Restricted.....	\$ 516	\$ -	\$ -	\$ 516	
TOTAL FUND EQUITY.....	\$ 516	\$ -	\$ -	\$ 516	

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012
(In Thousands)

	Budgeted		Unbudgeted		Total
	Public Safety Communications	McGuigan Loan	Qualified Energy Conservation	Total	
	Project	Fund	Bond		
REVENUES					
Property Taxes.....	\$ 89	\$ -	\$ -	\$ 89	
Revenue from Use of Money and Property.....	(9)	-	-	(9)	
TOTAL REVENUES.....	80	-	-	80	
EXPENDITURES					
Debt Service:					
Principal Retirement.....	2,240	7,731	-	9,971	
Interest on Long-Term Debt.....	74	1,263	-	1,337	
TOTAL EXPENDITURES.....	2,314	8,994	-	11,308	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,234)	(8,994)	-	(11,228)	
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds.....	-	819	-	819	
Transfers from Other Funds.....	-	8,175	-	8,175	
Transfers to Other Funds.....	-	-	(31)	(31)	
TOTAL OTHER FINANCING SOURCES (USES).....	-	8,994	(31)	8,963	
NET CHANGE IN FUND BALANCES.....	(2,234)	-	(31)	(2,265)	
Fund Balances at Beginning of Year.....	2,750	-	31	2,781	
FUND BALANCES AT END OF YEAR.....	\$ 516	\$ -	\$ -	\$ 516	

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 2012
 (In Thousands)

	Public Safety Communications Project				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes.....	\$ 89	\$ -	\$ 89	\$ 114	\$ (25)
Revenue from Use of Money and Property.....	(9)	12	3	-	3
TOTAL REVENUES.....	80	12	92	114	(22)
EXPENDITURES					
Debt Service:					
Principal Retirement.....	2,240	-	2,240	2,240	-
Interest on Long-Term Debt.....	74	-	74	74	-
TOTAL EXPENDITURES.....	2,314	-	2,314	2,314	-
NET CHANGE IN FUND BALANCES.....	(2,234)	12	(2,222)	(2,200)	(22)
Fund Balances - Beginning	2,750	-	2,750	2,750	-
FUND BALANCES - ENDING.....	\$ 516	\$ 12	\$ 528	\$ 550	\$ (22)

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NON MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

CITY OF SAN DIEGO

CAPITAL OUTLAY

This fund was established per Section 77 of the City Charter to account for the acquisition, construction and completion of permanent public improvements and real property. Capital outlay fund revenues are derived from the sale of City-owned real property supplemented by sales tax revenue.

PARK & RECREATION DISTRICTS

This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City of San Diego Municipal Code. Fee assessments are only to be used for park purposes within a Community Park Service District to purchase land, facilities, or reimburse those who have donated more than their proportionate responsibilities.

FACILITIES BENEFIT ASSESSMENTS

This fund was established to account for building permit fees collected at the time of permit issuance and is mandated by the City Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

IMPACT FEES

This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

SPECIAL ASSESSMENT/SPECIAL TAX BONDS

This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issues limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

TRANSNET

This fund was established to account for transportation improvements funded by a local sales tax approved by voters in the County of San Diego. Funds are to help relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

OTHER CONSTRUCTION

This fund was established to account for a variety of capital projects such as park and street improvements and construction of public facilities in new development areas. Revenues in this fund are derived from such sources as contributions from developers, grants from Federal, State and other governmental agencies, special assessments, special taxes, fees, and interest derived there from.

REDEVELOPMENT COOPERATION AGREEMENT

This fund was established to account for transfers by the RDA, and related costs, pursuant to the Cooperation Agreement between the City and the RDA for the implementation of redevelopment projects.

BLENDING COMPONENT UNITS

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing and construction of public capital improvements of the City or RDA. Revenues are derived from the issuance of bonds and interest earnings on investments.

REDEVELOPMENT AGENCY

This fund was established to account for the capital improvement activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. Funds are derived from the City of San Diego, from the issuance of bonds for specific redevelopment projects, sale of real estate and investment income. Pursuant to State of California Assembly Bill X1 26, the RDA was dissolved on February 1, 2012 and the assets were transferred to a private-purpose trust fund, which can be found in the Fiduciary Funds in the Basic Financial Statements section of this report.

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2012
(In Thousands)

	City of San Diego	Public Facilities Financing Authority	Redevelopment Agency	Total
ASSETS				
Cash and Investments.....	\$ 400,772	\$ 27,544	\$ -	\$ 428,316
Receivables:				
Accounts.....	59,496	-	-	59,496
Claims - Net.....	-	-	-	-
Special Assessments.....	-	-	-	-
Notes.....	49,518	-	-	49,518
Loans.....	17,330	-	-	17,330
Accrued Interest.....	506	15	-	521
Grants.....	12,463	-	-	12,463
Advances to Other Funds.....	600	-	-	600
Land Held for Resale.....	25,586	-	-	25,586
TOTAL ASSETS.....	\$ 566,271	\$ 27,559	\$ -	\$ 593,830
LIABILITIES				
Accounts Payable.....	\$ 20,616	\$ 4,495	\$ -	\$ 25,111
Other Accrued Liabilities.....	8	-	-	8
Due to Fiduciary Fund.....	23,786	-	-	23,786
Due to Other Agencies.....	28	-	-	28
Unearned Revenue.....	36,303	-	-	36,303
Deferred Revenue.....	61,589	-	-	61,589
Advances from Other Funds.....	600	-	-	600
TOTAL LIABILITIES.....	142,930	4,495	-	147,425
FUND EQUITY				
Fund Balances:				
Nonspendable.....	600	-	-	600
Restricted.....	424,698	23,064	-	447,762
Committed.....	27,930	-	-	27,930
Unassigned.....	(29,887)	-	-	(29,887)
TOTAL FUND EQUITY.....	423,341	23,064	-	446,405
TOTAL LIABILITIES AND FUND EQUITY.....	\$ 566,271	\$ 27,559	\$ -	\$ 593,830

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012
(In Thousands)

	City of San Diego	Public Facilities Financing Authority	Redevelopment Agency	Total
REVENUES				
Sales Taxes.....	\$ 37,407	\$ -	\$ -	\$ 37,407
Licenses and Permits.....	10,209	-	-	10,209
Revenue from Use of Money and Property.....	5,342	237	871	6,450
Revenue from Federal Agencies.....	10,539	-	-	10,539
Revenue from Other Agencies.....	25,695	-	12	25,707
Revenue from Private Sources.....	34,658	-	955	35,613
Other Revenue.....	16,245	-	926	17,171
TOTAL REVENUES.....	140,095	237	2,764	143,096
EXPENDITURES				
Current:				
General Government and Support.....	2,303	-	8,873	11,176
Public Safety - Police.....	42	-	-	42
Public Safety - Fire and Life Safety and Homeland Security.....	27	-	-	27
Parks, Recreation, Culture and Leisure.....	889	1,498	-	2,387
Transportation.....	13,114	-	-	13,114
Sanitation and Health.....	4,229	24	-	4,253
Neighborhood Services.....	109,395	-	16,013	125,408
Capital Outlay.....	139,487	34,233	-	173,720
Debt Service:				
Principal Retirement.....	329	-	-	329
Interest on Long-Term Debt.....	106	-	-	106
TOTAL EXPENDITURES.....	269,921	35,755	24,886	330,562
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(129,826)	(35,518)	(22,122)	(187,466)
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds.....	64	-	-	64
Transfers from Other Funds.....	10,725	-	51,602	62,327
Transfers to Other Funds.....	(79,823)	-	(15,727)	(95,550)
Proceeds from the Sale of Capital Assets.....	10,252	-	-	10,252
Loans Issued.....	2,700	-	-	2,700
TOTAL OTHER FINANCING SOURCES (USES).....	(56,082)	-	35,875	(20,207)
Extraordinary Gain (Loss).....	43,062	-	(140,430)	(97,368)
NET CHANGE IN FUND BALANCES.....	(142,846)	(35,518)	(126,677)	(305,041)
Fund Balances at Beginning of Year.....	566,187	58,582	126,677	751,446
FUND BALANCES AT END OF YEAR.....	\$ 423,341	\$ 23,064	\$ -	\$ 446,405

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2012
(In Thousands)

	<u>Capital Outlay</u>	<u>Parks & Recreation Districts</u>	<u>Facilities Benefit Assessments</u>
ASSETS			
Cash and Investments.....	\$ 39,147	\$ 6,498	\$ 142,407
Receivables:			
Accounts.....	-	-	-
Notes.....	18,158	-	-
Loans.....	14,327	-	-
Accrued Interest.....	31	7	163
Grants.....	12,296	-	-
Advances to Other Funds.....	600	-	-
Land Held for Resale.....	-	-	-
TOTAL ASSETS.....	\$ 84,559	\$ 6,505	\$ 142,570
LIABILITIES			
Accounts Payable.....	\$ 11,468	\$ -	\$ 2,946
Other Accrued Liabilities.....	-	-	-
Due to Fiduciary Fund.....	-	-	-
Due to Other Agencies.....	28	-	-
Unearned Revenue.....	34,893	-	-
Deferred Revenue.....	8,407	-	-
Advances from Other Funds.....	-	-	-
TOTAL LIABILITIES.....	54,796	-	2,946
FUND EQUITY			
Fund Balances:			
Nonspendable.....	600	-	-
Restricted.....	56,374	-	139,624
Committed.....	-	6,505	-
Unassigned.....	(27,211)	-	-
TOTAL FUND EQUITY.....	29,763	6,505	139,624
TOTAL LIABILITIES AND FUND EQUITY.....	\$ 84,559	\$ 6,505	\$ 142,570

<u>Impact Fees</u>	<u>Special Assessment/ Special Tax Bonds</u>	<u>TransNet</u>	<u>Other Construction</u>	<u>Redevelopment Cooperation Agreement</u>	<u>Total</u>
\$ 72,325	\$ 4,218	\$ 6,205	\$ 68,910	\$ 61,062	\$ 400,772
-	-	57,120	2,376	-	59,496
-	-	-	31,360	-	49,518
-	-	3,003	-	-	17,330
67	1	16	35	186	506
-	-	-	167	-	12,463
-	-	-	-	-	600
-	-	-	-	25,586	25,586
<u>\$ 72,392</u>	<u>\$ 4,219</u>	<u>66,344</u>	<u>\$ 102,848</u>	<u>\$ 86,834</u>	<u>\$ 566,271</u>
\$ 99	\$ -	\$ 3,233	\$ 2,826	\$ 44	\$ 20,616
-	-	-	8	-	8
-	-	-	-	23,786	23,786
-	-	-	-	-	28
-	-	-	1,410	-	36,303
-	-	50,659	2,523	-	61,589
-	-	-	600	-	600
<u>99</u>	<u>-</u>	<u>53,892</u>	<u>7,367</u>	<u>23,830</u>	<u>142,930</u>
-	-	-	-	-	600
72,293	4,219	12,452	76,732	63,004	424,698
-	-	-	21,425	-	27,930
-	-	-	(2,676)	-	(29,887)
<u>72,293</u>	<u>4,219</u>	<u>12,452</u>	<u>95,481</u>	<u>63,004</u>	<u>423,341</u>
<u>\$ 72,392</u>	<u>\$ 4,219</u>	<u>\$ 66,344</u>	<u>\$ 102,848</u>	<u>\$ 86,834</u>	<u>\$ 566,271</u>

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012
(In Thousands)

	Capital Outlay	Parks & Recreation Districts	Facilities Benefit Assessments
REVENUES			
Sales Taxes.....	\$ -	\$ -	\$ -
Licenses and Permits.....	-	-	1,046
Revenue from Use of Money and Property.....	779	41	904
Revenue from Federal Agencies.....	10,539	-	-
Revenue from Other Agencies.....	22,429	-	-
Revenue from Private Sources.....	-	-	33,539
Other Revenue.....	-	-	73
TOTAL REVENUES.....	33,747	41	35,562
EXPENDITURES			
Current:			
General Government and Support.....	44	-	1,384
Public Safety - Police.....	1	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	20	-	-
Parks, Recreation, Culture and Leisure.....	286	-	80
Transportation.....	2,295	-	670
Sanitation and Health.....	364	-	3,865
Neighborhood Services.....	258	-	-
Capital Outlay.....	80,268	5	25,911
Debt Service:			
Principal Retirement.....	-	-	-
Interest on Long-Term Debt.....	-	-	-
TOTAL EXPENDITURES.....	83,536	5	31,910
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(49,789)	36	3,652
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds.....	-	-	-
Transfers from Other Funds.....	150	-	-
Transfers to Other Funds.....	(2,841)	-	-
Proceeds from the Sale of Capital Assets.....	10,252	-	-
Loans Issued.....	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	7,561	-	-
Extraordinary Gain.....	32,485	-	-
NET CHANGE IN FUND BALANCES.....	(9,743)	36	3,652
Fund Balances at Beginning of Year.....	39,506	6,469	135,972
FUND BALANCES AT END OF YEAR.....	\$ 29,763	\$ 6,505	\$ 139,624

Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Other Construction	Redevelopment Cooperation Agreement	Total
\$ -	\$ -	\$ 37,407	\$ -	\$ -	\$ 37,407
6,760	-	2,403	-	-	10,209
377	11	116	852	2,262	5,342
-	-	-	-	-	10,539
-	-	-	3,266	-	25,695
-	165	-	954	-	34,658
13,472	-	-	-	2,700	16,245
<u>20,609</u>	<u>176</u>	<u>39,926</u>	<u>5,072</u>	<u>4,962</u>	<u>140,095</u>
367	-	467	41	-	2,303
-	-	-	41	-	42
-	-	-	7	-	27
-	-	-	523	-	889
2,600	382	21	7,146	-	13,114
-	-	-	-	-	4,229
-	-	-	10	109,127	109,395
3,229	-	22,089	7,958	27	139,487
-	-	-	-	-	-
-	-	-	329	-	329
-	-	-	106	-	106
<u>6,196</u>	<u>382</u>	<u>22,577</u>	<u>16,161</u>	<u>109,154</u>	<u>269,921</u>
<u>14,413</u>	<u>(206)</u>	<u>17,349</u>	<u>(11,089)</u>	<u>(104,192)</u>	<u>(129,826)</u>
-	-	-	64	-	64
-	-	-	10,575	-	10,725
-	-	(15,076)	(5,933)	(55,973)	(79,823)
-	-	-	-	-	10,252
-	-	-	2,700	-	2,700
<u>-</u>	<u>-</u>	<u>(15,076)</u>	<u>7,406</u>	<u>(55,973)</u>	<u>(56,082)</u>
<u>-</u>	<u>-</u>	<u>3,003</u>	<u>31,360</u>	<u>(23,786)</u>	<u>43,062</u>
14,413	(206)	5,276	27,677	(183,951)	(142,846)
57,880	4,425	7,176	67,804	246,955	566,187
<u>\$ 72,293</u>	<u>\$ 4,219</u>	<u>\$ 12,452</u>	<u>\$ 95,481</u>	<u>\$ 63,004</u>	<u>\$ 423,341</u>

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2012
(In Thousands)

	TransNet				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Sales Taxes.....	\$ 37,407	\$ -	\$ 37,407	\$ 30,442	\$ 6,965
Licenses and Permits.....	2,403	-	2,403	-	2,403
Revenue from Use of Money and Property.....	116	(41)	75	-	75
TOTAL REVENUES.....	39,926	(41)	39,885	30,442	9,443
EXPENDITURES					
Current:					
General Government and Support.....	467	-	467	664	197
Transportation.....	21	(4)	17	2,247	2,230
Capital Outlay.....	22,089	12,384	34,473	74,669	40,196
TOTAL EXPENDITURES.....	22,577	12,380	34,957	77,580	42,623
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	17,349	(12,421)	4,928	(47,138)	52,066
OTHER FINANCING USES					
Transfers to Other Funds.....	(15,076)	-	(15,076)	(15,076)	-
Extraordinary Gain.....	3,003	-	3,003	-	3,003
NET CHANGE IN FUND BALANCE.....	5,276	(12,421)	(7,145)	(62,214)	55,069
Fund Balance - Beginning.....	7,176	-	7,176	7,176	-
FUND BALANCE - ENDING.....	\$ 12,452	\$ (12,421)	\$ 31	\$ (55,038)	\$ 55,069

NON MAJOR GOVERNMENTAL FUNDS - PERMANENT

PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

CARMEL VALLEY SEWER MAINTENANCE

This fund was established to fund the City's share of maintenance costs for a private sewer system in the Carmel Valley community. The original contribution was received from a developer and interest earnings derived there from will finance a fifty-year maintenance period.

CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

EFFIE SERGEANT

This fund was established to account for a donation to benefit the North Park Branch Library. Investment earnings are used to finance library services and programs.

FIGG ESTATE ENDOWMENT

This fund was established to account for a donation received for the planting and maintenance of jacaranda trees in the public rights of way throughout the City of San Diego. Investment earnings are used for planting and maintenance as well.

GLADYS EDNA PETERS

This fund was established to account for a donation to benefit the Rancho Bernardo Branch Library. Investment earnings are used to procure and maintain a collection of large print books and periodicals.

JANE CAMERON ESTATE

This fund was established to account for a donation to benefit the La Jolla/Riford Branch Library. Investment earnings are used to finance library services and programs.

LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

SOUTHCREST PARK ESTATES II

This fund was established to finance the City's landscape maintenance costs for the Southcrest Park Estates II, a residential development within the Southcrest Redevelopment project area. The original contribution was received from a developer, and investment earnings derived there from will finance the permanent maintenance costs.

SYCAMORE ESTATES

This fund was established to account for an endowment agreement between the City and Sycamore Estates, LLC. Investment earnings from the endowment shall be used exclusively for the long-term maintenance of conserved property within Sycamore Estates.

ZOOLOGICAL SOCIETY – MISSION TRAILS

This fund was established to account for the Fortuna Mountain Conservation Bank endowment. Investment earnings derived from the endowment shall be used to fund the permanent management of the Fortuna Mountain Conservation Bank within Mission Trails Regional Park.

ENVIRONMENTAL TRUST BANKRUPTCY ENDOWMENT

This fund was established to account for funds received to manage nine properties accepted by the City in The Environmental Trust Bankruptcy. The City's Parks and Recreation Department Open Space Division is responsible for administering the management, maintenance and monitoring of the properties.

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**CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
COMBINING BALANCE SHEET
June 30, 2012
(In Thousands)**

	<u>Carmel Valley Sewer Maintenance</u>	<u>Cemetery Perpetuity</u>	<u>Effie Sergeant</u>	<u>Figg Estate Endowment</u>
ASSETS				
Receivables:				
Accounts - Net of Allowance for Uncollectibles.....	\$ -	\$ 1	\$ -	\$ -
Accrued Interest.....	-	11	-	-
Restricted Cash and Investments.....	51	10,952	575	323
TOTAL ASSETS.....	\$ 51	\$ 10,964	\$ 575	\$ 323
FUND EQUITY				
Fund Balances:				
Nonspendable	\$ 51	\$ 10,964	\$ 575	\$ 323
Restricted	-	-	-	-
TOTAL FUND EQUITY.....	\$ 51	\$ 10,964	\$ 575	\$ 323

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012
(In Thousands)**

	<u>Carmel Valley Sewer Maintenance</u>	<u>Cemetery Perpetuity</u>	<u>Effie Sergeant</u>	<u>Figg Estate Endowment</u>
REVENUES				
Revenue from Use of Money and Property.....	\$ -	\$ 537	\$ (11)	\$ 3
Revenue from Private Sources.....	-	-	-	-
Charges for Current Services.....	-	74	-	-
TOTAL REVENUES.....	-	611	(11)	3
EXPENDITURES				
Current:				
Parks, Recreation, Culture and Leisure.....	-	64	2	-
EXCESS OF REVENUES OVER EXPENDITURES.....	-	547	(13)	3
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds.....	-	(422)	-	(3)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(422)	-	(3)
NET CHANGE IN FUND BALANCES.....	-	125	(13)	-
Fund Balances at Beginning of Year.....	51	10,839	588	323
FUND BALANCES AT END OF YEAR.....	\$ 51	\$ 10,964	\$ 575	\$ 323

<u>Gladys Edna Peters</u>	<u>Jane Cameron Estate</u>	<u>Los Penasquitos Canyon</u>	<u>Southcrest Park Estates II</u>	<u>Sycamore Estates</u>	<u>Zoological Society-Mission Trails</u>	<u>Environmental Trust Bankruptcy Endowment</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
-	-	1	-	-	-	1	13
<u>372</u>	<u>3,241</u>	<u>2,588</u>	<u>14</u>	<u>250</u>	<u>69</u>	<u>341</u>	<u>18,776</u>
<u>\$ 372</u>	<u>\$ 3,241</u>	<u>\$ 2,589</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 342</u>	<u>\$ 18,790</u>
\$ 372	\$ 3,241	\$ 2,589	\$ 14	\$ 250	\$ 69	\$ 332	\$ 18,780
-	-	-	-	-	-	10	10
<u>\$ 372</u>	<u>\$ 3,241</u>	<u>\$ 2,589</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 342</u>	<u>\$ 18,790</u>

<u>Gladys Edna Peters</u>	<u>Jane Cameron Estate</u>	<u>Los Penasquitos Canyon</u>	<u>Southcrest Park Estates II</u>	<u>Sycamore Estates</u>	<u>Zoological Society-Mission Trails</u>	<u>Environmental Trust Bankruptcy Endowment</u>	<u>Total</u>
\$ (9)	\$ (75)	\$ (68)	\$ -	\$ 2	\$ -	\$ 2	\$ 381
-	131	-	-	-	-	-	131
-	-	-	-	-	-	-	74
<u>(9)</u>	<u>56</u>	<u>(68)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>586</u>
<u>1</u>	<u>147</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219</u>
<u>(10)</u>	<u>(91)</u>	<u>(73)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>367</u>
-	-	(137)	-	(2)	-	-	(564)
-	-	(137)	-	(2)	-	-	(564)
(10)	(91)	(210)	-	-	-	2	(197)
<u>382</u>	<u>3,332</u>	<u>2,799</u>	<u>14</u>	<u>250</u>	<u>69</u>	<u>340</u>	<u>18,987</u>
<u>\$ 372</u>	<u>\$ 3,241</u>	<u>\$ 2,589</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 342</u>	<u>\$ 18,790</u>

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NON MAJOR BUSINESS-TYPE FUNDS - ENTERPRISE

ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

CITY OF SAN DIEGO

AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports--Montgomery and Brown Fields. Airports fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments and aid from other governmental agencies.

DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, collection, energy conservation, resource management, and other environmental programs.

GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF NET ASSETS
June 30, 2012
(In Thousands)

	Airports	Development Services
ASSETS		
Cash and Investments	\$ 14,748	\$ 23,428
Receivables:		
Accounts - Net of Allowance for Uncollectibles	665	2,539
Accrued Interest	18	29
Grants	35	-
Restricted Cash and Investments	-	-
Capital Assets - Non-Depreciable	3,003	178
Capital Assets - Depreciable	10,623	845
TOTAL ASSETS	29,092	27,019
LIABILITIES		
Accounts Payable	121	621
Accrued Wages and Benefits	70	1,456
Long Term Debt Due Within One Year	52	965
Unearned Revenue	-	17,126
Contract Deposits	-	3
Customer Deposits Payable	-	-
Deposits/Advances from Others	72	4,940
Compensated Absences	60	1,152
Estimated Landfill Closure and Postclosure Care	-	-
Net Other Post Employment Benefits Obligation	403	7,286
Net Pension Obligation	149	5,029
TOTAL LIABILITIES	927	38,578
NET ASSETS (DEFICIT)		
Invested in Capital Assets, Net of Related Debt	13,626	1,023
Restricted for Closure/Postclosure Maintenance	-	-
Unrestricted (Deficit)	14,539	(12,582)
TOTAL NET ASSETS (DEFICIT)	\$ 28,165	\$ (11,559)

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 47,130	\$ 24,392	\$ 16,749	\$ 126,447
87	167	564	4,022
111	31	28	217
-	-	-	35
46,152	-	7,295	53,447
12,548	4,166	-	19,895
<u>27,916</u>	<u>15,192</u>	<u>125</u>	<u>54,701</u>
<u>133,944</u>	<u>43,948</u>	<u>24,761</u>	<u>258,764</u>
1,251	525	487	3,005
684	316	436	2,962
461	149	158	1,785
-	-	384	17,510
-	-	-	3
-	-	7,295	7,295
101	-	-	5,113
550	178	188	2,128
21,743	-	-	21,743
3,929	2,320	2,434	16,372
<u>1,682</u>	<u>358</u>	<u>999</u>	<u>8,217</u>
<u>30,401</u>	<u>3,846</u>	<u>12,381</u>	<u>86,133</u>
40,464	19,358	125	74,596
24,462	-	-	24,462
<u>38,617</u>	<u>20,744</u>	<u>12,255</u>	<u>73,573</u>
<u>\$ 103,543</u>	<u>\$ 40,102</u>	<u>\$ 12,380</u>	<u>\$ 172,631</u>

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended June 30, 2012
(In Thousands)

	Airports	Development Services
OPERATING REVENUES		
Charges for Services	\$ 2	\$ 41,990
Usage Fees	4,134	-
Other	52	2,567
TOTAL OPERATING REVENUES	4,188	44,557
OPERATING EXPENSES		
Maintenance and Operations	1,727	30,518
Administration	1,286	13,481
Depreciation.....	599	58
TOTAL OPERATING EXPENSES	3,612	44,057
OPERATING INCOME (LOSS)	576	500
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	96	54
Other Agency Grant Assistance	-	-
Gain (Loss) on Sale/Retirement of Capital Assets	-	-
Other	(20)	(6)
TOTAL NONOPERATING REVENUES	76	48
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	652	548
Capital Contributions	287	-
Transfers from Other Funds	2	3
Transfers from Governmental Funds.....	-	57
Transfers to Other Funds	-	(13)
Transfers to Governmental Funds	(70)	(851)
CHANGE IN NET ASSETS	871	(256)
Net Assets (Deficit) at Beginning of Year	27,294	(11,303)
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 28,165	\$ (11,559)

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 710	\$ 16,097	\$ 6,156	\$ 64,955
23,724	1,325	11,014	40,197
<u>689</u>	<u>6</u>	<u>153</u>	<u>3,467</u>
<u>25,123</u>	<u>17,428</u>	<u>17,323</u>	<u>108,619</u>
24,748	12,660	10,284	79,937
4,276	1,410	7,713	28,166
<u>3,385</u>	<u>1,132</u>	<u>101</u>	<u>5,275</u>
<u>32,409</u>	<u>15,202</u>	<u>18,098</u>	<u>113,378</u>
<u>(7,286)</u>	<u>2,226</u>	<u>(775)</u>	<u>(4,759)</u>
569	156	134	1,009
-	-	1,789	1,789
(3,918)	(9)	-	(3,927)
<u>890</u>	<u>43</u>	<u>1,838</u>	<u>2,745</u>
<u>(2,459)</u>	<u>190</u>	<u>3,761</u>	<u>1,616</u>
<u>(9,745)</u>	<u>2,416</u>	<u>2,986</u>	<u>(3,143)</u>
384	-	-	671
37	6	874	922
-	-	-	57
(870)	-	-	(883)
<u>(1,170)</u>	<u>(195)</u>	<u>(352)</u>	<u>(2,638)</u>
(11,364)	2,227	3,508	(5,014)
<u>114,907</u>	<u>37,875</u>	<u>8,872</u>	<u>177,645</u>
<u>\$ 103,543</u>	<u>\$ 40,102</u>	<u>\$ 12,380</u>	<u>\$ 172,631</u>

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2012
(In Thousands)

	<u>Airports</u>	<u>Development Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 4,086	\$ 47,008
Receipts from Interfund Services Provided	-	1,863
Payments to Suppliers	(1,333)	(10,594)
Payments to Employees	(1,507)	(27,942)
Payments for Interfund Services Used	(380)	(4,418)
	<u>866</u>	<u>5,917</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Other Funds	2	3
Transfers from Governmental Funds	-	57
Transfers to Other Funds	-	(13)
Transfers to Governmental Funds	(70)	(851)
Operating Grants Received	-	-
Proceeds from Advances and Deposits	-	-
Payments for Advances and Deposits	-	(501)
	<u>(68)</u>	<u>(1,305)</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	586	-
Acquisition of Capital Assets	(846)	(7)
	<u>(260)</u>	<u>(7)</u>
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments	100	60
	<u>638</u>	<u>4,665</u>
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Year	14,110	18,763
	<u>14,748</u>	<u>23,428</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
	<u>\$ 14,748</u>	<u>\$ 23,428</u>
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:		
Cash and Investments	14,748	23,428
Restricted Cash and Investments	-	-
Total Cash and Cash Equivalents at End of Year	<u>\$ 14,748</u>	<u>\$ 23,428</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Operating Income (Loss)	\$ 576	\$ 500
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	599	58
Other Nonoperating Revenue (Expenses)	(20)	(6)
(Increase) Decrease in Assets:		
Accounts Receivable - Net	(82)	1,370
Inventories	-	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(260)	23
Accrued Wages and Benefits	2	176
Unearned Revenue	-	2,962
Contract Deposits	-	(12)
Compensated Absences	-	(17)
Estimated Landfill Closure and Postclosure Care	-	-
Net OPEB Obligation	51	878
Net Pension Obligation	-	(15)
Total Adjustments	<u>290</u>	<u>5,417</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
	<u>\$ 866</u>	<u>\$ 5,917</u>
Noncash Investing, Capital, and Financing Activities:		
Increase (Decrease) in Capital Assets related Accounts Payable	\$ (8)	\$ -
Noncash Retirement of Capital Assets	-	-

Environmental Services	Golf Course	Recycling	Total
\$ 25,323	\$ 17,317	\$ 17,546	\$ 111,280
682	-	1,165	3,710
(13,967)	(8,275)	(9,204)	(43,373)
(13,477)	(5,840)	(8,666)	(57,432)
(271)	(275)	(236)	(5,580)
<u>(1,710)</u>	<u>2,927</u>	<u>605</u>	<u>8,605</u>
37	6	874	922
-	-	-	57
(870)	-	-	(883)
(1,170)	(195)	(352)	(2,638)
-	-	2,006	2,006
1	-	1,160	1,161
-	-	-	(501)
<u>(2,002)</u>	<u>(189)</u>	<u>3,688</u>	<u>124</u>
384	-	-	970
(652)	(1,270)	-	(2,775)
<u>(268)</u>	<u>(1,270)</u>	<u>-</u>	<u>(1,805)</u>
615	166	137	1,078
(3,365)	1,634	4,430	8,002
<u>96,647</u>	<u>22,758</u>	<u>19,614</u>	<u>171,892</u>
<u>\$ 93,282</u>	<u>\$ 24,392</u>	<u>\$ 24,044</u>	<u>\$ 179,894</u>
47,130	24,392	16,749	126,447
46,152	-	7,295	53,447
<u>\$ 93,282</u>	<u>\$ 24,392</u>	<u>\$ 24,044</u>	<u>\$ 179,894</u>
<u>\$ (7,286)</u>	<u>\$ 2,226</u>	<u>\$ (775)</u>	<u>\$ (4,759)</u>
3,385	1,132	101	5,275
890	43	1,838	2,745
(8)	(154)	(365)	761
-	1	-	1
(155)	(726)	(77)	(1,195)
57	47	9	291
-	-	(84)	2,878
-	-	(1)	(13)
(46)	17	(41)	(87)
898	-	-	898
562	344	-	1,835
(7)	(3)	-	(25)
<u>5,576</u>	<u>701</u>	<u>1,380</u>	<u>13,364</u>
<u>\$ (1,710)</u>	<u>\$ 2,927</u>	<u>\$ 605</u>	<u>\$ 8,605</u>
\$ 43	\$ 247	\$ -	\$ 282
(3,918)	(9)	-	(3,927)

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INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

CITY OF SAN DIEGO

FLEET SERVICES

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

SELF INSURANCE

This fund was established to account for self insurance activities, including worker's compensation and long-term disability programs for employees. Revenues are derived from rates charged to departments as a percentage of payroll. This fund also accounts for the public liability reserve, which was established for the purpose of paying claims in excess of annual appropriations.

MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, administration and operation of various employee related programs such as unused compensatory time, unused sick leave and unemployment insurance, and citywide training. Revenues are derived from rates or fees charged to the departments for specific services rendered.

BLENDED COMPONENT UNIT

SAN DIEGO DATA PROCESSING CORPORATION

This fund accounts for the operations of the San Diego Data Processing Corporation, Inc. (SDDPC). SDDPC was formed for the purpose of providing data processing services to public agencies, primarily the City of San Diego, which is the sole member of SDDPC. SDDPC also provides telecommunication services to the City. Rates are charged for the various services provided as per operating agreements and are subject to change each year.

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012
(In Thousands)**

	<u>City of San Diego</u>	
	<u>Fleet Services</u>	<u>Central Stores</u>
ASSETS		
Cash and Investments	\$ 76,139	\$ 142
Receivables:		
Accounts - Net of Allowance for Uncollectibles	345	-
Accrued Interest	1	-
Inventories	-	2,453
Prepaid Expenses	-	-
Capital Assets - Non-Depreciable	4,885	-
Capital Assets - Depreciable	<u>112,317</u>	<u>160</u>
TOTAL ASSETS	<u>193,687</u>	<u>2,755</u>
LIABILITIES		
Accounts Payable	2,757	762
Accrued Wages and Benefits	1,085	78
Interest Accrued on Long-Term Debt	145	-
Long-Term Debt Due Within One Year	7,415	25
Due to Other Funds	-	1,600
Unearned Revenue	-	-
Contract Deposits	-	-
Compensated Absences	766	33
Liability Claims	-	-
Capital Lease Obligations	21,479	-
Net Other Post Employment Benefits Obligation	6,036	527
Net Pension Obligation.....	<u>947</u>	<u>161</u>
TOTAL LIABILITIES	<u>40,630</u>	<u>3,186</u>
NET ASSETS (DEFICIT)		
Invested in Capital Assets, Net of Related Debt	88,884	160
Unrestricted	<u>64,173</u>	<u>(591)</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ 153,057</u>	<u>\$ (431)</u>

<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 389	\$ 92,497	\$ 11,322	\$ 7,163	\$ 187,652
19	427	10	4,021	4,822
-	-	3	-	4
-	-	-	-	2,453
-	-	-	827	827
-	-	-	1,984	6,869
<u>34</u>	<u>-</u>	<u>47</u>	<u>4,391</u>	<u>116,949</u>
<u>442</u>	<u>92,924</u>	<u>11,382</u>	<u>18,386</u>	<u>319,576</u>
222	457	417	2,076	6,691
38	8	439	570	2,218
-	-	-	-	145
27	36,199	2,145	961	46,772
-	-	-	-	1,600
-	-	518	-	518
-	-	130	-	130
35	-	2,851	-	3,685
-	173,935	-	-	173,935
-	-	-	-	21,479
427	-	2,223	-	9,213
<u>244</u>	<u>-</u>	<u>895</u>	<u>-</u>	<u>2,247</u>
<u>993</u>	<u>210,599</u>	<u>9,618</u>	<u>3,607</u>	<u>268,633</u>
34	-	47	6,375	95,500
<u>(585)</u>	<u>(117,675)</u>	<u>1,717</u>	<u>8,404</u>	<u>(44,557)</u>
<u>\$ (551)</u>	<u>\$ (117,675)</u>	<u>\$ 1,764</u>	<u>\$ 14,779</u>	<u>\$ 50,943</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2012
(In Thousands)

	<u>City of San Diego</u>	
	<u>Fleet Services</u>	<u>Central Stores</u>
OPERATING REVENUES		
Charges for Services	\$ 3,711	\$ 9,843
Usage Fees	70,952	-
Other	248	91
TOTAL OPERATING REVENUES	<u>74,911</u>	<u>9,934</u>
OPERATING EXPENSES		
Benefit and Claim Payments	-	-
Maintenance and Operations	48,982	1,976
Cost of Materials Issued	-	8,314
Administration	3,794	-
Depreciation	21,803	13
TOTAL OPERATING EXPENSES	<u>74,579</u>	<u>10,303</u>
OPERATING INCOME (LOSS)	<u>332</u>	<u>(369)</u>
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	628	(12)
Gain on Sale/Retirement of Capital Assets	1,281	-
Debt Service Interest Expense	(541)	-
Other	100	71
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,468</u>	<u>59</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,800	(310)
Capital Contributions	11	-
Transfers from Other Funds	123	-
Transfers from Governmental Funds	2,402	13
Transfers to Other Funds	(269)	-
Transfers to Governmental Funds	(976)	(246)
CHANGE IN NET ASSETS	3,091	(543)
Net Assets (Deficit) at Beginning of Year	<u>149,966</u>	<u>112</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 153,057</u>	<u>\$ (431)</u>

<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 3,789	\$ 35,594	\$ 22,323	\$ 36,600	\$ 111,860
-	-	-	-	70,952
-	200	396	-	935
<u>3,789</u>	<u>35,794</u>	<u>22,719</u>	<u>36,600</u>	<u>183,747</u>
-	40,975	11,312	-	52,287
2,928	-	-	-	53,886
-	-	27	-	8,341
535	-	10,966	32,387	47,682
23	-	-	2,874	24,713
<u>3,486</u>	<u>40,975</u>	<u>22,305</u>	<u>35,261</u>	<u>186,909</u>
<u>303</u>	<u>(5,181)</u>	<u>414</u>	<u>1,339</u>	<u>(3,162)</u>
2	659	25	11	1,313
-	-	-	-	1,281
-	-	-	-	(541)
31	-	-	97	299
<u>33</u>	<u>659</u>	<u>25</u>	<u>108</u>	<u>2,352</u>
336	(4,522)	439	1,447	(810)
-	-	-	-	11
-	-	1,497	-	1,620
-	27,000	900	-	30,315
-	-	-	-	(269)
<u>(234)</u>	<u>(659)</u>	<u>(996)</u>	<u>-</u>	<u>(3,111)</u>
102	21,819	1,840	1,447	27,756
<u>(653)</u>	<u>(139,494)</u>	<u>(76)</u>	<u>13,332</u>	<u>23,187</u>
<u>\$ (551)</u>	<u>\$ (117,675)</u>	<u>\$ 1,764</u>	<u>\$ 14,779</u>	<u>\$ 50,943</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(In Thousands)**

City of San Diego		
	Fleet Services	Central Stores
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ -	\$ -
Receipts from Interfund Services Provided	74,977	10,005
Payments to Suppliers	(29,350)	(8,870)
Payments to Employees	(21,617)	(1,065)
Payments for Interfund Services Used.....	(737)	(249)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	23,273	(179)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Other Funds	123	-
Transfers from Governmental Funds	2,402	13
Transfers to Other Funds	(269)	-
Transfers to Governmental Funds	(976)	(246)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	1,280	(233)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(11,692)	(123)
Proceeds from the Sale of Capital Assets	2,791	-
Principal Payments on Capital Leases	(6,630)	-
Interest Paid on Long-Term Debt	(560)	-
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(16,091)	(123)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments	627	(12)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	627	(12)
Net Increase (Decrease) in Cash and Cash Equivalents	9,089	(547)
Cash and Cash Equivalents at Beginning of Year	67,050	689
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 76,139	\$ 142
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Operating Income (Loss)	\$ 332	\$ (369)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	21,803	13
Other Nonoperating Revenue (Expenses)	100	71
(Increase) Decrease in Assets:		
Accounts Receivable - Net	(34)	-
Inventories	-	311
Prepaid Expenses.....	-	-
Increase (Decrease) in Liabilities:		
Accounts Payable	425	(1,900)
Accrued Wages and Benefits	2	19
Due to Other Funds	-	1,600
Compensated Absences	(96)	(9)
Liability Claims	-	-
Net OPEB Obligation	750	85
Net Pension Obligation	(9)	-
Total Adjustments	22,941	190
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 23,273	\$ (179)
Noncash Investing, Capital, and Financing Activities:		
Capital Leases.....	\$ 19,080	\$ -
Developer Contributed Assets	11	-
Noncash Retirement of Capital Assets	(1,510)	-

<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ -	\$ 35,875	\$ 21,889	\$ 41,824	\$ 99,588
3,801	(25,567)	828	-	64,044
(2,895)	(11,265)	(2,287)	(15,261)	(69,928)
(939)	-	(19,004)	(22,635)	(65,260)
(48)	-	(126)	-	(1,160)
<u>(81)</u>	<u>(957)</u>	<u>1,300</u>	<u>3,928</u>	<u>27,284</u>
-	-	1,497	-	1,620
-	27,000	900	-	30,315
-	-	-	-	(269)
(234)	(659)	(996)	-	(3,111)
<u>(234)</u>	<u>26,341</u>	<u>1,401</u>	<u>-</u>	<u>28,555</u>
-	-	(47)	(324)	(12,186)
-	-	-	-	2,791
-	-	-	-	(6,630)
-	-	-	-	(560)
<u>-</u>	<u>-</u>	<u>(47)</u>	<u>(324)</u>	<u>(16,585)</u>
<u>2</u>	<u>659</u>	<u>27</u>	<u>11</u>	<u>1,314</u>
<u>2</u>	<u>659</u>	<u>27</u>	<u>11</u>	<u>1,314</u>
(313)	26,043	2,681	3,615	40,568
702	66,454	8,641	3,548	147,084
<u>\$ 389</u>	<u>\$ 92,497</u>	<u>\$ 11,322</u>	<u>\$ 7,163</u>	<u>\$ 187,652</u>
\$ 303	\$ (5,181)	\$ 414	\$ 1,339	\$ (3,162)
23	-	-	2,874	24,713
31	-	-	97	299
(19)	79	(2)	5,127	5,151
-	-	-	-	311
-	-	-	709	709
(415)	(158)	(225)	(5,901)	(8,174)
(18)	(2)	65	(178)	(112)
-	-	-	-	1,600
(24)	-	202	(139)	(66)
-	4,305	-	-	4,305
39	-	332	-	1,206
(1)	-	514	-	504
<u>(384)</u>	<u>4,224</u>	<u>886</u>	<u>2,589</u>	<u>30,446</u>
<u>\$ (81)</u>	<u>\$ (957)</u>	<u>\$ 1,300</u>	<u>\$ 3,928</u>	<u>\$ 27,284</u>
\$ -	\$ -	\$ -	\$ -	\$ 19,080
-	-	-	-	11
-	-	-	-	(1,510)

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FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF SAN DIEGO

PENSION TRUST FUNDS

PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit plan under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow for the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore can't be paid from the City's Pension and Employee Savings Trust Fund). This fund is maintained by the Retirement Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

SUPPLEMENTAL PENSION SAVINGS PLAN

The Supplemental Pension Savings Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(a) PLAN

The City's 401(a) Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by the City, employees and investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(k) PLAN

The City's 401(k) Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

AGENCY FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds, including federal and state income taxes withheld from employees, parking citation revenues, employee benefit plans and special assessments.

BLENDED COMPONENT UNIT

PENSION TRUST FUNDS

CITY EMPLOYEES' RETIREMENT SYSTEM

The San Diego City Employees' Retirement System (SDCERS) provides retirement, health insurance, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans.

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012
(In Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
ASSETS			
Cash and Investments	\$ 1,226	\$ 69	\$ 24
Cash with Custodian/Fiscal Agent	153,527	8,661	2,948
Investments at Fair Value:			
Domestic Fixed Income Securities (Bonds)	1,462,716	82,517	28,085
International Fixed Income Securities (Bonds)	152,913	8,626	2,936
Domestic Equity Securities (Stocks)	1,426,991	80,502	27,399
International Equity Securities (Stocks)	875,404	49,385	16,808
Global Equity	244,515	13,862	4,473
Real Estate Equity and Real Estate Securities	497,151	28,046	9,545
Equity Mutual Funds	-	-	-
Fixed Income Mutual Funds	-	-	-
Private Equity	144,879	8,173	2,782
Infrastructure	19,752	1,117	358
Receivables:			
Contributions	9,400	1,079	156
Accrued Interest	10,967	619	211
Loans	-	-	-
Securities Sold	139,011	7,842	2,669
Prepaid Expenses	333	19	6
Securities Lending Collateral	246,779	13,922	4,738
Capital Assets - Depreciable	3,126	176	60
TOTAL ASSETS	<u>5,388,690</u>	<u>304,615</u>	<u>103,198</u>
LIABILITIES			
Accounts Payable	5,347	301	103
Accrued Wages and Benefits	766	43	15
Supplemental Benefits Payable	5,459	-	-
DROP Liability	440,467	10,838	1,714
Net Other Post Employment Benefit Obligation	1,406	80	26
Net Pension Obligation	585	33	11
Securities Lending Obligations	248,394	14,013	4,769
Securities Purchased	326,906	18,442	6,277
TOTAL LIABILITIES	<u>1,029,330</u>	<u>43,750</u>	<u>12,915</u>
NET ASSETS			
Held in Trust for Pension Benefits	<u>\$ 4,359,360</u>	<u>\$ 260,865</u>	<u>\$ 90,283</u>

Preservation of Benefits Plan	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ -	\$ -	\$ 539	\$ 1	\$ 1	\$ 1,860
4	-	-	-	-	165,140
-	-	-	-	-	1,573,318
-	-	-	-	-	164,475
-	-	-	-	-	1,534,892
-	-	-	-	-	941,597
-	-	-	-	-	262,850
-	-	-	-	-	534,742
-	-	228,495	650	137,407	366,552
-	-	285,553	62	118,695	404,310
-	-	-	-	-	155,834
-	-	-	-	-	21,227
-	-	-	-	-	10,635
-	-	-	-	-	11,797
-	-	24,639	-	11,680	36,319
-	-	-	-	-	149,522
-	-	-	-	-	358
-	-	-	-	-	265,439
-	-	-	-	-	3,362
<u>4</u>	<u>-</u>	<u>539,226</u>	<u>713</u>	<u>267,783</u>	<u>6,604,229</u>
-	-	-	-	-	5,751
-	-	-	-	-	824
-	-	-	-	-	5,459
-	-	-	-	-	453,019
-	-	-	-	-	1,512
-	-	-	-	-	629
-	-	-	-	-	267,176
-	-	-	-	-	351,625
-	-	-	-	-	1,085,995
<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 539,226</u>	<u>\$ 713</u>	<u>\$ 267,783</u>	<u>\$ 5,518,234</u>

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2012
(In Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
ADDITIONS			
Employer Contributions	\$ 231,200	\$ 12,600	\$ 3,800
Employee Contributions	58,686	4,985	2,104
Retiree Contributions	-	-	-
Earnings on Investments:			
Investment Income	49,325	2,896	1,037
Investment Expense	<u>(21,535)</u>	<u>(1,220)</u>	<u>(397)</u>
Net Investment Income	<u>27,790</u>	<u>1,676</u>	<u>640</u>
Securities Lending:			
Gross Earnings	1,931	109	34
Borrower Rebates	<u>(594)</u>	<u>(33)</u>	<u>(10)</u>
Net Securities Lending Income	<u>1,337</u>	<u>76</u>	<u>24</u>
Other Income	<u>800</u>	<u>45</u>	<u>15</u>
TOTAL ADDITIONS	<u>319,813</u>	<u>19,382</u>	<u>6,583</u>
DEDUCTIONS			
DROP Interest Expense	26,267	548	52
Benefit and Claim Payments	347,438	17,002	1,924
Administration	<u>11,139</u>	<u>517</u>	<u>183</u>
TOTAL DEDUCTIONS	<u>384,844</u>	<u>18,067</u>	<u>2,159</u>
CHANGE IN NET ASSETS	(65,031)	1,315	4,424
Net Assets at Beginning of Year	<u>4,424,391</u>	<u>259,550</u>	<u>85,859</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,359,360</u>	<u>\$ 260,865</u>	<u>\$ 90,283</u>

Preservation of Benefits Plan	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 1,312	\$ 23,857	\$ 19,074	\$ 202	\$ -	\$ 292,045
-	-	19,934	228	15,699	101,636
-	7,819	-	-	-	7,819
-	32	(6,746)	14	(2,622)	43,936
-	-	-	-	-	(23,152)
-	32	(6,746)	14	(2,622)	20,784
-	-	-	-	-	2,074
-	-	-	-	-	(637)
-	-	-	-	-	1,437
-	-	752	-	363	1,975
1,312	31,708	33,014	444	13,440	425,696
-	-	-	-	-	26,867
1,627	31,399	67,392	80	25,300	492,162
3	360	-	-	-	12,202
1,630	31,759	67,392	80	25,300	531,231
(318)	(51)	(34,378)	364	(11,860)	(105,535)
322	51	573,604	349	279,643	5,623,769
\$ 4	\$ -	\$ 539,226	\$ 713	\$ 267,783	\$ 5,518,234

**FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
June 30, 2012
(In Thousands)**

	Employee Benefits	Other Miscellaneous Agency	Total
ASSETS			
Cash and Investments	\$ 3,339	\$ 6,658	\$ 9,997
Receivables:			
Accounts - Net	126	1,073	1,199
Special Assessments	-	562	562
Accrued Interest	-	11	11
Restricted Cash and Investments	-	36,438	36,438
TOTAL ASSETS	\$ 3,465	\$ 44,742	\$ 48,207
LIABILITIES			
Accounts Payable	\$ -	\$ 903	\$ 903
Deposits/Advances from Others	-	129	129
Sundry Agency Liabilities	3,465	15,818	19,283
Due to Bondholders	-	27,892	27,892
TOTAL LIABILITIES	\$ 3,465	\$ 44,742	\$ 48,207

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2012
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Employee Benefits				
ASSETS				
Cash and Investments	\$ 4,332	\$ 110,826	\$ 111,819	\$ 3,339
Receivables:				
Accounts - Net	123	2,214	2,211	126
TOTAL ASSETS	\$ 4,455	\$ 113,040	\$ 114,030	\$ 3,465
LIABILITIES				
Sundry Agency Liabilities	\$ 4,455	\$ 108,615	\$ 109,605	\$ 3,465
TOTAL LIABILITIES	\$ 4,455	\$ 108,615	\$ 109,605	\$ 3,465
Other Miscellaneous Agency				
ASSETS				
Cash and Investments	\$ 8,190	\$ 135,859	\$ 137,391	\$ 6,658
Receivables:				
Accounts - Net	1,586	9,809	10,322	1,073
Special Assessments	642	562	642	562
Accrued Interest	14	11	14	11
Restricted Cash and Investments	39,308	105,983	108,853	36,438
TOTAL ASSETS	\$ 49,740	\$ 252,224	\$ 257,222	\$ 44,742
LIABILITIES				
Accounts Payable	\$ 725	\$ 8,728	\$ 8,550	\$ 903
Deposits/Advances from Others	129	-	-	129
Sundry Agency Liabilities	15,599	139,859	139,640	15,818
Due to Bondholders	33,287	100,073	105,468	27,892
TOTAL LIABILITIES	\$ 49,740	\$ 248,660	\$ 253,658	\$ 44,742
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Investments	\$ 12,522	\$ 246,685	\$ 249,210	\$ 9,997
Receivables:				
Accounts - Net	1,709	12,023	12,533	1,199
Special Assessments	642	562	642	562
Accrued Interest	14	11	14	11
Restricted Cash and Investments	39,308	105,983	108,853	36,438
TOTAL ASSETS	\$ 54,195	\$ 365,264	\$ 371,252	\$ 48,207
LIABILITIES				
Accounts Payable	\$ 725	\$ 8,728	\$ 8,550	\$ 903
Deposits/Advances from Others	129	-	-	129
Sundry Agency Liabilities	20,054	248,474	249,245	19,283
Due to Bondholders	33,287	100,073	105,468	27,892
TOTAL LIABILITIES	\$ 54,195	\$ 357,275	\$ 363,263	\$ 48,207

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STATISTICAL SECTION [UNAUDITED]

STATISTICAL SECTION

The Statistical Section presents information as required by Government Accounting Standards Board (GASB) Statement No. 44. In addition to utilizing the basic financial statements, notes to the financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

CONTENTS

FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

Tables 5 through 8 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

DEBT CAPACITY

Tables 9 through 14 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 15 through 16 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to provide comparisons over time with other governments.

OPERATING INFORMATION

Tables 17 through 19 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, <http://emma.msrb.org>, and the City's Investor Webpage, <http://www.sandiego.gov/investorinformation>.

City of San Diego
Net Assets by Category (Unaudited)
Last Ten Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
<u>Governmental Activities</u>				
Invested in Capital Assets, Net of Related Debt	\$ 3,106,168	\$ 3,200,262	\$ 3,600,989	\$ 3,472,531
Restricted for:				
Capital Projects	250,452	274,664	90,390	273,575
Debt Service	154,926	74,268	37,522	-
Low-Moderate Income Housing	-	-	-	64,493
Permanent Endowments	11,857	13,104	13,908	14,568
Grants	-	-	-	-
Other	78,743	129,686	104,488	96,537
Unrestricted	(53,988)	(146,793)	(215,719)	(140,126)
Total Governmental Activities Net Assets	<u>3,548,158</u>	<u>3,545,191</u>	<u>3,631,578</u>	<u>3,781,578</u>
<u>Business-type Activities</u>				
Invested in Capital Assets, Net of Related Debt	2,624,846	2,818,690	2,863,136	2,867,469
Restricted for:				
Debt Service	72,567	3,674	3,517	2,970
Other	25,275	26,735	29,412	32,115
Unrestricted	373,143	317,358	271,943	308,575
Total Business-type Activities Net Assets	<u>3,095,831</u>	<u>3,166,457</u>	<u>3,168,008</u>	<u>3,211,129</u>
<u>Primary Government</u>				
Invested in Capital Assets, Net of Related Debt	5,731,014	6,018,952	6,464,125	6,340,000
Restricted for:				
Capital Projects	250,452	274,664	90,390	273,575
Debt Service	227,493	77,942	41,039	2,970
Low-Moderate Income Housing	-	-	-	64,493
Permanent Endowments	11,857	13,104	13,908	14,568
Grants	-	-	-	-
Other	104,018	156,421	133,900	128,652
Unrestricted	319,155	170,565	56,224	168,449
Total Primary Government Net Assets	<u>\$ 6,643,989</u>	<u>\$ 6,711,648</u>	<u>\$ 6,799,586</u>	<u>\$ 6,992,707</u>

Table 1

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	3,461,127	\$	3,518,704	\$	3,530,937	\$	3,780,474	\$	3,812,560	\$	3,835,923
	300,288		314,931		293,284		260,754		654,126		521,015
	-		-		-		-		-		-
	81,739		108,026		135,581		162,514		84,260		50,988
	16,509		16,757		13,280		17,514		15,670		18,780
	-		-		-		-		-		232,249
	100,159		124,328		122,460		131,600		195,171		157,462
	(19,999)		70,635		162,661		2,189		(392,384)		(278,413)
	<u>3,939,823</u>		<u>4,153,381</u>		<u>4,258,203</u>		<u>4,355,045</u>		<u>4,369,403</u>		<u>4,538,004</u>
	2,998,848		2,933,012		2,970,351		3,035,924		3,094,788		3,131,831
	2,977		2,660		4,372		8,443		11,129		13,346
	34,732		36,776		38,113		43,747		45,217		24,462
	343,280		517,261		587,443		643,275		685,666		826,386
	<u>3,379,837</u>		<u>3,489,709</u>		<u>3,600,279</u>		<u>3,731,389</u>		<u>3,836,800</u>		<u>3,996,025</u>
	6,459,975		6,451,716		6,501,288		6,816,398		6,907,348		6,967,754
	300,288		314,931		293,284		260,754		654,126		521,015
	2,977		2,660		4,372		8,443		11,129		13,346
	81,739		108,026		135,581		162,514		84,260		50,988
	16,509		16,757		13,280		17,514		15,670		18,780
	-		-		-		-		-		232,249
	134,891		161,104		160,573		175,347		240,388		181,924
	323,281		587,896		750,104		645,464		293,282		547,973
\$	<u>7,319,660</u>	\$	<u>7,643,090</u>	\$	<u>7,858,482</u>	\$	<u>8,086,434</u>	\$	<u>8,206,203</u>	\$	<u>8,534,029</u>

City of San Diego
 Changes in Net Assets (Unaudited)
 Last Ten Fiscal Years (In Thousands)
 (Accrual Basis of Accounting)

Table 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
General Government and Support	\$ 204,072	\$ 221,752	\$ 247,038	\$ 252,295	\$ 270,190	\$ 322,157	\$ 303,581	\$ 395,344	\$ 361,098	\$ 294,198
Public Safety - Police	334,461	361,501	372,230	370,990	376,581	382,907	418,549	402,222	427,724	409,374
Public Safety - Fire and Life Safety and Homeland Security	147,897	173,311	186,203	194,074	209,902	204,822	220,787	214,975	223,174	233,635
Parks, Recreation, Culture and Leisure	202,567	204,736	218,601	237,375	229,500	231,955	258,038	266,343	248,668	270,199
Transportation	154,603	197,152	220,095	200,883	272,780	212,255	239,305	190,054	191,402	224,187
Sanitation and Health	37,615	44,925	45,088	48,774	43,780	51,772	77,447	78,171	74,639	73,299
Neighborhood Services	95,267	100,568	89,162	111,886	99,870	91,110	116,735	137,971	85,588	219,499
Debt Service:										
Interest	68,410	71,588	73,381	71,109	84,920	82,211	84,070	72,672	77,443	58,838
Total Governmental Activities Expenses	1,244,892	1,375,533	1,451,798	1,487,386	1,587,523	1,579,189	1,718,512	1,757,752	1,689,737	1,783,229
Business-type Activities										
Airports	4,281	7,384	3,196	4,100	3,755	4,109	5,140	5,671	4,297	3,614
City Store	731	858	808	810	843	788	321	-	-	-
Development Services	47,278	52,970	60,240	57,893	53,924	51,461	47,260	36,640	43,552	43,842
Environmental Services	40,306	40,602	43,711	44,493	40,138	37,279	35,718	33,955	34,904	36,357
Golf Course	6,963	7,572	8,585	9,563	10,690	11,142	11,864	14,618	15,503	15,217
Recycling	19,141	19,497	21,426	21,853	19,754	20,511	20,067	19,265	19,611	18,105
Sewer Utility	352,075	312,929	348,327	319,274	313,716	322,552	314,125	338,688	315,591	311,367
Water Utility	267,855	270,940	300,685	302,996	313,256	321,123	329,748	365,683	362,830	382,314
Total Business-type Activities Expenses	738,630	712,752	786,958	760,982	756,076	768,965	764,243	814,520	796,288	810,816
Total Primary Government Expenses	1,983,522	2,088,285	2,238,756	2,248,368	2,343,599	2,348,154	2,482,755	2,572,272	2,486,025	2,594,045
Program Revenues										
Governmental Activities										
Charges for Services:										
General Government and Support	80,782	81,167	100,887	96,345	107,257	111,714	152,630	179,461	185,696	193,766
Public Safety - Police	21,498	23,699	23,496	24,256	27,960	40,628	42,178	39,636	44,879	38,367
Public Safety - Fire and Life Safety and Homeland Security	21,014	19,940	21,381	18,572	16,548	19,156	20,449	19,916	30,655	31,724
Parks, Recreation, Culture and Leisure	9,187	12,466	35,314	51,196	52,656	64,030	80,795	61,495	65,033	80,673
Transportation	44,020	47,709	30,625	52,375	49,809	21,877	18,360	31,485	27,304	56,742
Sanitation and Health	9,009	9,087	8,651	10,697	10,224	9,832	9,306	11,788	11,784	14,452
Neighborhood Services	17,748	20,033	48,623	25,440	39,412	22,748	21,814	25,959	27,013	22,699
Operating Grants and Contributions	95,882	95,202	109,268	101,723	84,745	75,126	93,244	71,829	81,159	62,181
Capital Grants and Contributions	115,748	91,981	134,702	100,564	81,169	78,347	110,802	60,139	51,674	46,770
Total Governmental Activities Program Revenues	414,888	401,284	512,947	481,168	469,780	443,458	549,578	501,708	525,197	547,374
Business-type Activities										
Charges for Services:										
Airports	3,461	3,827	4,151	4,385	5,635	5,140	4,929	4,849	4,749	4,188
City Store	771	852	807	837	827	744	242	-	-	-
Development Services	46,656	58,412	61,299	55,011	48,746	45,945	37,310	37,338	45,743	44,557
Environmental Services	36,889	38,377	41,944	39,850	36,143	35,485	31,726	26,342	28,246	25,123
Golf Course	10,311	11,911	12,625	13,119	15,772	15,153	16,201	15,671	15,715	17,428
Recycling	17,640	16,169	19,883	21,345	20,476	23,390	16,027	16,946	18,592	17,323
Sewer Utility	256,947	267,294	288,972	290,568	304,749	328,119	322,571	382,125	357,731	370,299
Water Utility	222,462	239,533	267,649	280,567	310,292	318,626	342,719	376,461	371,515	408,119
Operating Grants and Contributions	3,616	1,483	2,028	1,909	1,203	2,312	1,739	3,289	8,355	2,939
Capital Grants and Contributions	143,444	133,586	63,830	77,602	141,419	58,400	60,863	45,738	30,692	75,194
Total Business-type Activities Program Revenues	742,197	771,444	763,188	785,193	885,262	833,314	834,327	908,759	881,338	965,170
Total Primary Government Program Revenues	1,157,085	1,172,728	1,276,135	1,266,361	1,355,042	1,276,772	1,383,905	1,410,467	1,406,535	1,512,544
Net (Expense)/Revenue										
Governmental Activities	(830,004)	(974,249)	(938,851)	(1,006,218)	(1,117,743)	(1,135,731)	(1,168,934)	(1,256,044)	(1,164,540)	(1,235,855)
Business-type Activities	3,567	58,692	(23,770)	24,211	129,186	64,349	70,084	94,239	85,050	154,354
Total Primary Government Net Expense	(826,437)	(915,557)	(962,621)	(982,007)	(988,557)	(1,071,382)	(1,098,850)	(1,161,805)	(1,079,490)	(1,081,501)

City of San Diego
Changes in Net Assets (Unaudited)
Last Ten Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

Table 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Property Taxes	\$ 248,659	\$ 278,804	\$ 329,659	\$ 459,777	\$ 526,722	\$ 576,605	\$ 607,857	\$ 579,410	\$ 560,577	\$ 508,938
Transient Occupancy Taxes	105,263	113,209	120,792	136,803	154,810	159,348	140,657	123,332	140,752	148,184
Sales Taxes	223,594	238,616	197,198	227,017	263,399	269,757	229,651	244,406	246,452	253,624
Other Local Taxes	98,783	139,748	152,577	148,001	157,941	151,267	161,485	183,694	158,797	173,954
Developer Contributions and Fees	39,577	33,363	47,063	53,502	62,693	38,331	16,148	21,022	14,131	55,635
Grants and Contributions not Restricted to Specific Programs	91,556	101,086	141,934	64,039	5,339	6,251	8,488	18,065	10,320	115
Investment Income	84,448	57,537	29,473	40,108	76,292	96,725	75,245	30,472	25,488	15,708
Gain on Sale of Capital Assets	92	467	684	1,214	6,546	17,884	1,922	1,854	133	-
Special and Extraordinary Items	870	250	-	-	-	-	-	-	-	-
Miscellaneous	6,243	4,396	5,232	21,227	25,671	29,570	33,528	20,458	16,207	36,086
Transfers	5,411	3,806	626	4,530	(3,425)	3,551	(1,225)	(1,218)	6,040	16,739
Total Governmental Activities General Revenues, Contributions, and Transfers	904,496	971,282	1,025,238	1,156,218	1,275,988	1,349,289	1,273,756	1,221,495	1,178,897	1,208,983
Business-type Activities										
Investment Income	31,760	10,289	17,132	16,938	30,713	41,224	31,004	22,332	13,717	11,519
Gain/(Loss) on Sale of Capital Assets	(1,761)	8	-	-	-	-	-	-	-	-
Miscellaneous	7,902	5,443	8,815	6,502	5,384	7,850	8,257	13,321	12,684	8,225
Transfers	(5,411)	(3,806)	(626)	(4,530)	3,425	(3,551)	1,225	1,218	(6,040)	(16,739)
Total Business-type Activities General Revenues and Transfers	32,490	11,934	25,321	18,910	39,522	45,523	40,486	36,871	20,361	3,005
Total Primary Government General Revenues, Permanent Fund Contributions, and Transfers	936,986	983,216	1,050,559	1,175,128	1,315,510	1,394,812	1,314,242	1,258,366	1,199,258	1,211,988
Extraordinary Gain										
Governmental Activities	-	-	-	-	-	-	-	-	-	195,473
Business-type Activities	-	-	-	-	-	-	-	-	-	1,866
Change in Net Assets										
Governmental Activities	74,492	(2,967)	86,387	150,001	158,245	213,558	104,822	(34,549)	14,357	168,601
Business-type Activities	36,057	70,626	1,551	43,121	168,708	109,872	110,570	131,110	105,411	159,225
Total Primary Government Change in Net Assets	\$ 110,549	\$ 67,659	\$ 87,938	\$ 193,122	\$ 326,953	\$ 323,430	\$ 215,392	\$ 96,562	\$ 119,768	\$ 327,826

City of San Diego
Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years (In Thousands)
(Modified Accrual Basis of Accounting)

	Pre-GASB 54			
	Fiscal Year			
	2003	2004	2005	2006
General Fund:				
Reserved	\$ 21,482	\$ 18,550	\$ 17,501	\$ 21,288
Unreserved	45,570	42,672	43,547	40,353
Total General Fund	<u>\$ 67,052</u>	<u>\$ 61,222</u>	<u>\$ 61,048</u>	<u>\$ 61,641</u>
All Other Governmental Funds:				
Reserved	\$ 386,652	\$ 277,968	\$ 372,806	\$ 401,019
Unreserved, reported in:				
Special Revenue Funds	185,219	305,909	284,818	267,576
Debt Service Funds	864	1,650	13	217
Capital Projects Funds	275,591	287,259	279,866	406,130
Permanent Funds	461	879	1,063	656
Total All Other Governmental Funds	<u>\$ 848,787</u>	<u>\$ 873,665</u>	<u>\$ 938,566</u>	<u>\$ 1,075,598</u>
	Post-GASB 54			
	Fiscal Year			
	2011¹	2012¹		
General Fund:				
Nonspendable:				
Nonspendable	\$ -	\$ 22,140		
Spendable:				
Restricted	145,880	102,104		
Committed	1,183	44,831		
Assigned	38,153	-		
Unassigned	60,532	109,475		
Total General Fund	<u>\$ 245,748</u>	<u>\$ 278,550</u>		
All Other Governmental Funds:				
Nonspendable	\$ 21,093	\$ 19,502		
Spendable:				
Restricted	1,378,184	876,460		
Committed	92,783	114,722		
Unassigned	(29,569)	(43,841)		
Total All Other Governmental Funds	<u>\$ 1,462,491</u>	<u>\$ 966,843</u>		

Footnote:

¹ Fiscal Year 2011 and Fiscal Year 2012 data is reported in accordance with GASB Statement No. 54.

Table 3

Pre-GASB 54 Fiscal Year			
2007	2008	2009	2010
\$ 35,858	\$ 45,843	\$ 33,895	\$ 7,996
96,190	78,938	80,497	107,027
<u>\$ 132,048</u>	<u>\$ 124,781</u>	<u>\$ 114,392</u>	<u>\$ 115,023</u>
\$ 504,693	\$ 652,222	\$ 706,971	\$ 776,324
350,096	233,388	221,089	219,394
29	221,814	265,236	159,737
377,648	358,550	430,479	368,860
1,249	549	2,625	2
<u>\$ 1,233,715</u>	<u>\$ 1,466,523</u>	<u>\$ 1,626,400</u>	<u>\$ 1,524,317</u>

City of San Diego
Changes in Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years (In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Property Taxes	\$ 248,276	\$ 279,090	\$ 325,857	\$ 457,908
Special Assessments	25,748	26,816	30,263	36,699
Sales Taxes	223,023	238,430	197,198	227,017
In-Lieu Sales Taxes ¹	-	-	48,220	45,433
Transient Occupancy Taxes ²	-	113,209	121,612	136,801
Other Local Taxes	203,493	140,016	152,576	148,001
Licenses and Permits	29,268	30,592	40,724	42,117
Fines, Forfeitures and Penalties	26,679	33,870	33,906	35,441
Revenue from Use of Money and Property	86,789	63,268	77,514	89,438
Revenue from Federal Agencies	56,851	50,493	66,283	43,570
Revenue from Other Agencies	136,359	154,559	143,639	58,289
Revenue from Private Sources	82,410	62,143	91,354	91,287
Charges for Current Services	123,461	129,350	138,794	127,121
Other Revenue	10,594	10,462	11,518	25,923
Total Revenues	1,252,951	1,332,298	1,479,458	1,565,045
Expenditures:				
Current:				
General Government and Support	193,980	198,826	236,706	290,550
Public Safety - Police ³	301,839	313,387	347,359	408,474
Public Safety - Fire and Life Safety and Homeland Security	141,967	152,073	178,553	212,069
Parks, Recreation, Culture and Leisure	177,584	170,163	180,327	216,038
Public Transportation ⁴	89,653	117,619	140,604	147,977
Sanitation and Health ⁴	38,031	42,184	44,327	49,094
Neighborhood Services ⁴	98,050	104,205	102,235	112,080
Capital Projects	229,496	174,346	175,493	126,583
Debt Service:				
Principal Retirement	49,858	49,118	77,952	53,293
Cost of Issuance	-	-	-	-
Interest	65,216	68,800	68,201	68,732
Arbitrage Rebate	-	421	-	-
Refunding Escrow	-	-	-	-
Total Expenditures	1,385,674	1,391,142	1,551,757	1,684,890
Excess (Deficiency) of Revenues Over Expenditures	(132,723)	(58,844)	(72,299)	(119,845)
Other Financing Sources (Uses):				
Transfers In	11,660	7,373	10,634	6,975
Transfers Out	(8,676)	(16,474)	(2,366)	(1,784)
Transfer to Escrow Agent	(53,974)	(10,132)	(32,011)	-
Contracts, Notes, and Loans Issued	3,891	27,507	5,435	13,873
Bonds Issued	89,340	66,168	152,056	217,797
Other Income	8,237	3,450	3,278	20,609
Restatements	(136,534)	-	-	-
Total Other Financing Sources (Uses)	(86,056)	77,892	137,026	257,470
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	\$ (218,779)	\$ 19,048	\$ 64,727	\$ 137,625
Debt Service as a Percentage of Noncapital Expenditures	10.0%	9.7%	10.6%	7.8%

Footnotes:

¹ The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with the Fiscal Year ended June 30, 2005.

² The City began reporting Transient Occupancy Taxes separate from Other Local Taxes beginning with the Fiscal Year ended June 30, 2004.

³ Amounts reported as Public Safety - Police prior to the Fiscal Year ended June 30, 2002 include Public Safety - Fire & Life Safety.

⁴ Multiple classification adjustments were imposed as a result of the implementation of GASB Statement No. 34.

Table 4

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	521,734	\$	573,311	\$	603,574	\$	584,342	\$	569,009	\$	512,178
	36,585		50,274		63,500		45,606		42,823		46,964
	264,587		270,791		233,140		192,665		232,077		265,057
	-		-		-		-		-		-
	153,574		159,348		140,657		123,879		139,545		148,795
	158,046		146,899		171,192		183,696		158,797		173,954
	41,425		50,693		39,349		33,088		42,668		41,906
	42,932		32,785		34,406		31,836		33,356		64,816
	117,552		129,582		107,784		91,227		86,720		77,654
	79,735		40,413		70,386		54,056		86,113		70,132
	61,977		53,370		52,456		56,136		54,628		46,604
	59,549		23,013		21,593		21,689		29,126		38,451
	159,877		165,910		203,432		191,769		204,782		215,914
	31,027		30,824		25,711		23,187		32,807		41,446
	<u>1,728,600</u>		<u>1,727,213</u>		<u>1,767,180</u>		<u>1,633,176</u>		<u>1,712,451</u>		<u>1,743,871</u>
	267,461		310,814		344,930		391,680		339,782		279,663
	376,762		388,729		406,657		399,914		402,328		396,098
	202,031		205,660		225,696		210,730		210,539		226,623
	182,197		195,808		211,759		228,357		205,219		228,255
	139,349		135,404		162,969		117,545		115,168		149,344
	44,729		53,957		78,260		78,351		70,274		72,980
	85,544		88,242		73,785		75,772		88,826		218,724
	106,518		132,432		138,634		134,426		142,136		193,727
	68,160		59,228		57,209		65,928		114,774		70,614
	5,145		3,618		1,001		1,881		1,552		880
	82,928		78,133		78,659		74,825		73,093		56,695
	-		-		-		-		-		-
	-		-		-		4,172		-		-
	<u>1,560,824</u>		<u>1,652,025</u>		<u>1,779,559</u>		<u>1,783,581</u>		<u>1,763,691</u>		<u>1,893,603</u>
	<u>167,776</u>		<u>75,188</u>		<u>(12,379)</u>		<u>(150,405)</u>		<u>(51,240)</u>		<u>(149,732)</u>
	9,509		10,373		8,246		7,706		7,444		274,458
	(3,546)		(9,756)		(6,590)		(13,444)		(6,564)		(286,274)
	(159,690)		(10,676)		-		(161,194)		-		(152,936)
	13,003		16,063		12,583		48,710		478		2,700
	182,328		108,121		115,236		183,396		104,857		153,964
	19,144		36,228		32,392		15,341		13,924		12,058
	-		-		-		-		-		-
	<u>60,748</u>		<u>150,353</u>		<u>161,867</u>		<u>80,515</u>		<u>120,139</u>		<u>3,970</u>
	-		-		-		-		-		(317,084)
\$	<u>228,524</u>	\$	<u>225,541</u>	\$	<u>149,488</u>	\$	<u>(69,890)</u>	\$	<u>68,899</u>	\$	<u>(462,846)</u>
	10.7%		9.3%		8.3%		8.9%		11.7%		7.5%

City of San Diego
Assessed Value and Estimated Value of Taxable Property (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	City			
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
2003	\$ 96,751,483	\$ 6,838,410	\$ (4,336,637)	\$ 99,253,256
2004	105,730,848	7,167,011	(5,171,957)	107,725,902
2005	115,305,637	6,724,787	(4,872,423)	117,158,001
2006	128,935,155	7,067,580	(5,684,279)	130,318,456
2007	142,036,802	7,629,006	(5,867,546)	143,798,262
2008	154,653,913	7,410,589	(6,329,714)	155,734,788
2009	162,580,727	7,880,341	(6,795,274)	163,665,794
2010	161,637,831	8,164,394	(7,157,357)	162,644,868
2011	158,803,280	7,873,095	(7,411,231)	159,265,144
2012	160,568,111	7,614,792	(7,713,035)	160,469,868

Sources: MuniServices, LLC and San Diego County Assessor Data

Table 5

Redevelopment Agency					Total
Secured	Unsecured	Less:	Taxable		Direct Tax
		Exemptions	Assessed Value		Rate
\$ 4,241,487	\$ 514,366	\$ (430,325)	\$ 4,325,528		0.240%
5,590,446	579,229	(477,318)	5,692,357		0.246%
7,516,745	560,474	(562,460)	7,514,759		0.261%
10,237,395	628,841	(685,305)	10,180,931		0.326%
13,029,366	892,425	(924,626)	12,997,165		0.333%
15,955,610	889,754	(1,064,583)	15,780,781		0.334%
17,769,284	918,239	(1,139,942)	17,547,581		0.333%
17,353,633	912,524	(1,289,122)	16,977,035		0.325%
17,676,415	953,539	(1,465,748)	17,164,206		0.323%
17,354,546	967,108	(1,610,637)	16,711,017		0.289%

City of San Diego
Direct and Overlapping Property Tax Rates (Unaudited)
(\$1 Per \$100 of Assessed Value)
Last Ten Fiscal Years

Table 6

Fiscal Year Ended June 30	Direct Rate	Overlapping		Total
	Basic County/ City Rate	City of San Diego	Education	
2003	1.00000%	0.00710%	0.09580%	1.10290%
2004	1.00000%	0.00680%	0.00000%	1.00680%
2005	1.00000%	0.00670%	0.00000%	1.00670%
2006	1.00000%	0.01165%	0.10085%	1.11250%
2007	1.00000%	0.01094%	0.08931%	1.10025%
2008	1.00000%	0.01069%	0.08747%	1.09816%
2009	1.00000%	0.01038%	0.07396%	1.08434%
2010	1.00000%	0.01043%	0.09152%	1.10195%
2011	1.00000%	0.00986%	0.09164%	1.10150%
2012	1.00000%	0.00870%	0.10410%	1.11280%

Sources: MuniServices, LLC and County of San Diego

City of San Diego
Principal Property Tax Payers (Unaudited)
Current Year and Nine Years Ago (In Thousands)

Table 7

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>
<u>For the Fiscal Year Ended June 30, 2012</u>		
Irvine Co	\$ 1,527,438	0.86%
Kilroy Realty LP	1,510,343	0.85%
Qualcomm Inc	1,344,098	0.76%
San Diego Family Housing LLC	689,756	0.39%
Arden Realty LTD Partnership	612,156	0.35%
Pfizer Inc	465,939	0.26%
Fashion Valley Mall LLC	429,801	0.24%
Sea World Inc	414,129	0.23%
O C S D Holdings LLC	411,571	0.23%
One Park Boulevard LLC	404,800	0.23%
<u>For the Fiscal Year Ended June 30, 2003</u>		
Kilroy Realty LP	\$ 687,493	0.64%
Qualcomm Inc	486,805	0.45%
Fashion Valley Mall LLC	426,783	0.40%
Arden Realty LTD	346,794	0.32%
Sea World Inc	295,550	0.28%
One America Plaza	258,484	0.24%
Pacific Gateway LTD	255,326	0.24%
ERP Operating LTD Partnership	245,061	0.23%
Manchester Resorts	241,729	0.23%
Irvine Appartments	232,477	0.22%

Sources: MuniServices, LLC and Comprehensive Annual Financial Reports

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City of San Diego
Property Tax Levies and Collections ¹ (Unaudited)
Last Ten Fiscal Years (In Thousands)

Table 8

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2003	\$ 181,687	\$ 175,943	96.84%	\$ 4,093	\$ 180,036	99.09%
2004	199,630	191,224	95.79%	6,484	197,708	99.04%
2005	227,422	213,173	93.73%	7,953	221,126	97.23%
2006	255,211	240,895	94.39%	8,152	249,047	97.58%
2007	272,983	257,034	94.16%	9,138	266,172	97.50%
2008	289,235	271,657	93.92%	10,185	281,842	97.44%
2009	299,935	284,212	94.76%	14,988	299,200	99.75%
2010	297,208	284,600	95.76%	13,938	298,538	100.45%
2011	293,617	283,978	96.72%	13,071	297,049	101.17%
2012	295,977	289,500	97.81%	8,651	298,151	100.73%

Footnote:

¹ Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund.

Source: County of San Diego

City of San Diego
 Ratios of Outstanding Debt by Type (Unaudited)
 Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Governmental Activities					
	Arbitrage Liability	Capital Lease Obligations	Qualified Energy Conservation Bonds/ Lease Obligation	Contracts Payable	Notes Payable	Loans
2003	\$ 363	\$ 37,701	\$ -	\$ 1,882	\$ 8,416	\$ 46,117
2004	262	30,619	-	1,715	5,998	69,084
2005	-	30,647	-	1,715	7,924	62,024
2006	-	40,541	-	2,615	7,294	64,199
2007	-	39,130	-	2,615	8,555	60,493
2008	-	61,262	-	2,615	5,662	70,763
2009	533	89,519	-	4,715	4,786	78,347
2010	3	84,561	-	1,018	3,301	110,891
2011	3	68,018	13,142	24,419	-	52,963
2012	-	69,638	12,392	17,421	-	38,748

Fiscal Year Ended June 30	Business-Type Activities					
	Arbitrage Liability	Capital Lease Obligations	Notes Payable	Loans Payable	Revenue Bonds Payable	Total Business-Type Activities
2003	\$ 1,812	\$ 6,465	\$ -	\$ 69,093	\$ 1,612,200	\$ 1,689,570
2004	221	5,008	-	67,054	1,731,825	1,804,108
2005	213	3,521	-	63,803	1,698,060	1,765,597
2006	193	2,051	-	91,247	1,662,705	1,756,196
2007	224	1,006	280,830	101,316	1,469,060	1,852,436
2008	586	166	430,830	95,875	1,425,445	1,952,902
2009	-	-	-	90,326	2,166,906	2,257,232
2010	-	-	-	84,673	2,073,075	2,157,748
2011	25	-	-	91,025	2,009,160	2,100,210
2012	34	-	-	125,406	1,919,920	2,045,360

Footnotes:

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

¹ Ratio is calculated using assessed property values.

² Ratio is calculated using population data.

Source: Comprehensive Annual Financial Reports

Table 9

Governmental Activities						
General Obligation Bonds	Pooled Financing Bonds	Revenue Bonds/ Lease Revenue Bonds/ Certificates of Participation	Tax Allocation Bonds	Tobacco Settlement Asset-Backed Bonds	Total Governmental Activities	
\$ 52,165	\$ -	\$ 609,785	\$ 283,310	\$ -	\$ 1,039,739	
45,775	-	591,620	314,333	-	1,059,406	
14,530	-	571,285	415,778	-	1,103,903	
12,690	-	549,850	514,845	105,400	1,297,434	
10,705	-	521,210	502,804	102,700	1,248,212	
8,580	34,115	498,950	548,643	99,370	1,329,960	
6,315	33,460	579,500	534,547	95,380	1,427,102	
4,340	32,780	547,260	529,423	92,350	1,405,927	
2,240	32,010	531,550	615,495	89,600	1,429,440	
-	-	481,630	-	86,195	706,024	

Business-Type Activities		
Total Primary Government	Percentage of Assessed Value ¹	Debt Per Capita ²
\$ 2,729,309	2.75%	2.14
2,863,514	2.66%	2.21
2,869,500	2.45%	2.20
3,053,630	2.34%	2.33
3,100,648	2.16%	2.35
3,282,862	2.11%	2.46
3,684,334	2.25%	2.85
3,563,675	2.19%	2.73
3,529,650	2.22%	2.69
2,751,384	1.71%	2.08

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City of San Diego
Ratios of General Bonded Debt Outstanding (Unaudited)
Last Ten Fiscal Years

Table 10

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)	Percentage of Assessed Value ¹	Population	Debt Per Capita ²
2003	\$ 52,165	\$ 99,253,256	0.053%	1,251,700	\$ 41.68
2004	45,775	107,725,902	0.042%	1,257,358	36.41
2005	14,530	117,158,001	0.012%	1,261,035	11.52
2006	12,690	130,318,456 ³	0.010%	1,261,633	10.06
2007	10,705	143,798,262	0.007%	1,266,978	8.45
2008	8,580	155,734,788	0.006%	1,279,505	6.42
2009	6,315	163,665,794	0.004%	1,294,031	4.88
2010	4,340	162,644,868	0.003%	1,304,482	3.33
2011	2,240	159,265,144	0.001%	1,309,784	1.71
2012	-	160,469,868	0.000%	1,321,315	-

Footnotes:

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

¹ Ratio is calculated using assessed property values.

² Ratio is calculated using population data.

³ The City recognized a fluctuation in Taxable Assessed Value in Fiscal Year 2006 due to a change in the allocation method between the City and the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB Statement No. 44.

Sources: MuniServices, LLC, California Department of Finance and Comprehensive Annual Financial Reports

City of San Diego
Direct and Overlapping Debt (Unaudited)
June 30, 2012 (In Thousands)

	Total Debt 6/30/12	% Applicable	City's Share of Debt, 6/30/12
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 196,545	8.966%	\$ 17,622
Palomar Community College District	318,574	26.397%	84,094
San Diego Community College District	949,293	99.922%	948,553
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	351,148	67.867-68.338%	239,157
San Diego Unified School District	1,850,844	99.925%	1,849,456
Sweetwater Union High School District	334,479	20.970%	70,140
San Ysidro School District	133,903	82.842%	110,928
Other School, High School and Community College Districts	1,185,899	Various	69,507
Grossmont Healthcare District	221,902	8.384%	18,604
Palomar Pomerado Hospital District	479,863	32.247%	154,741
City of San Diego	-	100.000%	-
City of San Diego Special Assessment/Special Tax Bonds ¹	136,370	100.000%	136,370
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	28,305	100.000%	28,305
North City West School District Community Facilities District	76,378	100.000%	76,378
Poway Unified School District Community Facilities Districts	294,048	99.609-100.000%	293,911
San Dieguito Union High School District Community Facilities Districts	30,753	81.063%	24,929
Sweetwater Union High School District Community Facilities Districts	27,112	11.543-100.000%	21,693
Other Special District 1915 Act Bonds	16,854	Various	1,653
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>4,146,041</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	395,115	46.945%	185,487
San Diego County Pension Obligations	787,113	46.945%	369,510
San Diego Superintendent of Schools Certificates of Participation	18,750	46.945%	8,802
Palomar Community College District General Fund Obligations	5,820	26.397%	1,536
Poway Unified School District Certificates of Participation	34,784	71.249%	24,783
Sweetwater Union High School District Certificates of Participation	11,325	20.970%	2,375
Chula Vista School District General Fund Obligations	148,925	5.297%	7,889
San Ysidro School District Certificates of Participation	43,946	82.842%	36,406
Other School, High School and Community College District Certificates of Participation	135,675	Various	6,547
City of San Diego Revenue Bonds, Lease Revenue Bonds, and Certificates of Participation ²	481,630	100.000%	481,630
Otay Municipal Water District Certificates of Participation	58,245	7.881%	4,590
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			1,129,555
Less: Otay Municipal Water District Certificates of Participation			<u>4,590</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>1,124,965</u>
GROSS COMBINED TOTAL DEBT ³			<u>5,275,596</u>
NET COMBINED TOTAL DEBT			<u>\$ 5,271,006</u>

City of San Diego
Direct and Overlapping Debt (Unaudited)
June 30, 2012 (In Thousands)
(Continued)

Table 11

Ratios to 2011-12 Assessed Valuation:

Direct Debt (\$0)	0.000%
Total Gross Direct and Overlapping Tax and Assessment Debt	2.98%
Total Net Direct and Overlapping Tax and Assessment Debt	2.97%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$481,630) ⁴	0.30%
Gross Combined Total Debt	3.29%
Net Combined Total Debt	3.28%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

Footnotes:

¹ Amounts reconcile to Note 19, Total Special Assessment / Special Tax Bonds.

² Amounts for Total Debt reconcile to Note 5, Total Revenue Bonds / Lease Revenue Bonds / COPs.

³ Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Tax Allocation Bonds and Non-Bonded Capital Lease Obligations.

⁴ Percentage of overlapping agency's assessed valuation located within boundaries of the City.

Sources: California Municipal Statistics, Inc and Comprehensive Annual Financial Reports

City of San Diego
Legal Debt Margin Schedule (Unaudited)
Last Ten Fiscal Years (In Thousands)

	Fiscal Year			
	2003	2004	2005	2006
Assessed valuation (restated) ¹	\$ 107,418,219	\$ 116,268,372	\$ 129,836,535	\$ 125,983,315
Conversion percentage ²	25%	25%	25%	25%
Adjusted assessed valuation	26,854,555	29,067,093	32,459,134	31,495,829
Debt limit percentage ³	25%	25%	25%	25%
Debt limit ⁴	6,713,639	7,266,773	8,114,783	7,873,957
Total net debt applicable to limit:				
General Obligation Bonds	15,690	14,390	13,010	11,520
Legal debt margin	6,697,949	7,252,383	8,101,773	7,862,437
Total debt applicable to the limit as a percentage of the debt limit	0.23%	0.20%	0.16%	0.15%

Footnotes:

¹ The City recognized a fluctuation in Taxable Assessed Value in Fiscal Year 2006 due to a change in the allocation method between the City and the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

² The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with Fiscal Year 1981-82, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

³ Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation.

⁴ The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or \$6,017,620, and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or \$4,011,747.

Source: MuniServices, LLC

Table 12

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 139,151,323	\$ 151,083,767	\$ 163,665,794	\$ 162,644,868	\$ 159,265,144	\$ 160,469,868	
25%	25%	25%	25%	25%	25%	25%
34,787,831	37,770,942	40,916,449	40,661,217	39,816,286	40,117,467	
25%	25%	25%	25%	25%	25%	25%
8,696,958	9,442,735	10,229,112	10,165,304	9,954,072	10,029,367	
9,905	8,170	6,315	4,340	2,240	-	
8,687,053	9,434,565	10,222,797	10,160,964	9,951,832	10,029,367	
0.11%	0.09%	0.06%	0.04%	0.02%	0.00%	

City of San Diego
Pledged-Revenue Coverage - Water Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues ¹	Less: Interest Earnings on Reserve Funds - Senior Obligations	Adjusted Net System Revenues ²
2003	\$ 256,968	\$ 226,058	\$ 30,910	\$ (1,305)	\$ 29,605
2004	267,649	232,193	35,456	(1,296)	34,160
2005	294,904	234,392	60,512	(1,262)	59,250
2006	303,453	242,180	61,273	(1,228)	60,045
2007	336,599	255,486	81,113	(1,346)	79,767
2008	350,770	258,813	91,957	(1,481)	90,476
2009	364,413	263,280	101,133	(2,668)	98,465
2010	394,948	287,361	107,587	(3,767)	103,820
2011	397,755	285,059	112,696	(1,436)	111,260
2012	431,188 ⁴	307,465	123,723	(1,919)	121,804

Footnotes:

¹ Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

² Adjusted Net System Revenues is the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

³ All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

⁴ Includes receipt of State of California Prop 50 grants (\$40 million) and transfers to Rate Stabilization Fund (\$30 million).

Source: Comprehensive Annual Financial Reports

Table 13

Senior Debt Service					All Obligations ³			
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage	
\$ 7,055	\$ 16,308	\$ 23,363	\$ (1,305)	\$ 22,058	1.34	\$ 27,002	1.14	
7,345	14,010	21,355	(1,296)	20,059	1.70	34,861	1.02	
7,645	13,710	21,355	(1,262)	20,093	2.95	34,861	1.74	
7,965	13,390	21,355	(1,228)	20,127	2.98	35,549	1.72	
8,305	13,046	21,351	(1,346)	20,005	3.99	40,759	1.99	
8,675	12,679	21,354	(1,481)	19,873	4.55	43,082	2.13	
9,065	12,289	21,354	(2,668)	18,686	5.27	49,600	2.04	
1,035	27,268	28,303	(3,767)	24,536	4.23	56,978	1.89	
6,355	27,760	34,115	(1,436)	32,679	3.40	62,784	1.79	
7,164	30,354	37,518	(1,919)	35,599	3.42	66,191	1.87	

City of San Diego
Pledged-Revenue Coverage - Sewer Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total System Revenues ¹	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues ²	Senior Debt Service		
				Principal	Interest	Total
2003	\$ 334,551	\$ 241,822	\$ 92,729	\$ 24,000	\$ 53,046	\$ 77,046
2004	296,169	196,823	99,346	25,030	52,020	77,050
2005	322,542	204,163	118,379	26,120	50,935	77,055
2006	320,288	202,111	118,177	27,390	49,662	77,052
2007	343,921	202,632	141,289	28,760	48,291	77,051
2008	361,511	211,449	150,062	30,250	46,805	77,055
2009	353,446	197,379	156,067	31,700	45,356	77,056
2010	406,076	220,701	185,375	43,320	59,909	103,229
2011	380,575	198,773	181,802	42,620	59,868	102,488
2012	391,588	202,132	189,456	44,230	58,253	102,483

Footnotes:

¹ Beginning in Fiscal Year 2004, the City's methodology for reporting Net System Revenues was changed to exclude interest earnings on Acquisition Bond Proceeds from Total Income. The data presented in this Table has been restated to reflect this change.

² Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

³ All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

Source: Comprehensive Annual Financial Reports

Table 14

Senior Debt Service Coverage	All Obligations ³	
	Total Debt Service	Aggregate Debt Service Coverage
1.20	\$ 80,995	1.14
1.29	81,516	1.22
1.54	84,789	1.40
1.53	86,802	1.36
1.83	96,408	1.47
1.95	94,555	1.59
2.03	94,305	1.65
1.80	109,288	1.70
1.77	108,547	1.67
1.85	108,542	1.75

**City of San Diego
Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years**

Table 15

Fiscal Year Ended June 30	Population ¹	Personal Income ² (Thousands \$)	Per Capita Personal Income (\$)	Unemployment Rate ³
2003	1,251,700	\$ 32,192,472	\$ 25,719	4.4%
2004	1,257,358	34,880,368	27,741	5.0%
2005	1,261,035	37,196,749	29,497	4.5%
2006	1,261,633	37,749,536	29,921	4.3%
2007	1,266,978	39,302,317	31,021	4.0%
2008	1,279,505	42,678,078	33,355	4.6%
2009	1,294,031	42,857,116	33,119	6.0%
2010	1,304,482	43,522,125	33,364	9.7%
2011	1,309,784	40,336,436	30,747	10.2%
2012	1,321,315	42,754,529	32,358	9.5%

Footnotes:

¹ Population projections are provided by the California Department of Finance.

² Income data is provided by the United States Census Bureau, 2010 American Community Survey.

³ Unemployment data is an annual percentage provided by the EDD's Bureau of Labor Statistics Department.

Sources: MuniServices, LLC and California Department of Finance

**City of San Diego
Principal Employers (Unaudited)
Fiscal Year-End 2012**

Table 16

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment ¹</u>
University of California San Diego ²	28,071	3.95%
United States Navy ³	27,869	3.92%
Sharp Healthcare ⁴	15,366	2.16%
San Diego County	15,171	2.13%
San Diego Unified School District	13,633	1.92%
Qualcomm, Inc.	11,877	1.67%
City of San Diego ⁵	9,841	1.38%
Kaiser Permanente	7,425	1.04%
UC San Diego Medical Center	6,039	0.85%
San Diego Gas & Electric Co. ⁶	5,028	0.71%
Total Top Employers	<u>140,320</u>	<u>19.72%</u>

Footnotes:

¹ Percentage based on total employment of 711,500 provided by EDD Labor Force Data.

² Employee count includes full and part time, academic and support staff.

³ Employee count includes Navy personnel only (civilian/military).

⁴ Employee count is companywide.

⁵ Employee count is provided by the City of San Diego, Office of the Comptroller - Payroll Division (Table 17).

⁶ Employee count does not include Sempra Energy or other affiliate companies.

Source: MuniServices, LLC

City of San Diego
Full-time and Part-time City Employees by Function (Unaudited)
Last Ten Fiscal Years

Table 17

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government and Support	2,039	1,990	1,944	1,816	1,870	1,979	2,248	2,217	2,143	2,101
Public Safety - Police	2,836	2,730	2,774	2,628	2,627	2,712	2,674	2,547	2,409	2,402
Public Safety - Fire and Life Safety and Homeland Security	1,355	1,352	1,373	1,322	1,333	1,314	1,304	1,331	1,265	1,208
Parks, Recreation, Culture and Leisure	2,052	1,822	1,777	1,701	1,663	1,705	1,682	1,675	1,556	1,525
Transportation	513	501	461	447	339	326	279	282	280	276
Sanitation and Health	161	161	148	144	129	150	164	156	153	132
Neighborhood Services	260	235	234	177	148	154	145	132	137	127
Airports	21	19	17	14	14	15	16	16	17	17
Development Services	463	524	535	482	426	392	329	258	259	268
Environmental Services	225	219	219	196	188	164	168	172	160	157
Golf Course	73	82	81	88	95	88	97	93	89	100
Recycling	120	119	116	121	108	98	100	97	87	94
Sewer Utility	1,108	1,071	1,050	976	906	863	817	781	762	731
Water Utility	979	975	943	878	839	829	776	742	734	703
Total Employees	12,205	11,800	11,672	10,990	10,685	10,789	10,799	10,499	10,051	9,841

Source: City of San Diego, Office of the Comptroller - Payroll Division

City of San Diego
 Operating Indicators by Function (Unaudited)
 Last Seven Fiscal Years ¹

Table 18

Function	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
<u>Public Safety - Police</u>							
Calls for police services dispatched	626,067	623,940	631,371	668,989	653,086	633,328	583,629
Calls for 9-1-1 emergencies	471,927	518,291	526,391	506,738	501,094	542,010	572,808
<u>Public Safety - Fire and Life Safety and Homeland Security</u>							
Fire Department:							
Emergency calls - fire	3,579	3,392	4,445	3,868	2,740	2,559	2,557
Emergency calls - medical/rescue	84,882	87,789	91,932	94,422	97,049	100,460	104,086
Emergency calls - other	12,918	13,010	13,635	13,671	14,295	15,245	16,478
Lifeguard:							
Water rescues	5,075	3,696	4,771	5,233	5,066	4,187	6,011
Other rescues	4,490	3,388	4,334	4,813	5,002	5,574	6,094
Beach attendance	21,277,945	21,253,050	20,275,495	21,166,884	25,774,465	22,186,170	24,558,435
<u>Parks, Recreation, Culture and Leisure</u>							
Parks and Recreation:							
Number of aquatic users ²	333,688	293,300	325,080	311,173	303,200	299,145	304,900
Number of youth served in after school program sites ⁴	80,837	57,111	88,032	84,140	89,790	92,035	78,500
Library:							
Circulation	7,003,040	7,167,104	7,374,378	7,651,619	7,706,431	7,129,443	6,973,727
Total attendance - all libraries	6,017,790	6,040,091	6,234,038	6,601,210	6,143,281	5,771,767	5,602,380
<u>Sewer Utility</u>							
Average daily sewage flow (millions of gallons)	180.95	175.13	175.29	170.78	166.43	169.56	164.38
Average daily peak - maximum sewage flow ³ (millions of gallons)	224.41	215.67	242.19	268.29	288.17	409.80	225.90
System daily capacity (millions of gallons)	255.00	255.00	255.00	255.00	255.00	255.00	255.00
<u>Water Utility</u>							
Average daily production (millions of gallons)	204.74	220.28	204.00	194.00	179.00	171.00	172.00
Maximum daily production (millions of gallons)	279.47	291.17	298.00	283.00	243.00	239.00	247.00
Total water consumption (millions of gallons)	74,730	79,606	74,430	70,893	59,567	56,760	60,944
Total water production ⁴ (millions of gallons)	79,486	83,202	80,100	77,014	65,644	62,511	63,240

Footnotes:¹ Historical data for prior years is unavailable.² Estimated figure.³ The National Pollutant Discharge Elimination System (NPDES) permitted treatment capacity is the sum of the design Average Annual Daily Flows (AADF) for Point Loma Wastewater Treatment Plant (PLWTP) and South Bay Water Reclamation Plant (SBWRP). There is no permit restriction for Maximum Daily Flow at PLWTP as long as the AADF is not exceeded. The Peak Wet Weather Flow is the hydraulic capacity of the Point Loma Ocean Outfall.⁴ Includes filtered and raw water.

Source: Citywide departments

City of San Diego
Capital Asset Statistics by Function (Unaudited)
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Public Safety - Police</u>				
Stations	10	10	10	10
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire stations	43	45	45	45
<u>Parks, Recreation, Culture and Leisure</u>				
Park and recreation sites ¹	460	363	367	370
<u>Transportation</u>				
Miles of streets -asphalt,concrete, & dirt ²	2,985	2,985	2,800	2,685
<u>Airports</u>				
Municipal airports	2	2	2	2
<u>Golf Course</u>				
Municipal golf courses ³	10	10	10	10
<u>Sewer Utility</u>				
Miles of sewers	2,950	3,028	3,030	2,993
Sewer service laterals	268,372	270,365	271,284	271,445
<u>Water Utility</u>				
Miles of water distribution mains	3,280	3,317	3,319	3,336
Water meters in service	267,845	270,022	271,204	272,466
Fire hydrants	24,145	24,428	24,600	24,661

Footnotes:

¹ Statistics for Fiscal Years 2000-2003 were based on the number of parks, squares, and recreation centers. The department updated the statistics for overall park and recreation sites onward from Fiscal Year 2004.

² In prior years, miles of streets also included alleys and dirt streets. Since Fiscal Year 2006, Transportation provided the statistic only for miles of asphalt and concrete streets.

³ Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports and Citywide departments

Table 19

Fiscal Year					
2007	2008	2009	2010	2011	2012
10	10	10	10	10	10
46	47	47	47	47	47
380	380	384	385	385	387
2,700	2,721	2,721	2,774	2,774	2,774
2	2	2	2	2	2
10	10	10	10	10	10
3,018	3,076	3,023	2,991	3,146	3,017
274,014	273,081	273,438	273,587	274,464	274,788
3,381	3,263	3,281	3,294	3,190	3,277
273,304	278,692	274,310	276,217	274,310	276,478
24,905	25,003	25,023	25,044	25,060	25,098

