Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

---

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located):

COMMUNITY FACILITIES DISTRICT NO. 1 (MIRAMAR RANCH NORTH) (STATE: CALIFORNIA)

COMMUNITY FACILITIES DISTRICT NO. 1 (MIRAMAR RANCH NORTH) OF THE CITY OF SAN DIEGO SPECIAL TAX REFUNDING BONDS, SERIES 1998

Other Obligated Person's Name (if any): _____

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer:

Community Facilities District No. 1 of the City of San Diego CUSIP: 797316

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

Issuer's Name (please include name of state where Issuer is located):

COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) (STATE: CALIFORNIA)

COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) IMPROVEMENT AREA NO. 1 SPECIAL TAX BONDS SERIES A OF 2000

COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) IMPROVEMENT AREA NO. 1 SPECIAL TAX BONDS SERIES A OF 2004

Other Obligated Person's Name (if any): _____

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer:

Community Facilities District No. 2 CUSIP: 802808

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

Issuer's Name (please include name of state where Issuer is located):

COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) (STATE: CALIFORNIA)

COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) IMPROVEMENT AREA NO. 3 SPECIAL TAX BONDS SERIES B OF 2000

Other Obligated Person's Name (if any): _____

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer:

Community Facilities District No. 2 CUSIP: 802808

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

Issuer's Name (please include name of state where Issuer is located):

COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) (STATE: CALIFORNIA)

COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) IMPROVEMENT AREA NO. 4 SPECIAL TAX BONDS SERIES A OF 2004

Other Obligated Person's Name (if any): _____

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer:

Community Facilities District No. 2 CUSIP: 802808

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

Issuer's Name (please include name of state where Issuer is located):

CITY OF SAN DIEGO (CALIFORNIA) ASSESSMENT DISTRICT No. 4096 (PIPER RANCH)

LIMITED OBLIGATION IMPROVEMENT BONDS

Provide nine-digit CUSIP* numbers if available, to which the information relates:

Assessment District No. 4096 CUSIP: 797283

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

Issuer's Name (please include name of state where Issuer is located):

CITY OF SAN DIEGO (STATE: CALIFORNIA)

CITY OF SAN DIEGO REASSESSMENT DISTRICT NO. 2003-1 LIMITED OBLIGATION REFUNDING BONDS

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: **797283**

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

Issuer's Name (please include name of state where Issuer is located):

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, CALIFORNIA
(STATE: CALIFORNIA)

REFUNDING REVENUE BONDS (REASSESSMENT DISTRICT NO. 1999-1)
SERIES 1999-A SENIOR LIEN BONDS

REFUNDING REVENUE BONDS (REASSESSMENT DISTRICT NO. 1999-1)
SERIES 1999-B SUBORDINATE LIEN BONDS

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: **79729P**

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

X Electronic

Paper (no. of pages attached)

If information is also available on the Internet, give URL: NOT AVAILABLE _____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

[ ] **A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12**
(Financial information and operating data should not be filed with the MSRB.)

[X] **B. Financial Statements or CAFR pursuant to Rule 15c2-12**
City of San Diego Comprehensive Annual Financial Reports for the Fiscal Years ending June 30, 2005 and June 30, 2006. Note: The materials referenced in "A." above were filed previously.

[ ] **C. Notice of a Material Event pursuant to Rule 15c2-12** (Check as appropriate)

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes

[ ] **D. Notice of Failure to Provide Annual Financial Information as Required**

[ ] **E. Other Secondary Market Information** (Specify):_____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name: **MARY LEWIS** Title: **CHIEF FINANCIAL OFFICER**

Employer: **CITY OF SAN DIEGO**

Address: **202 C STREET, MAIL STATION 9A** City: **SAN DIEGO** State: C**A** Zip Code: **92101**

Dissemination Agent Contact, if any:

Name: **MARY LEWIS** Title: **CHIEF FINANCIAL OFFICER**

Employer: **CITY OF SAN DIEGO**

Address: **202 C STREET, MAIL STATION 9A** City: **SAN DIEGO** State: C**A** Zip Code: **92101**

Relationship to Issuer: **DISCLOSURE REPRESENTATIVE**

Investor Relations Contact, if any:

Name: Title:

Telephone:

City of San Diego
State of California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

Cover: Plaza de Panama Fountain, located in the center of Balboa Park.

Balboa Park has more than 15,000 trees, 14 specialty gardens, nearly 100 arts, educational, recreational, social and sports organizations, 14 museums and is home to the World Famous San Diego Zoo and Old Globe Theatre.

CITY OF SAN DIEGO
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2005

Prepared Under the Supervision of
Gregory Levin, CPA
Comptroller

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Introductory Section

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JERRY SANDERS
MAYOR

February 8, 2008

Honorable City Council Members and the Citizens of the
City of San Diego, California

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 ("City") for the fiscal year ended June 30, 2005, 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. Our 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 construct and improve a comprehensive internal control framework in order to ensure acceptable management of taxpayer funds.

To the best of our knowledge and belief, the data as presented, is accurate in all material respects; it is presented in a manner designed to present fairly the financial position and results of operations 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; and 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.

The City wishes to bring to the attention of the reader for careful consideration Notes 12, 13, and 18 to the Financial Statements, which address, among other matters, (1) the cease-and-desist order imposed on the City by the Securities and Exchange Commission for violations of the federal securities laws that occurred in 2002 and 2003, (2) related investigative reports of Kroll Inc. and the law offices of Willkie, Farr and Gallagher LLP, serving as the audit committee for the City of San Diego (Kroll Report), Navigant Consulting, Inc. (as it relates to San Diego City Employees Retirement System (SDCERS)), and the City Attorney of the City of San Diego, and (3) the unfunded actuarial accrued liabilities of the City's pension and retiree health obligations. These 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.

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.

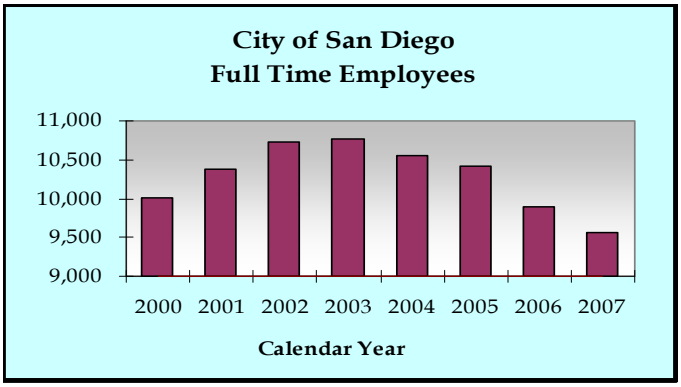
- The financial section is prepared in accordance with Governmental Accounting Standards. It includes the MD&A, the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information, and supporting statements and schedules.

- 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.

PROFILE OF THE GOVERNMENT

City Profile

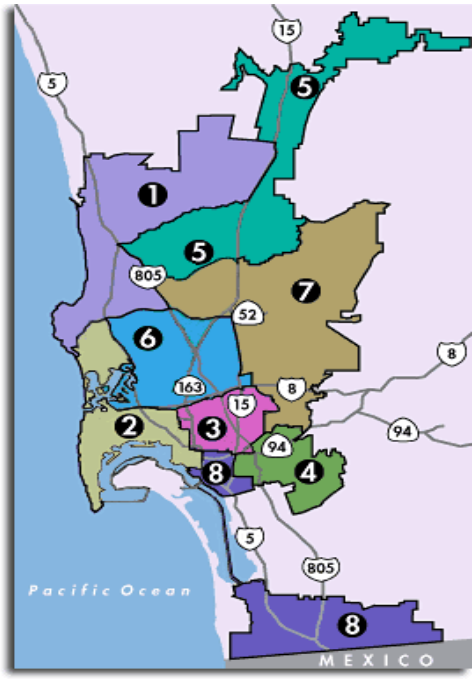
The City of San Diego was incorporated in 1850. The City is comprised of 403 square miles and, as of January 1, 2007, the California Department of Finance estimates the population to be 1,316,837. The City, with approximately 9,600 full-time employees, provides a full range of governmental services which include 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 and is governed by the laws of the State of California and its own Charter which was adopted by the electorate in 1931 and has been subject to periodic amendments since adoption. During the period reported in this report, the City employed a Council-Manager form of government. Under this form of government, the City Council was comprised of eight members elected by district to serve overlapping four-year terms. The City Council, which acted as the City's legislative and policy-making body, appointed the City Manager, who was the City's chief administrator and was responsible for implementing the policies and programs adopted by the City Council. The Mayor, who presided over the City Council, was elected at large to serve a four-year term. In addition, the City has an elected City Attorney who is the chief legal advisor of and attorney for the City and all departments. The City Attorney serves a four-year term.

City of San Diego Council District Map



During the fiscal year ended June 30, 2005 and prior to the issuance of this CAFR, the electorate of the City of San Diego approved the strong-mayor form of government on a trial basis which took effect during the fiscal year ended June 30, 2006. The charter amendment adopting the strong-mayor form of government is in effect for five years, and pending a voter approved extension or modification, sunsets on December 31, 2010. 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), and City Attorney's departments. The Office of the Independent Budget Analyst was established by the City Council to assist the Council in the conduct of budgetary analysis and in the making of budgetary, financial, and policy decisions. Additionally, the City Council established a Budget and Finance Committee to aid in the review of the annual budget, capital improvement programs, financial reports, taxes, fees, assessments, and IBA reports.

Under this form of government, the Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the Council. The Mayor presides over Council in closed session meetings of the Council. The Council retains its legislative authority; however, all council resolutions, except for appropriations ordinances, are subject to a veto of the Mayor. The City Council may override a Mayoral veto with five votes.

Current Elected Officials
(as of the original issuance of this report)

Mayor Jerry Sanders

District 1
Council President Scott Peters

District 2
Councilmember Kevin Faulconer

District 3
Councilmember Toni Atkins

District 4
Council President Pro Tem
Tony Young

District 5
Councilmember Brian Maienschein

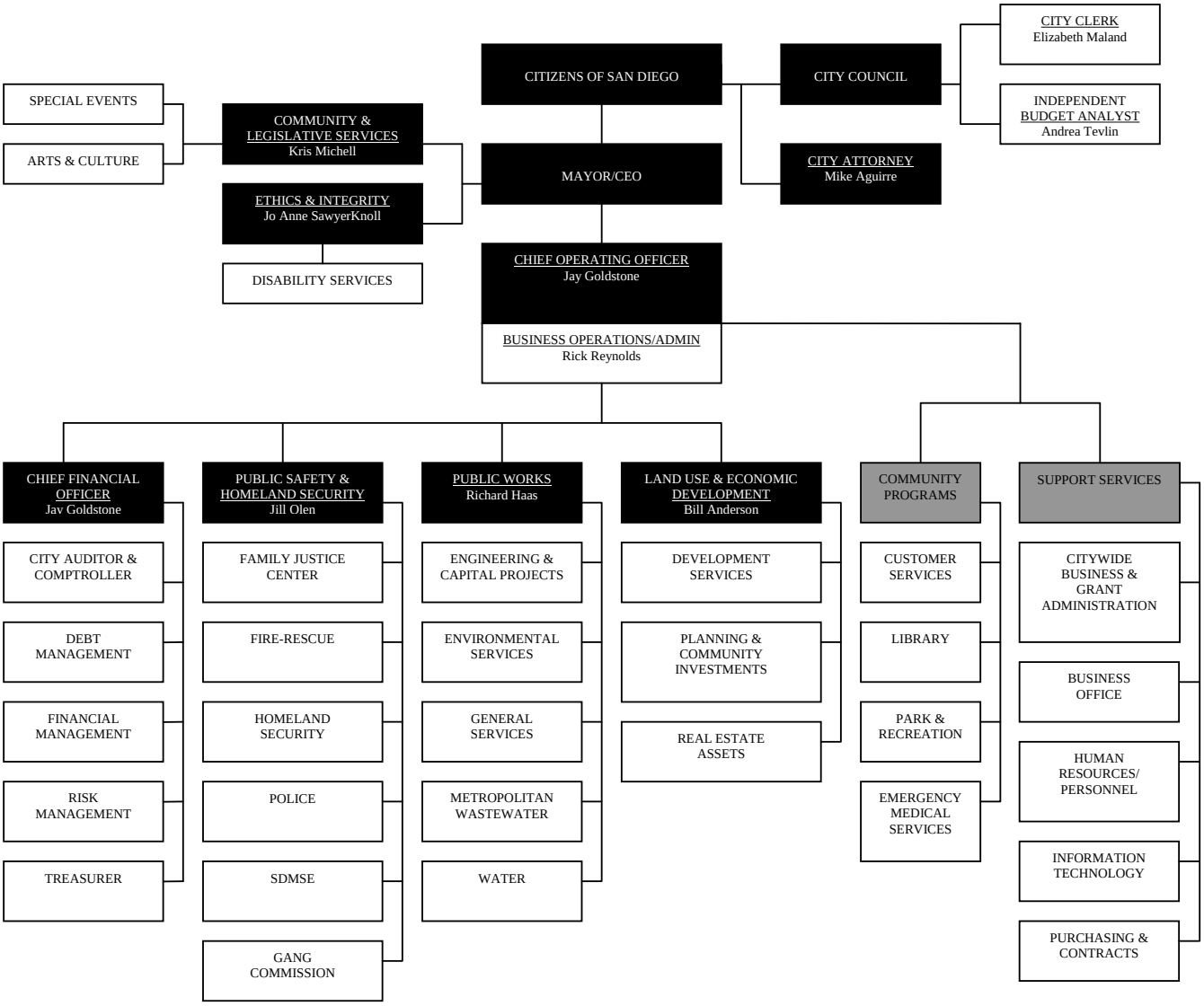
District 6
Councilmember Donna Frye

District 7
Councilmember Jim Madaffer

District 8
Councilmember Ben Hueso

City Attorney
Michael Aguirre

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



Financial Reporting Entity

In accordance with Governmental Accounting Standards Board Statement 14, the following component units are incorporated into the accompanying financial statements:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Housing Commission (SDHC)
- San Diego Open Space Park Facilities District #1
- Community Facility and Other Special Assessment Districts
- Convention Center Expansion Financing Authority (CCEFA)
- San Diego City Employees' Retirement System (SDCERS)
- Public Facilities Financing Authority (PFFA)
- San Diego Convention Center Corporation (SDCCC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Southeastern Economic Development Corporation (SEDC)

Additionally, the City participates in a joint venture operation with a private company to provide for emergency medical and medical transportation services. This joint venture is a limited liability company named San Diego Medical Services Enterprise. The financial impact of the joint venture is displayed in the governmental funds balance sheet.

Budgetary Process

Pursuant to the City Charter, an annual budget is presented by the Mayor to the City Council for adoption. 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 council for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the fund, department, and object class level. Object classes are defined as salaries and non–personnel expense (including employee benefits). Copies of the City's Budgets are available at the Financial Management Office located at 202 C Street, MS8A, San Diego, CA 92101.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts are reported as reservations of fund balances since the commitments are expected to be honored in subsequent periods.

FACTORS AFFECTING FINANCIAL CONDITION

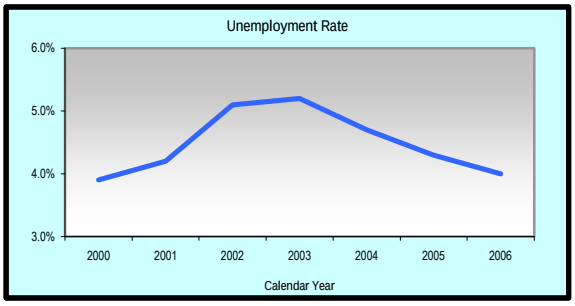
Economic Factors

Income

In January 2007, the San Diego Association of Governments (SANDAG) reported that between 2000 and 2006, the median household income in the San Diego region rose by 33.2%, from $45,826 to $61,043.

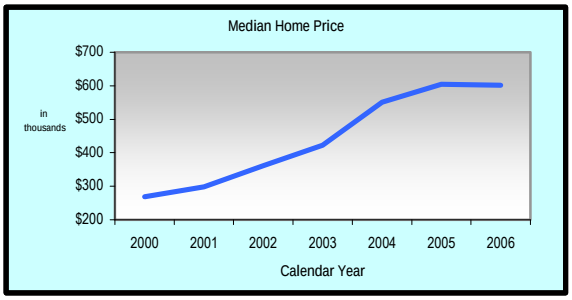
Unemployment

The unemployment rate is a critical indicator of the relative strength in the local economy. According to the Bureau of Labor Statistics, the City of San Diego's unemployment rate was 4.0% for the calendar year 2006. This reflects a 1.2% decrease from a 10 year high of 5.2% in the calendar year 2003, a .7% decrease from calendar year 2004, and a .3% decrease from calendar year 2005. The City of San Diego's unemployment rate is .6% below the national average and .9% below the average for the State of California for the calendar year 2006.



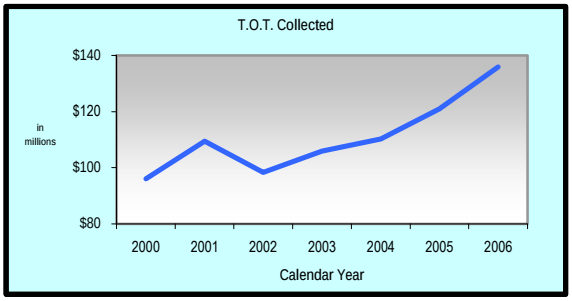
Housing and Construction

According to a report by the National Association of Realtors, the median residential home price in the San Diego area dropped 0.4% from calendar year 2005 to 2006. However, median residential home prices in the San Diego area increased 125% from calendar years 2000 to 2005. Home sales during this growth in median home prices have resulted in stronger than average property tax returns for the City and have fueled increased activity in the construction sector. However, there has recently been a significant slowing in the housing market and a softening in housing prices and therefore the recent growth in property tax revenues may not continue and may in fact decline.



Tourism

The City of San Diego has continued to experience a growth in tourism during calendar year 2006, resulting in a 12.3% increase in Transient Occupancy Tax (TOT) collections from calendar year 2005, and a 41.6% increase from calendar year 2000. According to the San Diego Convention & Visitors Bureau, average occupancy rates of hotels located in the San Diego area have also continued to improve during calendar years 2005 and 2006, increasing 1.7% and 1.5%, respectively. Additionally, a total of 32.2 million visitors spent approximately $7.7 billion at local businesses in the San Diego area during calendar year 2006.



Water Supply

The City of San Diego is located in a semi-arid coastal climate environment and receives an average annual rainfall of 10.21 inches. The 1.3 million people living in San Diego use an average of 200 million gallons per day of potable water. The City's population is projected to increase 26% in the next 25 years, and the City projects this growth will increase demand for potable water by approximately 21%.

The Water System currently receives its water supply from two sources: (1) local runoff and (2) water imported by the San Diego County Water Authority (CWA). Historically, approximately 16% (median) of the water supply for the Water System comes from local rain runoff. This runoff source is dependent upon rainfall and is seasonal and variable in nature. The balance of the Water System water supply is imported from Northern California and the Colorado River supplied to the City by the CWA, of which the City of San Diego is a member agency. CWA in turn, purchases the majority of its water from the Metropolitan Water District of Southern California (MWD), which is comprised of 26 public water agencies. CWA also has rights to purchase up to 200,000 Acre Feet-Year (AFY) of water from the Imperial Irrigation District (IID), and 77,700 AFY of water supplies dedicated to CWA from water-conserving canal lining projects on the All-American and Coachella Canals.

For the Fiscal Year ended June 30, 2007, the City's average daily water use, including deliveries to the City of Del Mar and California American Water Company (Cal-Am) was approximately 221 Million Gallons per Day (MGD), with peak day demands as high as 291 MGD. The City's three Water Treatment Plants provided 202 MGD or 91.5% of the City's average demand. Due to current operational limitations with respect to the distribution system, City average and peak daily water demands are met with a combination of City-treated water and treated water supplied by CWA.

The City is the largest purchaser of water from CWA. During the Fiscal Year ended June 30, 2007, the Water Department purchased approximately 229,682 AF of water from the CWA at a cost of $113.3 million. Currently, the City pays CWA $515 per AF for untreated water and $679 per AF for treated water. For the Fiscal Year ended June 30, 2006, the City's water purchases from CWA represented approximately 34% of CWA's total water deliveries and approximately 92.5% of the water produced by the City was purchased from CWA, with the balance coming from runoff collected in the City's reservoirs. During the ten Fiscal Years ending June 30, 2007, approximately 12.7% of the water purchased by the City from CWA was treated water and the balance was untreated water. For the five Fiscal Years ending June 30, 2007, the average annual percentage of treated water

purchased from CWA was approximately 12.8% of total water purchases.

As of December 17, 2007, MWD indicated that it had sufficient water supplies in storage to sustain a supply/demand scenario similar to 2007 through calendar year 2008 with enhanced conservation efforts beginning immediately.

The majority of MWD's current water supplies originate from the Sacramento–San Joaquin Bay-Delta before being pumped into the California Aqueduct for transportation to Southern California. On August 31, 2007, a federal court ordered state and federal water managers to reduce pumping out of the Delta during certain times of the year in order to protect the Delta Smelt, an endangered fish species. It is unknown how long these restrictions will be in place but they are expected to last at least one year.

MWD estimates that the court order will reduce the amount of SWP water available to MWD by approximately 20%. MWD and CWA are actively pursuing spot water transfer options to offset these reductions. Colorado River deliveries to MWD and CWA remain firm in the near future, minimizing the impacts of the SWP reductions on San Diego.

Statewide, California has experienced one of the driest years on record for the 2007 water year (ended June 30). San Diego received only 3.83 inches of precipitation between July 1, 2006 and June 30, 2007[1]. The National Weather Service predicts dry weather in Southern California this winter as well as in the Sierra Mountains, potentially reducing the amount of local and SWP water available to the CWA and the City. The Mayor, in coordination with the San Diego County Water Authority, has urged residents and businesses of San Diego to help avoid those conditions by adopting water conservation practices at home and their place of work. At the conclusion of the 2007-08 winter season, the Water Department, in consultation with its imported water providers, will determine whether or not mandatory conservation programs are warranted based upon precipitation received locally and in the Sierra mountains.

Regulatory Actions

In November 2006, the United States Securities and Exchange Commission (SEC) entered an Order (the "Order") sanctioning the City of San Diego for committing securities fraud in connection with the 2002 and 2003 offer and sale of over $260 million in municipal bonds and for preparing and filing information pursuant to continuing disclosure agreements under Exchange Act Rule 15c2-12 with respect to $2.29 billion in outstanding City bonds and notes. The findings contained in the Order were made pursuant to the City's offer of settlement. The SEC, in the Order, concluded that the City, through its officials, acted with scienter.

In the Order, the SEC found that at the time of these offerings, City officials knew that the City faced severe difficulty funding its future pension and health care obligations unless new revenues were obtained, pension and health care benefits were reduced, or City services were cut. The SEC found that the City's looming financial crisis resulted from (1) the City's intentional under-funding of its pension plan from fiscal year 1997; (2) the City's granting of additional retroactive pension benefits since fiscal year 1980; (3) the City's use of the pension fund's assets to pay for the additional pension and retiree health care benefits since fiscal year 1980; and (4) the pension plan's less than anticipated earnings on its investments in fiscal years 2001 through 2003. The SEC found that despite the magnitude of the problems the City faced in funding its future pension and retiree health care obligations, the City conducted five separate municipal bond offerings, raising more than $260 million, without disclosing these problems to the investing public. The SEC found that in each of these offerings, the City prepared disclosure documents that are used with municipal securities offerings—that is, preliminary official statements and official statements—and made presentations to rating agencies. In addition, in 2003 it prepared and filed information pursuant to continuing disclosure agreements under Exchange Act Rule 15c2-12 with respect to $2.29 billion in outstanding City bonds and notes.

The SEC credited the City with having taken remedial action before the Order was issued and found that since 2005 the City has implemented several remedial measures with a view to detect and prevent securities violations. Specifically, the City has terminated certain officials in the City Manager's and Auditor and Comptroller's offices or has allowed them to resign. The City has hired a full time municipal securities attorney who is responsible for coordinating the City's public disclosure and who has conducted continuing education for the City's deputy attorneys on the City's disclosure requirements.

The SEC credited the City with hiring new outside professionals including new auditors for its fiscal year audits. The SEC also found that the City hired individuals not affiliated with the City to act as the City's audit committee to conduct an investigation of the City's prior disclosure deficiencies and make recommendations to prevent future disclosure failures. The SEC found that the City has also hired new disclosure counsel for all of its future offerings, who will have better and more continuous knowledge on

[1] http://watersupplyconditions.water.ca.gov/pdf/2007precip.pdf

the City's financial affairs. The SEC found that the disclosure counsel has conducted seminars for City employees on their responsibilities under the federal securities laws.

The SEC found that the City has also enacted ordinances designed to change the City's disclosure environment:

1. The City created a Disclosure Practices Working Group, comprised of senior City officials from across city government. The Working Group is charged with reviewing the form and content of all the City's documents and materials prepared, issued, or distributed in connection with the City's disclosure obligations relating to securities issued by the City or its related entities; and conducting a full review of the City's disclosure practices and to recommend future controls and procedures.
2. The Mayor and City Attorney must now personally certify to the City Council the accuracy of the City's official statements.
3. The City Auditor must annually evaluate the City's internal financial controls and report the results to the City Council.

As part of the settlement with the SEC, the City agreed to cease and desist from future securities fraud violations. The City also agreed to retain an Independent Consultant acceptable to the SEC. The Independent Consultant is required to conduct annual reviews for a three-year period, following the November 2006 Order, of the City's policies, procedures, and internal controls regarding its disclosures for offerings, including disclosures made in its financial statements, pursuant to continuing disclosure agreements, and to rating agencies. The Independent Consultant is also required to review, for the three year period, the procedures and internal controls regarding the City's hiring of internal personnel and external experts for disclosure functions, and the implementation of active and ongoing training programs to educate appropriate City employees, including officials from the City Auditor and Comptroller's office, the City Attorney's office, the Mayor, and the City Council members regarding compliance with disclosure obligations.

The Independent Consultant is required to make recommendations concerning related policies, procedures, and internal controls with a view to assuring compliance with the City's disclosure obligations under the federal securities laws. The Independent Consultant is to assess, in years two and three, whether the City is complying with its policies, procedures, and internal controls, whether the City has adopted any of the Independent Consultant's recommendations from prior year(s) concerning such policies, procedures, and internal controls for disclosures for offerings, and whether the new policies, procedures, and internal controls were effective in achieving their stated purposes.

On June 7, 2007, the Initial Report of Independent Consultant to the City of San Diego (the "Independent Consultant's Report") was released. The purpose of the Independent Consultant's Report was to describe the review and assessment of the City's policies, procedures, and internal controls regarding i) its financial and other disclosures, ii) the hiring of internal personnel and external experts for disclosure functions, and iii) the implementation of active and ongoing training programs to educate appropriate City employees regarding compliance with disclosure obligations, and to provide conclusions and recommendations with respect to these matters.

Additionally, the Independent Consultant's Report recognizes the complexity of the City's issues and includes numerous actions that are planned to be addressed in the future, including:

- Ongoing analysis and observation by the Independent Consultant of the City's disclosure process, including participation in future offering disclosure processes,
- Implementation of a new Enterprise Resource Planning (ERP) system,
- Ongoing training for the City Council, City Officials, and City employees, and
- Hiring a qualified internal auditor to provide reliability of the City's internal control structure.

The Independent Consultant observed that the City had made progress with its remediation efforts, but that there is much left to be done that will require an intensive and substantial effort.

On July 23, 2007, the SEC issued a letter to the City and to the Independent Consultant recognizing the recommendations outlined in the Independent Consultant's Report and indicating its understanding that subsequent reports from the Independent Consultant would provide more complete, specific, and concrete recommendations with specific deadlines. The SEC also requested a response from the City in regards to the recommendations outlined in the Independent Consultant's Report, including an estimated timeframe for implementation of the recommendations.

On September 25, 2007 the City responded to the SEC, this response was approved by the Council Resolution No. 303021. This response to the SEC is summarized as follows:

- The CFO, along with representatives of the Audit Committee and the Independent Budget Analyst, interviewed candidates for the Internal Auditor. The candidate selected began work on October 22, 2007. The Charter Review Committee is also looking into a Charter change which would separate the internal audit function from the comptroller and management duties. This revision will need to be approved by a vote of the public.
- The City has established an Audit Committee comprised of 3 Council members and an ad hoc committee of 3 outside advisors who bring extensive technical expertise to the Committee. The ad hoc committee began serving September 10, 2007. The Charter Review Committee is also looking into a Charter change which would formally establish the composition of the Audit Committee. This revision will need to be approved by a vote of the public.
- The City has selected a software vendor for an enterprise resource system. The current schedule calls for the implementation of a new core system by October 2008, followed by the implementation of the human resource/payroll system by January 2009.
- The CFO position was established in calendar year 2006 and all financial related activities and responsibilities of the City fall under this position.
- The City is carefully evaluating the Independent Consultant's recommendation to consider moving toward a shelf-like disclosure system. The City has made many improvements to internal controls regarding the release of financial information to the public capital markets (e.g. creation of the DPWG, CFO, and Audit Committee). Accordingly, any shelf-like registration would take into consideration procedures currently in place which were designed to ensure that the City would not make misleading statements or omissions to the market place in the future.

Financial Information

Pension Benefits

In fiscal year 1927, the City established the San Diego City Employees' Retirement System ("SDCERS"), a public employee retirement system. The pension plan ("Plan") is a defined benefit plan and is administered by the SDCERS' Board to provide retirement, disability, death, and survivor benefits for its members. The SDCERS Board contracts with an actuary to perform an annual actuarial valuation based on the assumptions adopted by the SDCERS Board. A new actuarial firm, Cheiron Inc., was hired by the SDCERS board to perform the 2005 and 2006 actuarial reports.

The actuarial valuations performed by Cheiron for the fiscal years ended June 30, 2006 and June 30, 2005 reported as follows:

San Diego City Employees' Retirement System (City of San Diego)

	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2005	% Change
Membership			
Total Members (active, disabled, beneficiaries and retired)	17,647	17,429	1.3%
Assets and Liabilities			
Total Actuarial Liability	$ 4,982,699,455	$ 4,377,092,948	13.8%
Market Value of Assets	3,981,931,694	3,205,721,975	24.2%
Actuarial Value of Assets	3,981,931,694	2,983,079,852	33.5%
Unfunded Actuarial Liability	$ 1,000,767,761	$ 1,394,013,096	(28.2%)
Funding Ratio	79.9%	68.2%	11.7%

It is common practice to base consecutive actuarial valuations on consistent pre-defined parameters; however, occasional methodology changes are required to reflect prevailing practices within the industry. The actuarial methodology changes with the most significant impact to the unfunded actuarial liability between fiscal years 2005 and 2006 are related to the inclusion of certain "contingent" liabilities in the valuation and a change in the asset smoothing method, both of which are discussed in detail below.

The actuarial valuation information presented above for the fiscal year ended June 30, 2005 is based upon historical assumptions in regards to some benefits being viewed as contingent in nature, and therefore, does not include information on liabilities pertaining to the Corbett Settlement or the 13th Check, both of which were included as liabilities in the fiscal year 2006

valuation. Additionally, SDCERS has established reserves of assets in an amount approximately equivalent to the related liability for the following items: Supplemental Cost of Living Adjustment, Employee Contribution Rate Increase Liability, and the Deferred Retirement Option Plan Liability. The assets placed in these reserves, as well as the corresponding liability, have also been excluded from the fiscal year 2005 actuarial valuation.

For the benefit of the reader, the following table presents the balances of all liabilities excluded from the actuarial valuation for the fiscal year ended June 30, 2005:

SDCERS Other Liabilities

Corbett Settlement	$ 58,923,978
13th Check	56,686,313
Supplemental Cost of Living Adjustment *	17,839,967
Employee Contribution Rate Increase Liability *	8,905,418
Deferred Retirement Option Plan Liability *	227,223,791
Total Other Liabilities	$ 369,579,467

* SDCERS has established reserves of assets approximately equivalent to related liability.

A detailed explanation of the liabilities and their related assets can be found in the actuarial valuations for fiscal year 2005 and fiscal year 2006 which can be obtained at the SDCERS main office located at 401 West A Street, Suite 400, San Diego, CA 92101.

For the purposes of calculating the City's net pension obligation (NPO), calculated amounts include the effects from the Corbett settlement liability and the employee contribution rate increase liability due to the City's position that these liabilities are non-contingent in nature. As such, the following schedule shows the City's view of its revised unfunded actuarial liability as of June 30, 2005 and presents a comparison to the fiscal year 2006 valuation. The employee contribution rate increase liability and its corresponding asset reserve are not included in the revised calculation as of June 30, 2005 due to its immaterial effect on the unfunded actuarial liability. Additionally, the City views the liabilities related to the 13th check as contingent in nature, and therefore, excluded them from the revised calculation of the City's unfunded actuarial liability.

Calculation of City's Unfunded Actuarial Liability

	Fiscal Year Ended		
	June 30, 2006	(revised)*** 6/30/2005	% Change
Actuarial Liability (Cheiron*)	$ 4,982,699,455	$ 4,377,092,948	
Corbett Settlement (Cheiron*)	n/a **	58,923,978	
Total Actuarial Liability	4,982,699,455	4,436,016,926	12.3%
Actuarial Value of Assets (Cheiron*)	3,981,931,694	2,983,079,852	33.5%
Unfunded Actuarial Liability****	$ 1,000,767,761	$ 1,452,937,074	(31.1%)
Funding Ratio	79.9%	67.2%	12.7%

* SDCERS Actuary

** Liabilities related to the Corbett Settlement and the 13th Check are included in actuarial liabilities in fiscal year 2006.

*** As discussed in the narrative, the City believes the liability related to the Corbett Settlement should be included in total actuarial liabilities.

**** Unfunded Actuarial Liability has been calculated in accordance with the projected unit credit (PUC) method, see table on page 22 for comparison to entry age normal (EAN) method.

As a result of the approval of revised assumptions and methodologies on October 20, 2006 by the SDCERS Board of Administration, the actuarial valuation for the fiscal year ended June 30, 2006 includes the liabilities resulting from the Corbett Settlement and the 13th Check as well as both the asset reserves and the corresponding liabilities related to the Deferred Retirement Option Plan and the Supplemental Cost of Living Adjustment. The recognition of these previously excluded liabilities

increased actuarial liabilities in the valuation dated June 30, 2006 by approximately $113 million over amounts reported in fiscal year 2005.

As previously stated, the City views the exclusion of the Corbett Liability from the Actuarial Liability as inappropriate and therefore has already restated its Net Pension Obligation and amended its required supplementary schedules accordingly. The City views the SDCERS Board of Administration's decision regarding the 13th Check liability as a change in accounting estimate and therefore will account for it prospectively beginning with its fiscal year 2007 financial statements. This treatment reflects City management's policy of valuing and reporting pension liabilities using the actuarial valuation from the fiscal year ending one year prior to the date of its financial statements. Additionally, total actuarial assets, total actuarial liabilities, and the funding ratio increased in fiscal year 2006 partially due to the inclusion of the asset reserves and liabilities related to the Deferred Retirement Option Plan and the Supplemental Cost of Living Adjustment.

In addition to the inclusion of the aforementioned assets and liabilities in the June 30, 2006 valuation, the SDCERS Board of Administration voted to move from a "book value based" asset smoothing method to the "expected asset value" smoothing method. The expected asset value smoothing method is based on asset market value and is a more commonly used practice in actuarial valuations because it is a more effective technique to dampen the volatility in asset values that can occur due to fluctuations in market conditions. A part of this change was to set the actuarial value of assets equal to the market value of assets as of June 30, 2006. This action increased the actuarial value of assets from the amounts reported in the fiscal year 2005 valuation by approximately $184 million. SDCERS also changed the manner in which assets are apportioned between plan sponsors, which also resulted in increasing the actuarial value of assets in the City's plan. The following schedule shows the effect of the specific components of the total change of the Unfunded Actuarial Liability between fiscal years 2005 and 2006:

SDCERS - City of San Diego
Source of Changes in Unfunded Actuarial Liability
(In Millions)

Experience	
1. UAL change due to investment experience	$ (158.9)
2. UAL change due to purchased service credit	1.2
3. UAL change due to overall liability gain	(47.5)
Contributions	
4. UAL change due to contributions in excess of expected	(105.6)
Actuarial	
5. UAL change due to marking the smoothing method to market value	(183.8)
6. UAL change due to reflection of "contingent" liabilities	112.7
7. UAL change due to DROP and supplemental COLA	-
8. UAL change due to removal of liabilities in excess of IRC § 415 limits	(22.8)
9. UAL change due to removal of future disability benefits	(9.9)
Total	
10. Total net overall experience: sum 1 through 9	(414.6)
11. Expected change in UAL	21.4
12. Total change in UAL: 10 + 11	$ (393.2)

The pension benefits awarded to some plan participants exceed the amount permitted for Internal Revenue Code (IRC) 401(a) pension plans such as SDCERS. In March 2001, the San Diego City Council established a Preservation of Benefit Plan to pay for benefits in excess of those allowed under the 401(a) plan. The Preservation of Benefit Plan is a qualified governmental excess benefit arrangement (QEBA) under IRC § 415(m), which is a vehicle created by Congress to allow the payment of promised pension benefits that exceed the IRC § 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The Preservation of Benefit Plan is administered by the SDCERS Board separately from the City's 401(a) pension plan. On February 16, 2007, the SDCERS Board adopted the Preservation of Benefit Plan and Trust to carry out the intent of SDMC § 24.1601 et seq.

As background, IRC § 415(b) imposes dollar limits on the benefits payable from a qualified pension plan that receive favorable tax treatment. The dollar limit is $185,000 for calendar year 2008; however, this limit is adjusted based upon the payee's age at retirement, and the benefit tested is adjusted by a number of factors.

The Preservation of Benefit Plan is unfunded within the meaning of the federal tax laws. Under the Internal Revenue Code the City may not pre-fund the Preservation of Benefit Plan to cover future liabilities beyond the current year, as with the 401(a) plan. Each year, SDCERS will determine the amount necessary to fund any pension benefits payable during the calendar year in excess of IRC § 415(b). This amount will include the projected amount of all excess pension benefits payable for the calendar year to existing and projected payees, as well as the projected cost of administering the Preservation of Benefit Plan. SDCERS will provide this information to the City and the City will fund this amount on an annual basis.

The most current estimated actuarially accrued liability related to excess benefits for eligible active members of the system, amounting to approximately $22.8 million, has been excluded from the actuarial valuation of the 401(a) retirement plan beginning in fiscal year 2006 (as shown in the table above). Additionally, the liability for retired members of the Preservation of Benefit Plan, amounting to approximately $6.4 million, has been excluded from the fiscal year 2007 actuarial valuation (unaudited) of the 401(a) retirement plan. Accordingly, the liability related to retired members is reflected in the actuarial liabilities of the 401(a) plan in the actuarial valuation dated June 30, 2006 as well as in the ARC payable in fiscal year 2008.

In fiscal year 2005, activities related to the Preservation of Benefit Plan for both retired and active members are included in the actuarial liabilities presented in the Required Supplementary Information (RSI) for the City's core pension plan and are valued using the same set of assumptions. The City is in the process of implementing a plan to account for the QEBA with SDCERS.

In light of various concerns raised in investigative reports regarding practices of SDCERS that could have jeopardized its status as a qualified governmental defined benefit plan, SDCERS requested its outside tax counsel, Ice Miller LLP, to perform a comprehensive document compliance review, prepare submissions in accordance with the IRS Voluntary Correction Program (VCP), and work with the IRS to finalize a compliance statement to resolve all of SDCERS' compliance issues. A comprehensive settlement was reached between the IRS and SDCERS on December 20, 2007 (Settlement). The Settlement requires the City and SCDERS to take certain corrective actions regarding certain provisions of its retirement plan within 150 days of December 20, 2007. The Settlement does not require the City to pay any penalty payments or to make any additional contributions to the retirement system. In the event the City does not successfully implement certain plan document changes required by the IRS Compliance Statement, SDCERS and the City may face additional regulatory actions from the IRS including but not limited to, SDCERS plan disqualification and financial penalties against the City, the plan sponsor.

The VCP filings identified violations and proposed corrections regarding the City's Presidential Leave Program for presidents of certain labor organizations that represent City employees; compensation limits under IRC § 401(a))(17); minimum distribution requirements under IRC § 401(a)(9); eligible rollover distribution compliance under IRC § 401(a)(31); minimum distribution requirements from the Deferred Retirement Option Plan (DROP) program; overpayment of disability benefits; conversion of annual leave to purchased service credits; retiree healthcare benefits and health administrative expenses under IRC § 401(h); benefit and compensation limits under IRC §§ 415(b), 415(c) and 415(n); and remedial plan amendments. Readers are encouraged to review the detailed discussion of the Voluntary Compliance Program filing and the resulting settlement as contained within Note 18: Contingencies of the Basic Financial Statements.

It is the City Attorney's opinion that these excess retirement benefits require voter approval as such benefits represent a distinct pension plan. Therefore it is also his opinion that the excess retirement benefits are illegal and that the City should discontinue payment. Other members of management believe that this issue has yet to be resolved in court decisions related to lawsuits previously filed by the City Attorney. As such, the City intends to continue to treat these benefits as legal obligations until instructed to do otherwise by a court. In the opinion of other management, a decision to terminate such benefits would expose the City's residents to unnecessary and costly legal fees.

Certain other methodology changes were implemented for the June 30, 2006 valuation, which are discussed in detail in the valuation report. Additional information on the City's net pension obligation, annually required contribution, and the Corbett liability is discussed in Note 12 of the notes to the financial statements contained in the financial section of the CAFR and in the Required Supplementary Information section of the report.

On November 2, 2004, the public approved an amendment to Article 9, Sections 143 and 144 of the City's Charter regarding the retirement systems actuarial assumptions and the governance structure of SDCERS. Notable changes include:

- Effective fiscal year 2009, Unfunded Actuarially Accrued Liability shall be amortized using a 15 year assumption; for the 2006 actuarial valuation, Unfunded Actuarial Accrued Liabilities were amortized over 27 years reflecting the resetting of the amortization period pursuant to the settlement of the Gleason v. City of San Diego lawsuit. (The effects of this lawsuit on the pension system are disclosed in Note 12).

- Effective fiscal year 2009, new retirement benefits shall be amortized using a schedule no longer than 5 years.
- Effective April 2005 the composition of the SDCERS Board was changed to the following:
    - 7 members appointed by the Mayor, who are not associated with the City or Retirement system as employees, union members or beneficiaries,
    - 1 member who is an active employee in the police safety group, elected by the members of that group,
    - 1 member who is an active employee in the fire safety group, elected by the members of that group,
    - 2 members who are active employees in the general member group, elected by members of that group,
    - 1 member who is a retired member of the system and is elected by the retired members of the system, and
    - 1 member who is a City management employee and serves at the pleasure of the Mayor. This member must be the Chief Operating Officer, City Treasurer, Deputy or Assistant Chief Operating Officer or a similar position that reports to the Chief Operating Officer or Mayor. As of the original issuance of this report, the Deputy Chief of the Office of Ethics and Integrity is assuming the responsibility of this position.

A review of the aforementioned charter revisions concerning SDCERS is currently underway. This includes examining the legality of changes to the City's amortization assumption made by way of revisions to the City Charter. California State Attorney General Opinion 04-710 concludes that a city charter cannot mandate a specified amortization schedule for retirement benefits or accumulated actuarial gains and losses. Furthermore, a recent legal ruling by the California Superior Court concluded that SDCERS Board has "plenary authority" over the retirement system in its administrative capacity. In March 2007, the SDCERS Board adopted a 20 year amortization assumption. The SDCERS Board has not indicated whether it will change to a 15 year amortization assumption for the purpose of determining the City's fiscal year 2009 Annually Required Contribution. The San Diego City Attorney's Office has opined that the voter's amendment to the Charter to establish a 15-year amortization requirement for accumulated actuarial losses simply establishes an upper boundary for the amortization of pension debt, and does not usurp or unduly interfere with the SDCERS Board's plenary authority and fiduciary responsibility in violation of the California constitution, and as a result, the 15 year amortization period is binding. Given the size of the City's current Unfunded Actuarially Accrued Liability, a change to a 15-year amortization schedule will have a significant impact on future annually required contributions. In relation to the implementation of a 15-year amortization, SDCERS issued a report titled "Summary and Answers to Frequently-Asked Questions about the June 30, 2006 Actuarial Valuation for the City of San Diego." This document stated that if a 15-year amortization of the unfunded actuarial liability was implemented, the City's Annual Required Contribution for fiscal year 2008 would increase by $29.1 million over the requested contribution of $137.7 million. Thus, a 15-year amortization period would result in an Annual Required Contribution of $166.8 million. Comparatively, the City's fiscal year 2008 budget includes appropriations for a contribution of $165 million to SDCERS.

The City notes that Governmental Accounting Standards expressly state that "a plan and its employers should apply the same actuarial methods and assumptions in determining similar or related information included in their respective financial reports." However, the GASB does not assign responsibility for determining actuarial assumptions to either the plan administrator or the plan sponsor. Following the most widely used actuarial cost method approved in Statement No. 25 of the Governmental Accounting Standards Board, as well as a recommendation from Cheiron, SDCERS Board of Administration voted to use the entry age normal (EAN) actuarial cost method to calculate future actuarial liabilities beginning with the fiscal year 2007 valuation (unaudited). Historically, the actuarial valuations performed for SDCERS have calculated actuarial liabilities in accordance with the projected unit credit (PUC) method. This change of methodology will negatively impact the unfunded actuarial liability reported in the actuarial valuation for the fiscal year ended June 30, 2007. A comparison of the two valuation methods for the fiscal year ended June 30, 2006 was included in the June 30, 2006 actuarial valuation and is provided on the following page for informational purposes only.

Unfunded Actuarial Liability
Projected Unit Credit (PUC) vs. Entry Age Normal (EAN)
For the Fiscal Year Ended June 30, 2006

	PUC	EAN	% Change
Actuarial Value of Liability (Cheiron*)	$ 4,982,699,455	$ 5,191,961,325	4.2%
Actuarial Value of Assets (Cheiron*)	3,981,931,694	3,981,931,694	0.0%
Unfunded Actuarial Liablility	1,000,767,761	1,210,029,631	20.9%
Funding Ratio	79.9%	76.7%	(3.2%)

*SDCERS Actuary

On January 10, 2008, Cheiron released the SDCERS actuarial valuation for the fiscal year ended June 30, 2007 (as of February 8, 2008, the information included in the fiscal year 2007 actuarial valuation has not been audited by the City's external auditors). As previously mentioned, the valuation performed for the fiscal year 2007 uses the EAN actuarial cost method to calculate future actuarial liabilities. The implementation of the EAN method resulted in an increase in the UAL of approximately $252.2 million and an annual required contribution of $161.7 million payable in fiscal year 2009. The City has requested but not yet received a calculation of the fiscal year 2009 ARC using a 15-year amortization of the unfunded actuarial liability. In the fiscal year 2006 actuarial valuation, a 15-year amortization assumption significantly increased the ARC by approximately 21%. A comparison of the valuations performed by Cheiron using the EAN actuarial cost method for the fiscal years ended June 30, 2007 (unaudited) and June 30, 2006 are reported as follows:

San Diego City Employees' Retirement System (City of San Diego)

	Fiscal Year Ended June 30, 2007*	Fiscal Year Ended June 30, 2006	% Change
Membership			
Total Members (active, disabled, beneficiaries and retired)	17,779	17,647	0.7%
Assets and Liabilities			
Total Actuarial Liability	$ 5,597,652,861	$ 5,191,961,325	7.8%
Market Value of Assets	4,641,340,923	3,981,931,694	16.6%
Actuarial Value of Assets	4,414,189,399	3,981,931,694	10.9%
Unfunded Actuarial Liability	$ 1,183,463,462	$ 1,210,029,631	-2.2%
Funding Ratio	78.9%	76.7%	2.2%

* Unaudited

On November 7, 2006, the public approved an amendment to Article 9, §143 of the City's Charter, requiring voter approval of certain increases in retirement system benefits for public employees. Specifically, this amendment requires voter approval of any ordinance that amends the City's retirement system by increasing the benefits of any employee. However, increases in retirement benefits due to cost of living adjustments do not require voter approval.

On August 3, 2007, the General Counsel of SDCERS issued a letter to the City stating their opinion in regards to the effective date of the fiscal year 2005 agreements between the City and the labor unions. As part of the agreements, several benefits were altered or eliminated for employees hired on or after July 1, 2005, including the Deferred Retirement Option Plan (DROP), the 13th Check, and the option to purchase years of service credits ("air-time"). According to their fiduciary counsel, "SDCERS is obligated to administer benefits in accordance with its plan documents." However, the City did not enact such ordinances until January 17, 2007, which took effect on February 16, 2007. Therefore, the General Counsel of SDCERS and their outside counsel opine that the effective date of the agreements with the labor unions is February 16, 2007, the date that the benefit changes were codified into the plan document. On October 9, 2007, the City filed a petition for declaratory relief to determine the

effective date of retirement benefit changes for employees hired between July 1, 2005 and February 16, 2007.

On September 21, 2007 the President of the SDCERS Board of Administration issued a press release stating that, under the direction of the Board of Administration, SDCERS' staff, actuary, and legal counsel, he had reviewed the SDCERS purchase of service credit program, and that his review concluded the following:

- With respect to SDCERS' service credit pricing structure that was in place prior to November 2003, Cheiron, SDCERS actuary, has determined that the full cost was not reflected in the price then charged to SDCERS members.
- This pricing shortfall, which totals approximately $146 million, has been included in the System's Unfunded Actuarial Liability since the inception of the service credit program.
- With respect to the SDCERS' service credit pricing in place since November 2003, Cheiron advised SDCERS that structure covers the full projected cost to the System when members purchased the service credits.

The pricing shortfall of approximately $146 million, which is included in the System's Unfunded Actuarial Liability, is reported in the RSI of these financial statements.

Additionally, as a result of the City's negotiations with employee labor unions, the MOUs for the fiscal year 2006 contain agreements to either reduce the amount of individual employees' pension contributions which are paid for by the City or to impose salary reductions. The agreements explicitly state that savings to the City must be used to pay down its Unfunded Actuarial Accrued Liability (UAAL) within the timeframe of the respective contracts. The labor contract with the American Federation of State and County Municipal Employees (AFSCME) Local 127 states that "By June 30, 2008, if the City has not dedicated a total of $600 million or more to the UAAL reduction, including the amount received by leveraging employee salary reduction and pension contribution monies, the AFSCME salary reduction monies with interest will revert to SDCERS Employee Contribution Rate Reserve for benefit of Local 127 unit members to defray employee pension contributions." The City will be excused from meeting the above obligation if the funded ratio reaches 100% by June 30, 2008.

In June 2006, the City leveraged a portion of the employee pick up savings by contributing $90,800 from securitization of future tobacco settlement revenues, $9,200 of calendar year 2006 tobacco settlement revenues, and $8,300 from the remaining balance of the FY 2006 employee "pick-up" amount as part of meeting its negotiated commitment. A financing option to generate approximately $80 million in additional funding is currently being pursued. As of February 8, 2008, it appears the City will not be able to meet the outstanding obligation of approximately $411,700 by June 30, 2008 in its entirety.

Additional information regarding the City's pension trust fund, including the City's NPO, can be found in Note 12 of the notes to the financial statements.

Other Post Employment Benefits

Retiree Health

The City provides certain healthcare insurance benefits to a variety of retired employees, as provided for in SDMC Sections 24.1201 through 24.1204 (the "Plan"). Currently, the benefits are primarily for employees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Employees who retired or terminated prior to October 6, 1980, who were eligible for retirement allowances prior to that date, are also eligible for healthcare benefits, limited to a total of $1,200 per year. Additionally, employees who were hired on or after July 1, 2005 and become eligible for retirement allowances in the future are also eligible for healthcare benefits, limited to a total of $1,200 per year.

In accordance with SDMC Sections 24.12 and 24.15, amounts have been transferred from the calculated surplus annual realized earnings of SDCERS pension assets to the system's employer contribution reserve for the purposes of offsetting the City's funding of retiree health benefits. An equivalent amount has been paid by the City into a SDCERS account for post employment healthcare benefits. It is from this reserve that SDCERS transferred funds into the Retiree Health Trust fund and then approved the post employment healthcare benefits. As a result of the retiree health care benefit expense being funded by an SDCERS employer contribution reserve, the City offset the annual required contributions submitted to SDCERS by the same amount. This offset to annual required contributions resulted in an increase to the net pension obligation which is amortized and included in future contribution calculations. In fiscal year 2005, $7.9 million of the reserve balance was used to pay for post employment healthcare benefits and the remaining $1.2 million was transferred to the Defined Benefit Pension Plan. Effective February 2005, the City began paying for post employment healthcare benefits on a pay-as-you-go basis for approximately 4,100 retirees who received either City paid insurance or were reimbursed for other health insurance costs incurred. According to City Attorney Opinion No. 2007-04, the trust arrangement between the City and SDCERS was not affected by the change in the funding

mechanism, and therefore, the City has reported all activity related to retiree healthcare as a pension trust in the fiduciary section of the CAFR. (See additional information in Note 13). In fiscal years 2006 and 2007, the annualized cost of retiree health benefits was approximately $23.8 million and $26.8 million, respectively. The City's obligation of this cost was $17.6 million and $20.9 million, respectively.

The following schedule details employer payments for retirement health benefits:

Retiree Health Care Costs
(in thousands)

	2003	2004	2005	2006	2007
Amount Paid Directly from City	$ -	$ -	$ 6,949	$ 17,554	$ 20,915
Amount Paid from 401(h) reserve	11,450	12,829	7,910	-	-
Amount Paid by Retirees	2,981	5,458	5,978	6,226	5,915
Total Retiree Health Expenditures	$ 14,431	$ 18,287	$ 20,837	$ 23,780	$ 26,830

In July 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions" ("GASB 45"), which addresses how local governments should account for and report their costs and obligations related to other post employment benefits (OPEB). This statement is effective for the City for periods beginning after December 15, 2006 (i.e. beginning in fiscal year 2008). GASB 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial statements. The City will implement GASB 45 in its financial statements for the fiscal year ended June 30, 2008. Nevertheless, an actuarial valuation of the City's postretirement medical benefit program as of June 30, 2006 was performed for the purpose of determining its annual cost in accordance with GASB 45.

During fiscal year 2007, the City continued a "pay as you go" approach to funding retiree health costs. Specifically, for valuation purposes, the City used a 5% earnings assumption, an inflation factor of 3%, and a 30 year amortization period. The following table presents the actuarial accrued liability for all retirees, deferred retirement participants, vested terminated and active members, and the annual required contribution for fiscal year 2008 had the City already implemented GASB 45.

Retiree Healthcare Liabilities

Actuarial Accrued Liability	$ 1,097,196,731
Annual Required Contribution	106,930,215

Defined Contribution Plan

The City has established the Supplemental Pension Savings Plan ("SPSP"), a defined contribution plan administered by Wachovia Corporation, which provides pension benefits for eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees may participate from the date of employment and vest at a rate of 20% for each year of service. The City also established a 401(k) Plan effective July 1, 1985. The plan is a defined contribution plan also administered by Wachovia Corporation, to provide pension benefits for all eligible employees. Employees participating in the 401(k) plan are immediately 100% vested.

Deferred Compensation Plan

In addition to the defined benefit and contribution plans, the City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code §457. The plan, available to all eligible City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency.

Additional information on the City of San Diego's pension activity may be found in Notes 12 and 13 of the notes to the financial statements.

Long-Term Financial Outlook

In fiscal year 2007, the City compiled a Five-Year Financial Outlook covering fiscal years 2008 through 2012. This document is an examination of the City's long range fiscal condition and financial challenges. During fiscal year 2007, the City experienced greater than anticipated revenue growth and less than anticipated expenditures. Additionally, the Fiscal Year 2008 Budget includes a pay raise for Police Officers Association members which were not included in the Five-Year Outlook. As a result, the City intends to update the Five-Year Outlook periodically to account for changed circumstances. In addition to other issues, the Financial Outlook concentrates on eight significant areas that must be addressed in order to restore and preserve the fiscal integrity and/or meet the legal obligations of the City. These eight significant areas are identified below:

1. Funding the City's Pension Plan.
2. Funding the City's General Fund reserves.
3. Funding deferred maintenance and capital improvement needs.
4. Funding the City's Post Employment Medical Program.
5. Funding the City's new obligations under Storm Water Runoff Permits.
6. Funding the City's Americans with Disabilities Act (ADA) obligations.
7. Funding the City's Workers' Compensation Fund.
8. Funding the City's Public Liability Fund.

The Financial Outlook relies on several assumptions, including revenue and expenditure growth estimates, to identify priorities to address in City Budgets over a five year period. The Financial Outlook assumes a significant financial commitment toward funding the aforementioned eight areas, and as part of that commitment, the Outlook projected an $87 million operating deficit for the fiscal year ended June 30, 2008. In subsequent periods, the Financial Outlook projects recurring operating deficits ranging from $173 million to $179 million, assuming that additional savings opportunities or revenue sources are not identified.

In order to address the projected operating deficits, the outlook discusses several potential corrective actions; however, these corrective actions are contingent on future events and City Council actions and as such, the Financial Outlook does not reflect a binding commitment of the City. The extent to which these corrective actions will mitigate future operating deficits as identified in the Financial Outlook is unknown as of the original issuance of this report. However, the City Council recently approved the Fiscal Year 2008 Appropriation Ordinance implementing the fiscal year 2008 budget which included several initiatives proposed by the Mayor in the Financial Outlook. Specifically, the appropriations ordinance reflected a balanced budget and the City's commitment to funding pension and other post employment healthcare liabilities.

The 2008 Budget contained appropriations to fund current year expenses and an additional $25 million set aside for the City's Other Post Employment Medical expenses. To date, the City has set aside $5 million in addition to the $25 million estimated to fund retiree healthcare, which is paid for on a pay-as-you-go basis. These funds have been transferred to a special revenue fund, which is separate from the existing Retiree Health Insurance Trust Fund used to pay retiree healthcare benefits, and the funds are maintained as part of the City Treasurer's investment portfolio. These assets are not in a trust vehicle established to protect and accumulate assets and accordingly can not yet be credited toward the City's annually required contribution for Retiree Healthcare liabilities in accordance with Governmental Accounting Board Standard 45.

The 2008 Budget also included appropriations for the City's full Annually Required Contribution of $137.7 million to the City's Pension plan plus $27.3 million in additional contributions. Amounts contributed in addition to the Annually Required Contribution will be credited to the City's NPO and UAAL.

In addition to the funding of pension and other post employment healthcare expenses, the City's 2008 budget included:

- An additional $18 million for compliance with Storm Water Permits.
- An additional $15.7 million for deferred maintenance.
- An additional $10 million for Americans with Disabilities Act Compliance.
- An additional $5 million in funding for Public Liability Reserves.
- A budgeted reserve contribution of $3.5 million.

Funding requirements for Workers' Compensation are planned to be addressed in fiscal year 2009, as discussed in the Five Year Financial Outlook, and were not addressed in the Fiscal Year 2008 Budget. In addition to the allocation of funds in the Fiscal Year 2008 Budget, the City Charter was recently amended to enable the City to contract for certain services, allowing a "Managed Competition" plan to be undertaken by the City. Managed Competition involves undertaking a review and redesign of how City services are delivered, with a goal of increasing the efficiency of City operations. Once completed and operating

segments have achieved the efficiency gains identified in the first step of the Managed Competition plan, operating segments are competed against private sector suppliers in an effort to determine the lowest cost approach to service delivery. If private sector suppliers are the lowest bidder, the services will be outsourced. The potential savings from Managed Competition and the effect on the projected deficits cannot be determined at this time.

Another key component of the corrective actions identified in the Financial Outlook is position eliminations. Position elimination goals are achieved through a combination of eliminating budgeted positions that were historically held vacant and through streamlining efforts known as Business Process Reengineering (BPR). The Financial Outlook projects the elimination of over nine hundred budgeted positions over the three year period from 2008 through 2010. In an effort to achieve the goals outlined in the Financial Outlook, the Fiscal Year 2008 budget process identified and eliminated over six hundred fifty budgeted positions citywide. As part of this citywide reduction, four hundred sixty five general fund positions were eliminated. As a result of position eliminations and restraint in hiring through Fiscal Year 2007, the City realized significant budgetary savings for personnel expenditures of approximately $34.6 million for the year ended June 30, 2007.

The City's Five-Year Financial Outlook can be obtained at the Financial Management Office, 202 C Street, MS8A, San Diego, CA 92101.

OTHER FINANCIAL INFORMATION

Independent Audits

The City Charter requires an annual audit by independent certified public accountants. The goal of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatements. An independent audit involves 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 the City; and evaluating the overall financial statement presentation. In addition, the City is required to undergo an annual Single Audit in conformity with the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations." As part of the City's Single Audit, tests are performed on internal control activities, including that portion related to federal award programs, to determine the City's compliance with applicable laws, regulations, contracts and grants.

As reported in the Auditor and Comptroller's Annual Reports on Internal Controls and the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year June 30, 2003, which were both presented to the City Council, the City's internal control framework contains material weaknesses and requires significant improvements in order to produce timely and accurate financial statements in a cost effective manner. The internal control weaknesses identified in those reports were a primary contributor to the need for restated fiscal year 2002 ending balances (as reported in the City's FY 2003 CAFR). These conclusions are supported by the findings and recommendations on the City's internal control framework and compliance with applicable laws and regulations provided by the City's independent auditors. The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year ended June 30, 2003 has been included as part of the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year ended June 30, 2004 also reported material weaknesses to the internal control framework; however, this report is not included in the fiscal year 2004 CAFR. Additionally, the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program, Internal Control Over Compliance and the Schedules of Expenditures of Federal Awards and Governor's Office of Emergency Services Grants in Accordance With OMB Circular A-133 for the fiscal years 2003 and 2004 reported compliance, in all material respects, with the requirements that are applicable to each of its major federal programs with the exception of five specific instances. City management is currently in the process of improving the internal controls over compliance in response to these issues. Both the CAFR and the Auditor and Comptroller's Annual Reports on Internal Controls for each calendar year can be obtained at the City of San Diego Auditor & Comptroller's Office, 202 C Street, MS6A, San Diego, CA 92101.

Cash Management

The City Treasurer is responsible for investment of the City's cash. Eligible investments include, but are not limited to, obligations of the U.S. Treasury and U.S. Agencies, demand deposits, negotiable certificates of deposit, bankers' acceptances, medium-term corporate notes, repurchase agreements, and commercial paper in compliance with Sections 53601-53635 of the State Government Code. The City's cash is invested under a pooled money concept, with maturities planned to coincide with projected needs, with the primary objective of preserving principal. During fiscal year 2005, the average daily pooled portfolio balance was approximately $1.24 billion, with a weighted average maturity of 487 days. Most of these monies are held in funds

that have restricted uses. The largest balances, for instance, are found in the utility funds. The average earned income yield on pooled investments was 2.07%, as compared to 1.75% in the prior year.

The City Treasurer's investment policy has an objective to minimize credit and market risks while maintaining a competitive yield on its portfolio. All non-negotiable time certificates of deposit and demand accounts in excess of the amounts insured by the Federal Deposit Insurance Corporation are required to be fully collateralized with mortgages or eligible securities in accordance with California State law. The City's investments are held by the City's custodian bank in the City's name, or the nominee name of the custodian bank, as collateral for a reverse repurchase agreement with the counterparty's custodian bank or with a third party trustee, e.g., California State Treasurer's Office.

Additional information on the City of San Diego's cash management activity may be found in Note 3 of the notes to the financial statements.

Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City has established various self-insurance programs and maintained contracts with various insurance companies to manage excessive risk. Additional information on the City of San Diego's risk activity may be found in Notes 15 and 16 of the notes to the basic financial statements.

Sincerely,

Jerry Sanders
Mayor

Jay M. Goldstone
Chief Operating Officer

Gregory Levin, CPA
Comptroller

City of San Diego Officials
As of June 30, 2005

Mayor and Council Members

Dick Murphy*, Mayor

Scott Peters, Councilmember District 1

Michael Zucchet*, Councilmember District 2

Toni Atkins, Councilmember District 3

Tony Young, Councilmember District 4

Brian Maienschein, Councilmember District 5

Donna Frye, Councilmember District 6

Jim Madaffer, Councilmember District 7

Ralph Inzunza*, Councilmember District 8

City Officials

P. Lamont Ewell*, City Manager

John Torell*, Auditor and Comptroller

Mary Vattimo*, City Treasurer

Michael Aguirre, City Attorney

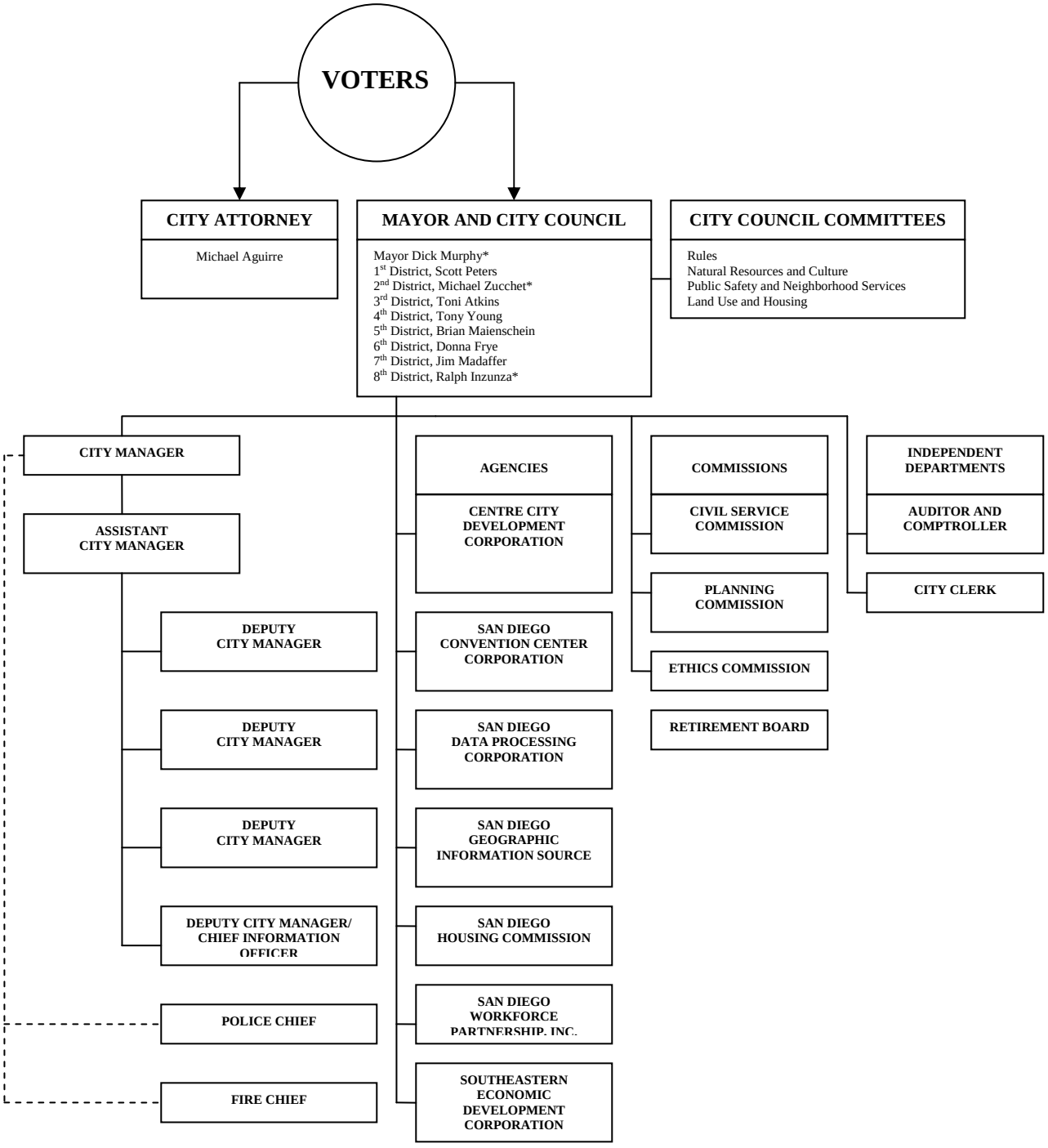
George I. Loveland*, Assistant City Manager

Charles G. Abdelnour*, City Clerk

* Individual is no longer an employee of the City.

City of San Diego Organization Chart

As of June 30, 2005



* Individual is no longer assuming responsibility of this position.

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Financial Section

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

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Los Angeles, CA 90071
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402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

Independent Auditor's Report

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

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, 2005, 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 statements reflect 89%, 95% and 85% of total assets, total net assets and total revenues, respectively, of the aggregate discretely presented component unit totals. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the San Diego Convention Center Corporation were not audited in accordance with *Government Auditing Standards.* An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, 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 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3.*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis, analysis of funding progress and general fund budgetary information on pages 35 through 48, 155 and 160 through 162, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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, except for the budgetary schedules on pages 208 through 215, 218 through 219 and 227, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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 on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 26, 2007 except for paragraph 22 of Note 12 and paragraphs 4, 7, 8, 12, 15,
and 28 through 37 of Note 18 as to which date is February 8, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(In Thousands)
June 30, 2005

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 fiscal year ended June 30, 2005.

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 themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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 2005. 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; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; and Neighborhood Services. The business-type activities of the City include: Airports; City Store; Development Services; Environmental Services; Golf Course; Recycling; Sewer Utility; and Water Utility.

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 government's operations and are combined with the primary government.

Included within the primary government as blended component units:

- Centre City Development Corporation
- 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
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority

- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation
- Community Facility and Other Special Assessment Districts

The government-wide financial statements can be found beginning on page 52 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 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 form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement 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 56 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. Internal Service funds, such as Central Garage and Machine Shop, Central Stores, Print Shop, and Self Insurance, are used to report activities that provide centralized supplies and services to the City. All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively Water and Sewer activities, has been included within business-type activities in the government-wide financial statements.

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 Water and Sewer funds, which are considered to be major funds of the City. Data from other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor business-type funds is provided in the form of combining statements elsewhere in this report. Internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary funds financial statements can be found beginning on page 60 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 statement because the resources of those funds are not available to support the City's programs. 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 63 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 65 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 benefits to its employees. Required supplementary information can be found beginning on page 155 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor business-type funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and the General Fund budgetary comparison statement. Combining and individual fund statements and schedules can be found 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	
	2005	2004	2005	2004	2005	2004
Capital Assets	$ 4,284,409	$ 4,146,158	$ 4,507,385	$ 4,417,208	$ 8,791,794	$ 8,563,366
Other Assets	1,337,369	1,231,985	647,459	773,434	1,984,828	2,005,419
Total Assets	5,621,778	5,378,143	5,154,844	5,190,642	10,776,622	10,568,785
Net Long-Term Liabilities	1,797,521	1,676,681	1,870,766	1,901,897	3,668,287	3,578,578
Other Liabilities	192,679	156,271	116,070	122,288	308,749	278,559
Total Liabilities	1,990,200	1,832,952	1,986,836	2,024,185	3,977,036	3,857,137
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,600,989	3,200,262	2,863,136	2,818,690	6,464,125	6,018,952
Restricted	246,308	491,722	32,929	30,409	279,237	522,131
Unrestricted	(215,719)	(146,793)	271,943	317,358	56,224	170,565
Total Net Assets	$ 3,631,578	$ 3,545,191	$ 3,168,008	$ 3,166,457	$ 6,799,586	$ 6,711,648

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 $6,799,586 at June 30, 2005, an increase of $87,938 over fiscal year 2004.

$6,464,125, or approximately 95%, 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally are not used to liquidate these liabilities.

$279,237, or approximately 4%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of $56,224, or approximately 1%, is available to finance ongoing services and obligations to the City's citizens and creditors.

Unrestricted Net Assets decreased by $114,341, or approximately 67%, primarily due to an increase in the Net Pension Obligation (approximately $58,000) as well as resources being utilized in the acquisition and construction of capital assets.

The deficit balance of ($215,719) in Governmental Activities Unrestricted Net Assets reflects the fact that governmental activities raise resources based on when liabilities are expected to be paid, rather than when they are incurred. Most governments normally do not have sufficient current resources on hand to cover current and long-term liabilities. This deficit in and of itself should not be considered an economic or financial difficulty; however, it does measure how far the City has committed the government's future taxing power for purposes other than capital acquisition.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues						
Charges for Current Services	$ 268,977	$ 214,101	$ 697,330	$ 636,375	$ 966,307	$ 850,476
Operating Grants and Contributions	109,268	95,202	2,028	1,483	111,296	96,685
Capital Grants and Contributions	134,702	91,981	63,830	133,586	198,532	225,567
General Revenues						
Property Taxes	329,659	278,804	-	-	329,659	278,804
Transient Occupancy Taxes	120,792	113,209	-	-	120,792	113,209
Other Local Taxes	152,577	139,748	-	-	152,577	139,748
Grants and Contributions not Restricted to Specific Programs	141,934	101,272	-	-	141,934	101,272
Sales Taxes	197,198	238,430	-	-	197,198	238,430
Investment Income	29,473	57,537	17,132	10,289	46,605	67,826
Other	52,979	38,476	8,815	5,451	61,794	43,927
Total Revenues	1,537,559	1,368,760	789,135	787,184	2,326,694	2,155,944
Expenses:						
General Government and Support	247,038	221,752	-	-	247,038	221,752
Public Safety-Police	372,230	361,501	-	-	372,230	361,501
Public Safety-Fire and Life Safety	186,203	173,311	-	-	186,203	173,311
Parks, Recreation, Culture and Leisure	218,601	204,736	-	-	218,601	204,736
Transportation	220,095	197,152	-	-	220,095	197,152
Sanitation and Health	45,088	44,925	-	-	45,088	44,925
Neighborhood Services	89,162	100,568	-	-	89,162	100,568
Interest on Long-Term Debt	73,381	71,588	-	-	73,381	71,588
Airports	-	-	3,196	7,384	3,196	7,384
City Store	-	-	808	858	808	858
Development Services	-	-	60,240	52,970	60,240	52,970
Environmental Services	-	-	43,711	40,602	43,711	40,602
Golf Course	-	-	8,585	7,572	8,585	7,572
Recycling	-	-	21,426	19,497	21,426	19,497
Sewer Utility	-	-	348,327	312,929	348,327	312,929
Water Utility	-	-	300,665	270,940	300,665	270,940
Total Expenses	1,451,798	1,375,533	786,958	712,752	2,238,756	2,088,285
Change in Net Assets Before Transfers:	85,761	(6,773)	2,177	74,432	87,938	67,659
Transfers	626	3,806	(626)	(3,806)	-	-
Net Change in Net Assets	86,387	(2,967)	1,551	70,626	87,938	67,659
Net Assets - July 1	3,545,191	3,548,158	3,166,457	3,095,831	6,711,648	6,643,989
Net Assets - June 30	$ 3,631,578	$ 3,545,191	$ 3,168,008	$ 3,166,457	$ 6,799,586	$ 6,711,648

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by $86,387 during fiscal year 2005. Variances from fiscal year 2004 of more than 10% are discussed below.

- Charges for Current Services increased by $54,876, or approximately 26%, primarily due to the reclassification of approximately $31,000 in General Fund Rents and Concessions revenue from General Revenues to Charges for Services, combined with a $4,500 increase in developer contributions for various transportation public improvement projects

throughout San Diego. In addition, Council approved a $25 processing fee on all new business tax applications and all Rental Unit Business Tax renewals, effective in fiscal year 2005, which resulted in a $3,100 increase in revenues.

- Operating Grants and Contributions increased by $14,066, or approximately 15%, primarily due to Homeland Security grants earned during fiscal year 2005 for equipment purchases and training, along with various other Police grants for crime prevention, gang suppression, and elder abuse prevention.

- Capital Grants and Contributions increased by $42,721, or approximately 46%, primarily due to increased developer contributions from various special assessment communities, primarily those of Carmel Valley and Pacific Highland Ranch.

- Property Tax revenue increased by $50,855, or approximately 18%, primarily due to the increase in assessed property valuations for both City and Redevelopment properties.

- Grants and Contributions not Restricted to Specific Programs increased by $40,662, or approximately 40%, and Sales Tax revenue decreased by $41,232, or approximately 17%. These offsetting variances are primarily due to the State of California's implementation of the "Triple-Flip." Beginning July 1, 2004, the State of California's portion of the statewide sales tax rate increased by .25%, and the local governments' portion decreased by .25%. The loss to local governments was offset with additional revenue classified as "In-Lieu Sales Tax" at the fund level, which is included with Grants and Contributions not Restricted to Specific Programs at the government-wide level.

- Investment Income decreased by $28,064, or approximately 49%, primarily due to the reclassification of the General Fund Rents and Concessions revenues from General Revenues to Charges for Services.

- Other revenue increased by $14,503, or approximately 38%, due to increased developer contributions from various special assessment communities, primarily those of Carmel Valley and Pacific Highland Ranch.

- General Government expense increased by $25,286, or approximately 11%, primarily due to the reclassification of all public liability claim expenses for governmental cases in the amount of $18,388. These expenses were classified as transfers to proprietary funds in fiscal year 2004, and were reclassified to general government expenses in fiscal year 2005.

- Transportation expense increased by $22,943, or approximately 12%, primarily due to continued increases for the second full year for the Underground Surcharge Program, along with increases in various transportation related public improvement projects throughout San Diego.

- Neighborhood Services expense decreased by $11,406, or approximately 11%, primarily due to the capitalization of a parking structure at 6th and K in the Centre City redevelopment project area. These capital expenditures were classified as Neighborhood Services in fiscal year 2004 rather than capital projects. This was corrected in fiscal year 2005.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by $1,551 during fiscal year 2005. Variances from fiscal year 2004 of more than 10% are discussed below.

- Charges for Current Services increased by $60,955, or approximately 10%, primarily due to a Water rate increase effective July 1, 2004, and a Sewer rate increase effective May 1, 2004.

- Operating Grants and Contributions increased by $545, or approximately 37%, primarily due to several grants received from the Department of Boating and Waterways for various reservoirs.

- Capital Grants and Contributions decreased by $69,756, or approximately 52%, primarily due to decreases in developer contributed infrastructure for Sewer and Water capital improvement projects in fiscal year 2005.

- Investment Income increased by $6,843, or approximately 67%, primarily due to changes in fair value and increased interest earnings.

- Other revenue increased by $3,364, or approximately 62%, primarily due to a claim settlement received by the Sewer Utility Fund for construction defects attributed to the Rose Canyon Trunk Sewer capital improvement project.

- Airports expense decreased by $4,188, or approximately 57%, primarily due to the fiscal year 2004 accrual of a lawsuit related to ongoing lease disputes.

- Development Services expense increased by $7,270, or approximately 14%, primarily due to continued increases related to the Fee Proposal approved by the City Council on May 20, 2003. The fee proposal necessitated increases in personnel and non-personnel expenses, in order to maintain service levels and fund new and expanded services.

- Golf Course expense increased by $1,013, or approximately 13%, primarily due to the City's acquisition of Mission Bay Golf Course operations, combined with increased maintenance costs at the Torrey Pines Golf Course.

- Recycling expense increased by $1,929, or approximately 10%, primarily due to the expansion of the Commercial and Industrial Recycling and the Curbside Recycling Collection Programs.

- Sewer expense increased by $35,398, or approximately 11%, primarily due to a $12,700 increase in depreciation expense, and a $10,600 increase in losses related to abandoned projects, infrastructure retirements, and retirements of developer contributed assets. Debt service interest expense also increase by approximately $6,300.

- Water expense increased by $29,725, or approximately 11%, primarily due to a $25,000 increase in losses related to abandoned projects and infrastructure retirements, and retirements of developer contributed assets.

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2005, the City's governmental funds reported combined ending fund balances of $999,614, an increase of $64,727 from fiscal year 2004. Approximately $609,307 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate 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. At the end of fiscal year 2005, undesignated fund balance of the General Fund was $41,593, while total fund balance was $61,048. This represents a $174 decrease from the fiscal year 2004 total fund balance.

PROPRIETARY FUNDS

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

As of the end of fiscal year 2005, unrestricted net assets of the Sewer Utility Fund are $109,263. The Sewer Utility's unrestricted net assets decreased approximately $39,184, mainly due to continued cash expenditures of approximately $107,967 for the capital improvement program. This was offset by various increases in operating revenues.

As of the end of fiscal year 2005, unrestricted net assets of the Water Utility Fund are $122,399. The Water Utility's unrestricted net assets decreased approximately $15,455, mainly due to continued cash expenditures of approximately $99,116 for the capital improvement program. This was offset by various increases in operating revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was $46,900 lower than the final budget due to an increase in appropriations primarily attributed to the following:

- $17,139 for General Government and Support. This increase was primarily due to a $12,534 increase in the Public Liability Reserve. There was also an increase due to Memoranda of Understanding executed by various General Fund departments to provide increased services to various City departments and agencies during the fiscal year. The Facilities Maintenance department was responsible for the majority of this increase. Additionally, all City departments received a budget increase to pay for retiree health costs.

- $11,551 for Public Safety - Police. $1,732 of the increase was to fund retiree health costs. $10,300 of the increase was due to additional operation services and expenditures, including overtime, data processing, and other supplies and services. $1,104 was due to additional services for programs reimbursable by grant funds, and services for special events.

- $9,923 for Public Safety – Fire and Life Safety and Homeland Security. This increase was due to additional services performed for the Emergency Medical Services department, higher than anticipated overtime, and annual leave payouts, special pay, and retiree health costs.

- $1,308 for Sanitation and Health. This increase was due to under funded disposal tipping fees, vehicle usage and assignment fees, overtime, and retiree health costs.

- $3,186 for Neighborhood Services. This increase was due primarily to additional services provided to the Redevelopment Agency and other City funds.

Actual revenues received for the General Fund were $3,266 more than budgeted. This was attributed to a combination of surpluses and shortfalls in several categories. Property Taxes were under budget by $52,140, and Revenues from Other Agencies were over budget by $48,808, both of which were caused by the State of California's implementation of the "Triple-Flip" and "Vehicle License Fees (VLF) Swaps" in fiscal year 2005. The effect of these State changes was a reduction in revenues received in both the Sales Tax and VLF categories. The loss of revenues in both categories was offset by an allocation from County Educational Revenue Augmentation Funds (ERAF). The City's original budget accounted for these revenues within the Property Tax category, when in fact the actual revenues are reported as In-Lieu Sales Tax and Revenue from Other Agencies.

Revenues from Use of Money and Property were under budget by $2,528 due to an alternative Tax and Revenue Anticipation Note issuance. Revenues from Federal Agencies were over budget by $4,403, primarily due to a large reimbursement from the Federal Emergency Management Agency (FEMA). Charges for Current Services were approximately $6,533 over budget, mainly due to services rendered to other funds.

Actual expenditures for the General Fund were $18,445 less than budgeted, primarily due to the City Manager's mandatory 5% savings plan enforced upon all General Fund departments.

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	
	2005	2004	2005	2004	2005	2004
Land, Easements, Rights of Way	$ 1,696,804	$ 1,643,517	$ 85,618	$ 85,303	$ 1,782,422	$ 1,728,820
Structures and Improvements	765,231	745,585	1,217,090	1,221,888	1,982,321	1,967,473
Equipment	123,672	123,387	127,388	126,702	251,060	250,089
Distribution and Collection Systems	-	-	2,581,105	2,521,598	2,581,105	2,521,598
Infrastructure	1,475,183	1,492,211	-	-	1,475,183	1,492,211
Construction-in-Progress	223,519	141,458	496,184	461,717	719,703	603,175
Totals	$ 4,284,409	$ 4,146,158	$ 4,507,385	$ 4,417,208	$ 8,791,794	$ 8,563,366

CAPITAL ASSETS

In accordance with GASB Statement No. 34, all major infrastructure assets (such as streets, signals, bridges, and drains) 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 will continue to be reported on a modified accrual basis at the fund level. Differences between the fund and government-wide statements reporting 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, 2005 was $8,791,794 (net of accumulated depreciation). The total increase in the City's investment in Capital Assets over fiscal year 2004 was approximately $228,428.

HIGHLIGHTS OF FISCAL YEAR 2005 CAPITAL IMPROVEMENT ACTIVITIES

Governmental Activities

- Construction continues on the Central Police Garage and Auto Maintenance Facility. This project will provide for the land development, design, and construction of a new Police Car and Motorcycle Maintenance Facility. The City's fiscal year 2005 capital expenditures for this project were $6,893.

- Construction continues on the North Torrey Pines Road Bridge. This project will provide for transitionally widening both road approaches and improving the structural integrity, functionality, and safety of the bridge. The City's fiscal year 2005 capital expenditures for this project were $5,790.

- Construction continues on the Mira Sorrento Place project. This project will provide for widening and extending Mira Sorrento Place to a four-lane collector street. Traffic flow on Scranton Road and Vista Sorrento Parkway will improve upon project completion. The City's fiscal year 2005 capital expenditures for this project were $3,755.

- Construction is nearing completion on the San Ysidro Fire Station #29. This project will provide a new 9,809 square foot fire station to replace the existing facility located at 179 West San Ysidro Blvd. The project is part of the Fire and Life Safety Services Facility Improvements Program. The City's fiscal year 2005 capital expenditures for this project were $2,535.

- Construction continued on the Breen Park Site. Upon completion this project will provide a new 10 acre neighborhood park in the Mira Mesa Community. The City's fiscal year 2005 capital expenditures for this project were $2,489. The project is entirely funded by the Mira Mesa Facilites Benefit Assessment.

- Construction continues on the Carmel Mountain Road - Interstate 5 Interchange project as of fiscal year 2007. This project provides for a diamond interchange at Interstate 5 and Carmel Mountain Road. This interchange will accommodate the increase in vehicular traffic created by development in the communities of Carmel Valley and Sorrento Hills. The City's fiscal year 2005 capital expenditures for this project were $1,321.

- Construction of the final section of the SR-56 Transportation Improvement Project was completed in July 2004. SR-56 is the only east-west freeway in the 25 mile gap between SR-78 and SR-52 in North San Diego County. The City's fiscal year 2005 capital expenditures for this project were $24,823.

- Construction continues on the Lincoln Park Fire Station #12. This project will provide for the complete reconstruction of the existing facility located at 4964 Imperial Avenue. The project is part of the Fire and Life Safety Services Facility Improvements Program. The City's fiscal year 2005 capital expenditures for this project were $2,319.

- Construction began on the Del Cerro Fire Station #31. This project will provide for the complete reconstruction of the existing facility located at 6002 Camino Rico, in the Navajo/Del Cerro Community. The project is part of the Fire and Life Safety Services Facility Improvements Program. The City's fiscal year 2005 capital expenditures for this project were $2,218.

- Construction began on the Serra Mesa/Kearny Mesa Branch Library. This project will provide for the construction of a new 15,000 square-foot library on the 8900 Block of Aero Drive. Upon completion the new facility will include additional meeting rooms, computer lab, separate children's area and quiet study areas. Additional parking has also been incorporated into the design of the new facility. Serra Mesa and Kearny Mesa Developer Impact fees are the primary funding sources for this project. The City's fiscal year 2005 capital expenditures for this project were $2,120.

Business-Type Activities

During fiscal year 2005 the Water Utility fund added approximately $89,908 in capital improvement projects (CIP). The first phase of construction on the Alvarado Water Treatment Plant Expansion and upgrade project was completed, which increased the plant's treatment capacity from 120 million gallons of water a day (MGD) to 150 MGD. Upgrades and expansion of the Miramar Water Treatment Plant continued, along with Water Main replacements. Capital asset write-offs for fiscal year 2005 were $26,385, and were primarily due to losses related to abandoned projects, and retirements of developer contributed assets.

During fiscal year 2005, the Sewer Utility Fund added approximately $65,700 in CIP, of which the Metropolitan system CIP increased approximately $13,300 and included the following major projects: Point Loma Digester S1 and S2 Upgrades, and the NCWRP Permanent Demineralization Facility. Municipal system CIP increased approximately $52,400 and included the following major projects: Otay Mesa Trunk Sewer, Carmel Valley Trunk Sewer, Sorrento Valley Trunk Sewer Relocation, Pump Station upgrades, and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2005 were $13,297, and were primarily due to losses related to abandoned projects, and retirements of developer contributed assets.

HIGHLIGHTS OF APPROVED FISCAL YEAR 2006 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

The Annual Approved Capital Improvements Budget for Fiscal Year 2006 is $389,600, which is a $193,700, or 12% decrease over the fiscal year 2005 budget of $583,300. Engineering & Capital Projects, and Library Projects comprise more than 39%, and 26% of the total CIP budget, respectively. Water and Sewer projects comprise over 12% of the total CIP budget. Funding for governmental projects include TransNet funds, Facilities Benefit Assessments, Developer Impact Fees, Developer Contributions, and Federal, State, local, and private contributions. Highlights of the key budgets by department are as follows:

Governmental Activities

- Engineering and Capital Projects: $149,800 (39% of total CIP budget). Key projects include the undergrounding of City utilities, which provides for underground conversion projects, to augment the California Public Utilities Commission

(CPUC) Rule 20A. Funding is also allocated for conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The $51,300 annual allocation to these projects is entirely funded by the Underground Surcharge Fund. Other significant projects include: $10,800 for debt service related to TransNet funded projects, $10,600 for improvements to La Jolla Village Drive at Interstate 805, $10,000 for TransNet Early Action Program, and $7,100 for improvements to West Mission Bay Drive Bridge over the San Diego River.

- Library: $99,900 (26% of total CIP budget). Major budgets in fiscal year 2006 are $69,500 for San Diego Main Library, $6,400 for Ocean Beach Branch Library, and $6,200 for the Mission Hills Branch Library.

- Parks and Recreation: $36,300 (9% of total CIP budget). Key budgets include: $4,900 for the Mira Mesa Community Park Expansion, $3,700 for Carmel Valley Community Park South - Recreation Blvd., and $2,500 for Torrey Pines Golf Course Clubhouse Replacement Phase I.

- San Diego Fire-Rescue: $31,100 (8% of total CIP budget). Key budgets include: $3,400 for the Paradise Hills Fire Station, $3,200 for the Point Loma Fire Station, and $2,200 for the North Pacific Beach Lifeguard Station.

Business-Type Activities

The fiscal year 2006 Water Utility CIP budget is $11,400, plus an additional $45,900 for phase funded projects. Significant projects include: $2,600 for the Water Department Security Upgrades, $2,200 for Del Mar Heights Pipeline Relocation, and replacing water mains citywide.

The fiscal year 2006 Metropolitan Wastewater Department CIP budget is $36,600. There are no phase funded projects budgeted for 2006. Significant projects include: $11,700 for continued sewer main replacements and upgrades to sewer infrastructure, $5,100 for CIP contingencies, and $4,400 for improvements to the Sorrento Valley Trunk Sewer.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Capital Lease Obligations	$ 30,647	$ 30,619	$ 3,521	$ 5,008	$ 34,168	$ 35,627
Contracts Payable	1,715	1,715	-	-	1,715	1,715
Notes Payable	7,924	5,998	-	-	7,924	5,998
Loans Payable	5,187	4,865	63,803	67,054	68,990	71,919
Section 108 Loans	42,858	44,917	-	-	42,858	44,917
SANDAG Loans	13,979	19,302	-	-	13,979	19,302
General Obligation Bonds	14,530	45,775	-	-	14,530	45,775
Revenue Bonds/COP's/ Lease Revenue Bonds	571,285	591,620	1,698,060	1,731,825	2,269,345	2,323,445
Special Assessment/ Special Tax Bonds	137,305	140,545	-	-	137,305	140,545
Tax Allocation Bonds	415,778	314,333	-	-	415,778	314,333
Totals	$ 1,241,208	$ 1,199,689	$ 1,765,384	$ 1,803,887	$ 3,006,592	$ 3,003,576

LONG-TERM DEBT

At the end of fiscal year 2005, the City, including blended component units, had total debt outstanding of approximately $3,006,592. Of this amount, $14,530 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's debt represents revenue bonds, lease revenue bonds, COPs, special assessment bonds, tax allocation bonds, contracts payable, notes payable, loans payable, Section 108 loans, capital lease obligations, and San Diego Association of Governments (SANDAG) loans.

Governmental Activities

- The City (RDA) issued $147,725 of Subordinate Tax Allocation and Tax Allocation Housing Bonds, of which 25% of the debt issued was for the purposes of financing redevelopment activities, including the development of low and moderate housing and making payments pursuant to an MOU with the San Diego Padres in connection with development of Petco Park; and 75% of the debt issued went towards the refunding of the outstanding Centre City Redevelopment Project Tax Allocation Bonds, Series 1993 A and B.

- Total principal payments for long-term debt were $84,355, which includes $1,491 recorded as principal payment for the amount transferred to escrow from resources other than the new debt proceeds issued for the purpose of refunding the Centre City Redevelopment Project Tax Allocation, Series 1993 A and B and $10,457 principal payments on capital leases comprised of $6,404 for the internal service fund capital leases and $4,053 for other governmental funds.

Business-Type Activities

- Total principal payments for long-term debt were $38,505, which includes $33,765 principal payments for the outstanding bonds, $3,252 payments on loans payable and $1,488 principal payment on capital leases.

The following are credit ratings changes that have occurred to date since July 1, 2003, pertaining to the City of San Diego's outstanding General Obligation bonds, Revenue Bonds, Lease Revenue Bonds, and COPs:

Moody's Investor's Service							
	July 1, 2003	Feb 2, 2004	Apr 6, 2004	Aug 12, 2004	Sept 24, 2004	Dec 3, 2004	Aug 2, 2005*
General Obligation Bonds	Aa1	Aa1	Aa1	Aa3	A1	A1	A3
General Fund Backed Lease Revenue Obligations	Aa3/A1	Aa3/A1	Aa3/A1	A2/A3	A3/Baa1	A3/Baa1	Baa2/Baa3
Outlook/Watch	Stable	Negative Outlook	Watchlist for Possible Downgrade	Stable	Negative Outlook	Negative Outlook	Negative Outlook
Wastewater System Obligations	A1	A1	A1	A1	A1	A1	A3
Water System Obligations	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	A2/A3
Outlook/Watch	Stable	Stable	Stable	Stable	Stable	Credit Watch Negative	Negative Outlook
** - Ratings were affirmed on February 16, 2006*							

Fitch Ratings					
	July 1, 2003	Feb 27, 2004	Sept 23, 2004	Feb 16, 2005	May 27, 2005
General Obligation Bonds	AAA	AA	AA	A	BBB+
General Fund Backed Lease Revenue Obligations	AA+	AA-	AA-	A-	BBB-
Outlook/Watch	Stable	Negative Outlook	Rating Watch Negative	Rating Watch Negative	Rating Watch Negative
Wastewater System Obligations	AA-	AA-	AA-	A	BBB+
Water System Obligations	AA-/A+	AA-/A+	AA-/A+	A/A-	BBB+/BBB
Outlook/Watch	Stable	Stable	Stable	Rating Watch Negative	Rating Watch Negative

Standard & Poor's			
	July 1, 2003	Feb 23, 2004	Sept 20, 2004
General Obligation Bonds	AA	AA-	Suspended
General Fund Backed Lease Revenue Obligations	AA-	A+	Suspended
Outlook/Watch	Stable	Negative Credit Watch	Negative Credit Watch
Wastewater System Obligations	A	A	Suspended
Water System Obligations	AA-/A+	AA-/A+	Suspended
Outlook/Watch	Stable	Negative Credit Watch	Negative Credit Watch

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's current outstanding general obligation balances as of June 30, 2005 are significantly less than the current debt limitations for water and other purposes, which are $19,695,851 and $13,130,568, respectively.

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, but an obligation payable from the revenues received by the utility. Section 90.2 authorizes the issuance of Revenue Bonds for the purpose of constructing improvements to the City's sewer system.

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 for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Auditor & Comptroller, 202 C Street, San Diego, California 92101 or e-mailed to the City Auditor and Comptroller at auditor@sandiego.gov. This financial report is also available on the City's website at www.sandiego.gov, under the Auditor and Comptroller department.

Basic Financial Statements

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STATEMENT OF NET ASSETS
June 30, 2005
(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	$ 933,862	$ 383,249	$ 1,317,111	$ 16,025	$ 52,054
Receivables:					
Taxes - Net	81,859	-	81,859	-	-
Accounts - Net of Allowance for Uncollectibles					
(Governmental $7,321, Business-Type $1,254)	27,364	77,929	105,293	3,204	1,161
Claims - Net	177	-	177	-	-
Contributions	250	-	250	-	-
Special Assessments - Net	1,270	-	1,270	-	-
Notes	38,277	-	38,277	-	110,190
Accrued Interest	5,762	3,763	9,525	-	10,689
Grants	47,452	2,406	49,858	-	-
From Other Agencies	-	-	-	-	6,701
Investment in Joint Venture	1,542	-	1,542	-	-
Advances to Other Agencies	2,527	-	2,527	-	-
Internal Balances	(1,053)	1,053	-	-	-
Inventories of Water in Storage	-	28,923	28,923	-	-
Inventories	2,622	564	3,186	-	67
Land Held for Resale	49,551	-	49,551	-	-
Prepaid Expenses	4,119	38	4,157	1,050	11
Restricted Cash and Investments	120,919	137,339	258,258	-	1,214
Deferred Charges	20,869	12,195	33,064	-	-
Capital Assets - Non-Depreciable	1,920,323	581,802	2,502,125	-	39,181
Capital Assets - Depreciable	2,364,086	3,925,583	6,289,669	14,010	43,559
TOTAL ASSETS	5,621,778	5,154,844	10,776,622	34,289	264,827

STATEMENT OF NET ASSETS
June 30, 2005
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
LIABILITIES					
Accounts Payable	$ 76,248	$ 51,249	$ 127,497	$ 4,472	$ 2,663
Accrued Wages and Benefits	48,357	16,655	65,012	1,014	1,815
Other Accrued Liabilities	26	60	86	2,057	475
Interest Accrued on Long-Term Debt	21,749	17,574	39,323	-	54
Long-Term Liabilities Due Within One Year	131,976	88,812	220,788	1,000	225
Due to Other Agencies	549	10,377	10,926	-	-
Unearned Revenue	17,783	8,450	26,233	7,815	116
Contract Deposits	-	8,249	8,249		
Sundry Trust Liabilities	4,542	-	4,542	-	-
Customer Deposits Payable	-	3,321	3,321	-	-
Deposits/Advances from Others	-	135	135	-	1,184
Land Acquisition Credits	23,425	-	23,425	-	-
Long-Term Liabilities Due After One Year:					
Arbitrage Liability	-	213	213	-	-
Compensated Absences	42,600	9,813	52,413	493	-
Liability Claims	174,642	44,421	219,063	-	-
Capital Lease Obligations	21,059	2,051	23,110	-	-
Contracts Payable	1,715	-	1,715	-	14,496
Notes Payable	7,889	-	7,889	4,500	-
Loans Payable	5,173	60,492	65,665	-	-
SANDAG Loans Payable	7,326	-	7,326	-	-
Section 108 Loans Payable	40,375	-	40,375	-	-
Net Bonds Payable	1,102,817	1,616,195	2,719,012	-	-
Accrued Interest	7,463	-	7,463	-	-
Estimated Landfill Closure and Postclosure Care	-	13,665	13,665	-	-
Net Pension Obligation	254,486	35,104	289,590	-	-
TOTAL LIABILITIES	1,990,200	1,986,836	3,977,036	21,351	21,028
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,600,989	2,863,136	6,464,125	8,510	68,018
Restricted for:					
Capital Projects	90,390	-	90,390	4,699	-
Debt Service	37,522	3,517	41,039	-	-
Permanent Endowments:					
Nonexpendable	13,908	-	13,908	-	-
Other	104,488	29,412	133,900	-	72,051
Unrestricted (Deficit)	(215,719)	271,943	56,224	(271)	103,730
TOTAL NET ASSETS	$ 3,631,578	$ 3,168,008	$ 6,799,586	$ 12,938	$ 243,799

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005
(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government and Support	$ 247,038	$ 100,887	$ 13,990	$ 7,509
Public Safety - Police	372,230	23,496	34,941	-
Public Safety - Fire and Life Safety	186,203	21,381	9,646	-
Parks, Recreation, Culture and Leisure	218,601	35,314	16,466	51,314
Transportation	220,095	30,625	621	47,468
Sanitation and Health	45,088	8,651	3,308	1,058
Neighborhood Services	89,162	48,623	30,296	11,253
Interest on Long-Term Debt	73,381	-	-	16,100
TOTAL GOVERNMENTAL ACTIVITIES	1,451,798	268,977	109,268	134,702
Business-Type Activities:				
Airports	3,196	4,151	-	450
City Store	808	807	-	-
Development Services	60,240	61,299	-	-
Environmental Services	43,711	41,944	104	-
Golf Course	8,585	12,625	-	-
Recycling	21,426	19,883	587	-
Sewer Utility	348,327	288,972	3	21,426
Water Utility	300,665	267,649	1,334	41,954
TOTAL BUSINESS-TYPE ACTIVITIES	786,958	697,330	2,028	63,830
TOTAL PRIMARY GOVERNMENT	$ 2,238,756	$ 966,307	$ 111,296	$ 198,532
Component Units:				
San Diego Convention Center Corporation	$ 32,802	$ 27,156	$ 3,504	$ 1,688
San Diego Housing Commission	141,018	18,372	152,817	1,328
TOTAL COMPONENT UNITS	$ 173,820	$ 45,528	$ 156,321	$ 3,016
General Revenues:				
Property Taxes				
Transient Occupancy Taxes				
Other Local Taxes				
Developer Contributions and Fees				
Grants and Contributions not Restricted to Specific Programs				
Sales Taxes				
Investment Income				
Gain on Sale of Capital Assets				
Miscellaneous				
Transfers				
TOTAL GENERAL REVENUES AND TRANSFERS				
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	
$ (124,652)	$ -	$ (124,652)	$ -	$ -	
(313,793)	-	(313,793)	-	-	
(155,176)	-	(155,176)	-	-	
(115,507)	-	(115,507)	-	-	
(141,381)	-	(141,381)	-	-	
(32,071)	-	(32,071)	-	-	
1,010	-	1,010	-	-	
(57,281)	-	(57,281)	-	-	
(938,851)	-	(938,851)	-	-	
-	1,405	1,405	-	-	
-	(1)	(1)	-	-	
-	1,059	1,059	-	-	
-	(1,663)	(1,663)	-	-	
-	4,040	4,040	-	-	
-	(956)	(956)	-	-	
-	(37,926)	(37,926)	-	-	
-	10,272	10,272	-	-	
-	(23,770)	(23,770)	-	-	
$ (938,851)	$ (23,770)	$ (962,621)	$ -	$ -	
$ -	$ -	$ -	$ (454)	$ -	
-	-	-	-	31,499	
$ -	$ -	$ -	$ (454)	$ 31,499	
329,659	-	329,659	-	-	
120,792	-	120,792	-	-	
152,577	-	152,577	-	-	
47,063	-	47,063	-	-	
141,934	-	141,934	-	-	
197,198	-	197,198			
29,473	17,132	46,605	16	3,637	
684	-	684	-	3,528	
5,232	8,815	14,047	-	-	
626	(626)	-	-	-	
1,025,238	25,321	1,050,559	16	7,165	
86,387	1,551	87,938	(438)	38,664	
3,545,191	3,166,457	6,711,648	13,376	205,135	
$ 3,631,578	$ 3,168,008	$ 6,799,586	$ 12,938	$ 243,799	

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 32,966	$ 811,375	$ 844,341
Receivables:			
Taxes - Net	65,056	16,803	81,859
Accounts - Net of Allowance for Uncollectibles (General Fund $6,513, Other Governmental $808)	14,823	8,078	22,901
Claims - Net	31	135	166
Special Assessments - Net	-	1,270	1,270
Notes	-	38,277	38,277
Accrued Interest	891	4,832	5,723
Grants	-	47,452	47,452
From Other Funds	16,275	87,992	104,267
Investment in Joint Venture	1,542	-	1,542
Restricted Cash and Investments	-	120,791	120,791
Advances to Other Funds	300	3,470	3,770
Advances to Other Agencies	-	2,527	2,527
Land Held for Resale	-	49,551	49,551
Prepaid Items	778	1,802	2,580
TOTAL ASSETS	$ 132,662	$ 1,194,355	$ 1,327,017
LIABILITIES			
Accounts Payable	$ 5,054	$ 59,668	$ 64,722
Accrued Wages and Benefits	40,960	2,531	43,491
Other Accrued Liabilities	-	26	26
Due to Other Funds	-	107,431	107,431
Due to Other Agencies	-	549	549
Unearned Revenue	1,151	16,585	17,736
Deferred Revenue	23,464	54,146	77,610
Interfund Interest Payable	-	668	668
Interfund Loan Payable	-	5,873	5,873
Advances from Other Funds	985	3,770	4,755
Sundry Trust Liabilities	-	4,542	4,542
TOTAL LIABILITIES	71,614	255,789	327,403

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND EQUITY:			
Fund Balances:			
Reserved for Land Held for Resale	-	48,224	48,224
Reserved for Encumbrances	15,659	173,667	189,326
Reserved for Advances and Deposits	300	5,923	6,223
Reserved for Low and Moderate Income Housing	-	23,633	23,633
Reserved for Permanent Endowments	-	13,908	13,908
Reserved for Debt Service	-	107,451	107,451
Reserved for Minority Interest in Joint Venture	1,542	-	1,542
Unreserved, Reported in General Fund:			
Designated for Subsequent Years' Expenditures	1,954	-	1,954
Undesignated	41,593	-	41,593
Unreserved, Reported in:			
Special Revenue Funds	-	284,818	284,818
Debt Service Funds	-	13	13
Capital Projects Funds	-	279,866	279,866
Permanent Funds	-	1,063	1,063
TOTAL FUND EQUITY	61,048	938,566	999,614
TOTAL LIABILITIES AND FUND EQUITY	$ 132,662	$ 1,194,355	

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.	4,199,247
Other assets and liabilities used in governmental activities are not financial resources, and therefore, are not reported in the funds.	98,479
Liabilities for Facilities Benefit Assessments (FBA) credits and land acquisition credits which are earned by developers but not taken are not reported in the funds.	(23,425)
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Print Shop, and Central Stores to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Assets.	(68,336)
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,574,001)
Net Assets of governmental activities	$ 3,631,578

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, 2005
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 223,500	$ 102,357	$ 325,857
Special Assessments	-	30,263	30,263
Sales Taxes	95,376	101,822	197,198
In-Lieu Sales Taxes	48,220	-	48,220
Transient Occupancy Taxes	63,910	57,702	121,612
Other Local Taxes	73,456	79,120	152,576
Licenses and Permits	28,459	12,265	40,724
Fines, Forfeitures and Penalties	31,857	2,049	33,906
Revenue from Use of Money and Property	33,015	44,499	77,514
Revenue from Federal Agencies	6,888	59,395	66,283
Revenue from Other Agencies	74,571	69,068	143,639
Revenue from Private Sources	-	91,354	91,354
Charges for Current Services	105,293	33,501	138,794
Other Revenue	2,778	8,740	11,518
TOTAL REVENUES	787,323	692,135	1,479,458
EXPENDITURES			
Current:			
General Government and Support	164,892	71,814	236,706
Public Safety - Police	319,631	27,728	347,359
Public Safety - Fire and Life Safety	158,668	19,885	178,553
Parks, Recreation, Culture and Leisure	106,274	74,053	180,327
Transportation	21,448	119,156	140,604
Sanitation and Health	41,024	3,303	44,327
Neighborhood Services	25,137	77,098	102,235
Capital Projects	-	175,493	175,493
Debt Service:			
Principal Retirement	2,381	75,571	77,952
Interest	1,811	66,390	68,201
TOTAL EXPENDITURES	841,266	710,491	1,551,757
DEFICIENCY OF REVENUES OVER EXPENDITURES	(53,943)	(18,356)	(72,299)
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	7,039	3,595	10,634
Transfers from Other Funds	58,913	298,349	357,262
Transfers to Proprietary Funds	(1,185)	(1,181)	(2,366)
Transfers to Other Funds	(14,276)	(342,986)	(357,262)
Transfers to Escrow Agent	-	(32,011)	(32,011)
Net Income from Joint Venture	20	-	20
Capital Leases	3,258	-	3,258
Notes Payable Issued	-	2,100	2,100
Loans Payable Issued	-	3,335	3,335
Tax Allocation Bonds Issued	-	147,725	147,725
Discount on Bonds Issued	-	(11)	(11)
Premium on Bonds Issued	-	4,342	4,342
TOTAL OTHER FINANCING SOURCES (USES)	53,769	83,257	137,026
NET CHANGE IN FUND BALANCES	(174)	64,901	64,727
Fund Balances at Beginning of Year	61,222	873,665	934,887
FUND BALANCES AT END OF YEAR	$ 61,048	$ 938,566	$ 999,614

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

City of San Diego
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2005
(In Thousands)

Net change in fund balances - total governmental funds (page 58)	$ 64,727
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.	135,885
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to increase net assets.	7,791
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(6,634)
Revenue recognized at the fund level provides a current financial resource to governmental funds, while the offseting land acquisition credit results in a decrease to net assets.	(400)
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.	(46,455)
Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absenses, net pension obligation), and therefore are not accrued as expenses in governmental funds.	(58,354)
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Print Shop, Central Stores, Self Insurance, and others to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.	(10,173)
Change in net assets of governmental activities (page 55)	$ 86,387

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2005
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and Investments	$ 174,763	$ 117,892	$ 84,500	$ 377,155	$ 95,615
Receivables:					
Accounts - Net of Allowance for Uncollectibles (Sewer $491, Water $763, Internal Service $664)	31,320	42,973	3,636	77,929	4,463
Claims - Net	-	-	-	-	11
Contributions	-	-	-	-	250
Accrued Interest	1,685	1,110	947	3,742	60
Grants	1	2,319	86	2,406	-
From Other Funds	-	-	3,164	3,164	-
Inventories of Water in Storage	-	28,923	-	28,923	-
Inventories	-	478	86	564	2,622
Prepaid Expenses	-	5	33	38	1,539
Total Current Assets	207,769	193,700	92,452	493,921	104,560
Non-Current Assets:					
Restricted Cash and Investments	21,062	87,070	29,207	137,339	128
Advances to Other Funds	341	644	-	985	-
Deferred Charges	7,206	4,989	-	12,195	-
Interfund Interest Receivable	-	668	-	668	-
Interfund Loan Receivable	3,487	2,386	-	5,873	-
Capital Assets - Non-Depreciable	204,389	354,052	23,361	581,802	1,984
Capital Assets - Depreciable	2,650,468	1,204,453	70,333	3,925,254	83,507
Total Non-Current Assets	2,886,953	1,654,262	122,901	4,664,116	85,619
TOTAL ASSETS	3,094,722	1,847,962	215,353	5,158,037	190,179
LIABILITIES					
Current Liabilities:					
Accounts Payable	17,424	31,130	2,469	51,023	11,752
Accrued Wages and Benefits	6,732	3,835	4,932	15,499	6,022
Other Accrued Liabilities	-	-	60	60	-
Interest Accrued on Long-Term Debt	6,398	11,139	37	17,574	145
Long-Term Debt Due Within One Year	72,648	11,652	4,005	88,305	53,363
Due to Other Agencies	7,980	2,380	17	10,377	-
Unearned Revenue	4	3,618	4,828	8,450	47
Contract Deposits	2,478	5,647	124	8,249	-
Customer Deposits Payable	-	3,321	-	3,321	-
Total Current Liabilities	113,664	72,722	16,472	202,858	71,329
Non-Current Liabilities:					
Deposits/Advances from Others	-	-	135	135	-
Arbitrage Liability	26	187	-	213	-
Compensated Absences	3,267	2,624	3,268	9,159	3,930
Liability Claims	42,108	2,313	-	44,421	174,642
Capital Lease Obligations	-	-	2,051	2,051	10,932
Loans Payable	60,492	-	-	60,492	-
Net Revenue Bonds Payable	1,054,463	561,732	-	1,616,195	-
Estimated Landfill Closure and Postclosure Care	-	-	13,665	13,665	-
Net Pension Obligation	11,841	9,433	11,080	32,354	6,168
Total Non-Current Liabilities	1,172,197	576,289	30,199	1,778,685	195,672
TOTAL LIABILITIES	1,285,861	649,011	46,671	1,981,543	267,001
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,698,914	1,073,719	90,174	2,862,807	68,694
Restricted for Debt Service	684	2,833	-	3,517	-
Restricted for Closure/Postclosure Maintenance	-	-	29,412	29,412	-
Unrestricted	109,263	122,399	49,096	280,758	(145,516)
TOTAL NET ASSETS	$ 1,808,861	$ 1,198,951	$ 168,682	3,176,494	$ (76,822)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(8,486)	
Net assets of business-type activities				$ 3,168,008	

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, 2005
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Sales of Water	$ -	$ 245,287	$ -	$ 245,287	$ -
Charges for Services	283,423	1,027	78,665	363,115	174,128
Revenue from Use of Property	-	4,701	-	4,701	-
Usage Fees	-	1,756	60,251	62,007	43,609
Other	5,549	14,878	1,793	22,220	5,668
TOTAL OPERATING REVENUES	288,972	267,649	140,709	697,330	223,405
OPERATING EXPENSES					
Benefit and Claim Expenses	-	-	-	-	74,448
Maintenance and Operations	112,548	92,959	91,694	297,201	50,638
Cost of Materials Issued	-	-	346	346	26,547
Cost of Purchased Water Used	-	102,096	-	102,096	-
Taxes	-	1,457	-	1,457	-
Administration	89,634	37,762	35,289	162,685	57,672
Depreciation	74,863	27,277	9,177	111,317	18,265
TOTAL OPERATING EXPENSES	277,045	261,551	136,506	675,102	227,570
OPERATING INCOME (LOSS)	11,927	6,098	4,203	22,228	(4,165)
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	7,015	7,258	2,807	17,080	1,142
Federal Grant Assistance	3	640	138	781	-
Other Agency Grant Assistance	-	694	553	1,247	-
Gain (Loss) on Sale/Retirement of Capital Assets	(13,297)	(26,141)	(1,328)	(40,766)	684
Debt Service Interest Expense	(57,668)	(12,737)	(181)	(70,586)	(649)
Other	7,394	32	1,381	8,807	183
TOTAL NONOPERATING REVENUES (EXPENSES)	(56,553)	(30,254)	3,370	(83,437)	1,360
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(44,626)	(24,156)	7,573	(61,209)	(2,805)
Capital Contributions	21,426	41,954	450	63,830	-
Transfers from Other Funds	504	3,377	252	4,133	1,413
Transfers from Governmental Funds	-	27	1,324	1,351	1,016
Transfers to Other Funds	(598)	(319)	(400)	(1,317)	(4,229)
Transfers to Governmental Funds	(1,383)	(1,046)	(2,352)	(4,781)	(6,024)
CHANGE IN NET ASSETS	(24,677)	19,837	6,847	2,007	(10,629)
Net Assets at Beginning of Year	1,833,538	1,179,114	161,835		(66,193)
NET ASSETS AT END OF YEAR	$ 1,808,861	$ 1,198,951	$ 168,682		$ (76,822)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(456)	
Change in net assets of business-type activities				$ 1,551	

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2005
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 283,700	$ 255,450	$ 114,438	$ 653,588	$ 197,735
Receipts from Interfund Services Provided	4,333	2,681	26,898	33,912	24,850
Payments to Suppliers	(83,479)	(151,214)	(42,996)	(277,689)	(83,800)
Payments to Employees	(81,593)	(61,777)	(74,684)	(218,054)	(102,811)
Payments for Interfund Services Used	(35,696)	(18,230)	(8,511)	(62,437)	(2,119)
NET CASH PROVIDED BY OPERATING ACTIVITIES	87,265	26,910	15,145	129,320	33,855
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	485	3,341	252	4,078	1,413
Transfers from Governmental Funds	-	26	1,324	1,350	1,016
Transfers Out	(592)	(300)	(400)	(1,292)	(4,199)
Transfers to Governmental Funds	(1,306)	(1,030)	(2,300)	(4,636)	(5,997)
Operating Grants Received	32	1,431	1,166	2,629	-
Proceeds from Advances and Deposits	155	218	215	588	69
NET CASH (USED FOR) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(1,226)	3,686	257	2,717	(7,698)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Contracts, Notes and Loans	470	-	-	470	-
Proceeds from Contributed Capital	18,829	21,630	450	40,909	-
Acquisition of Capital Assets	(106,415)	(115,633)	(3,756)	(225,804)	(8,176)
Proceeds from the Sale of Capital Assets	-	244	-	244	1,499
Principal Payments on Capital Leases	-	-	(1,487)	(1,487)	(6,405)
Principal Payments on Contracts, Notes and Loans	(3,721)	-	-	(3,721)	-
Principal Payments on Revenue Bonds	(26,120)	(7,645)	-	(33,765)	-
Interest Paid on Long-Term Debt	(56,713)	(12,871)	(152)	(69,736)	(673)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(173,670)	(114,275)	(4,945)	(292,890)	(13,755)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	1,042,220	1,001,754	-	2,043,974	-
Purchases of Investments	(1,004,341)	(947,317)	-	(1,951,658)	-
Interest Received on Investments	5,984	6,290	2,133	14,407	1,099
NET CASH PROVIDED BY INVESTING ACTIVITIES	43,863	60,727	2,133	106,723	1,099
Net (Decrease) Increase in Cash and Cash Equivalents	(43,768)	(22,952)	12,590	(54,130)	13,501
Cash and Cash Equivalents at Beginning of Year	218,531	144,314	101,117	463,962	82,242
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 174,763	$ 121,362	$ 113,707	$ 409,832	$ 95,743
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:					
Cash and Investments	$ 174,763	$ 117,892	$ 84,500	$ 377,155	$ 95,615
Cash & Investments in Trust Funds	21,062	87,070	29,207	137,339	128
Less Investments not meeting the definition of cash equivalents	(21,062)	(83,600)	-	(104,662)	-
Total Cash and Cash Equivalents at End of Year	$ 174,763	$ 121,362	$ 113,707	$ 409,832	$ 95,743
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:					
Operating Income (Loss)	$ 11,927	$ 6,098	$ 4,203	$ 22,228	$ (4,165)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Depreciation	74,863	27,277	9,177	111,317	18,265
Changes in Assets and Liabilities:					
(Increase) Decrease in Receivables:					
Accounts - Net	(8,506)	(10,308)	(1,253)	(20,067)	(1,126)
Claims - Net	-	-	-	-	29
From Other Funds	-	-	(469)	(469)	-
(Increase) Decrease in Inventories and Inventories in Water Storage	-	1,742	4	1,746	105
(Increase) Decrease in Prepaid Expenses	6	11	(27)	(10)	95
Increase (Decrease) in Accounts Payable	(4,251)	(1,321)	477	(5,095)	2,645
Increase (Decrease) in Advances	-	-	-	-	24
Increase (Decrease) in Accrued Wages and Benefits	579	493	682	1,754	1,096
Increase (Decrease) in Other Accrued Liabilities	-	-	(3,510)	(3,510)	-
Increase (Decrease) in Liability Claims	1,891	(181)	-	1,710	15,452
Increase (Decrease) in Compensated Absences	279	258	373	910	97
Increase (Decrease) in Due to Other Funds	-	-	(69)	(69)	-
Increase (Decrease) in Due to Other Agencies	656	290	7	953	-
Increase (Decrease) in Unearned Revenue	(6)	811	972	1,777	(16)
Increase (Decrease) in Contract Deposits	179	(36)	(4)	139	
Increase (Decrease) in Arbitrage Liability	9	(17)	-	(8)	-
Increase (Decrease) in Net Pension Obligation	2,245	1,761	2,215	6,221	1,171
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care	-	-	986	986	-
Other Nonoperating Revenue (Expenses)	7,394	32	1,381	8,807	183
Total Adjustments	75,338	20,812	10,942	107,092	38,020
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 87,265	$ 26,910	$ 15,145	$ 129,320	$ 33,855
Noncash Investing, Capital, and Financing Activites:					
Capital Leases	$ -	$ -	$ -	$ -	$ 7,228
Developer Contributed Assets	2,597	19,950	-	22,547	-
Decrease in Capital Assets related Accounts Payable	(5,211)	(630)	-	(5,841)	-
Change in Fair Value of Investments	-	(250)	-	(250)	-

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005
(In Thousands)

	Pension Trust	Investment Trust Fund	Agency
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 2,648	$ 13,159	$ 29,727
Cash with Custodian/Fiscal Agent	438,782	-	-
Investments at Fair Value:			
Short Term Investments	148,312	-	-
Domestic Fixed Income Securities (Bonds)	650,394	-	-
International Fixed Income Securities (Bonds)	166,572	-	-
Domestic Equity Securities (Stocks)	1,408,072	-	-
International Equity Securities (Stocks)	580,215	-	-
Mortgages	9	-	-
Real Estate Equity and Real Estate Securities	317,941	-	-
Defined Contribution Investments (Collective Funds & Mutual Funds)	584,017	-	-
Receivables:			
Accounts - Net	-	-	72
Contributions	39,356	-	-
Accrued Interest	12,478	94	10
Accrued Taxes - Net	-	-	3
Loans	25,096	-	-
Securities Sold	85,819	-	-
Securities Lending Collateral	434,364	-	-
Restricted Cash and Investments	-	-	24,752
Capital Assets - Depreciable	141	-	-
TOTAL ASSETS	4,894,216	13,253	54,564
LIABILITIES			
Accounts Payable	4,308	-	-
Accrued Wages and Benefits	703	-	-
Due to Component Unit	-	-	2,869
Deposits/Advances from Others	-	-	15,628
Sundry Trust Liabilities	-	-	36,067
DROP Liabilities	228,511	-	-
Net Pension Obligation	600	-	-
Securities Lending Obligations	434,364	-	-
Securities Purchased	161,568	-	-
TOTAL LIABILITIES	830,054	-	$ 54,564
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	4,064,162	-	
Held in Trust for Pooled Participants	-	13,253	
TOTAL NET ASSETS	$ 4,064,162	$ 13,253	

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2005
(In Thousands)

	Pension Trust	Investment Trust	Total
ADDITIONS			
Employer Contributions	$ 210,970	$ -	$ 210,970
Employee Contributions	120,339	-	120,339
Beneficiary Contributions	5,978	-	5,978
Contributions to Pooled Investments	-	19,682	19,682
Earnings on Investments:			
Investment Income	399,150	315	399,465
Investment Expense	(16,331)	-	(16,331)
Net Investment Income	382,819	315	383,134
Securities Lending:			
Gross Earnings	8,045	-	8,045
Borrow Rebates	(6,815)	-	(6,815)
Administrative Expenses (Lending Agent)	(332)	-	(332)
Net Securities Lending Income	898	-	898
TOTAL OPERATING ADDITIONS	721,004	19,997	741,001
DEDUCTIONS			
DROP Interest Expense	16,520	-	16,520
Benefit and Claim Payments	297,382	-	297,382
Distributions from Pooled Investments	-	19,412	19,412
Administration	11,960	-	11,960
TOTAL OPERATING DEDUCTIONS	325,862	19,412	345,274
CHANGE IN NET ASSETS	395,142	585	395,727
Net Assets at Beginning of Year	3,669,020	12,668	3,681,688
NET ASSETS AT END OF YEAR	$ 4,064,162	$ 13,253	$ 4,077,415

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In Thousands)

The City of San Diego (the "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 several times. The most recent amendments were added by vote during the November 2004 election and took effect in January 2006. During the period reported, the City was governed by an elected nine member City Council, including the Mayor. Residents of the City are provided with a wide range of services including parks, recreation, police, fire, water and sewer services.

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. Component units should be included in the reporting entity financial statements using the blending method if either of the following criteria are 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:

- Centre City Development Corporation
- 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
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation
- San Diego City Employees' Retirement System
- Community Facility and Other Special Assessment Districts

A brief description of each blended component unit follows:

- Centre City Development Corporation, Inc. ("CCDC") 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 Redevelopment Agency of the City of San Diego. CCDC's budget and governing board are approved by the City Council and services are provided exclusively to the primary government. CCDC is reported as a governmental fund. Financial statements can be requested from Centre City Development Corporation, 225 Broadway, Suite 1100, San Diego, California 92101.

- The City of San Diego/Metropolitan Transit Development Board Authority (The "MTDB Authority") is a financing authority which was established in 1988 and acquires and constructs mass transit guideways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The City appoints two Council members to the governing board and the MTDB Authority appoints one. The MTDB Authority primarily provides services to the primary government. The MTDB Authority is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The Convention Center Expansion Financing Authority (The "CCEFA") was established in 1996 to acquire and construct the expansion to the existing convention center. During the period reported, the governing board was administered by the Mayor, the City Manager, the District Director and a member of the Board of District Commissioners. The CCEFA provides services which primarily benefit the primary government. The CCEFA is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The Public Facilities Financing Authority (The "PFFA") was established in 1991 and currently acquires and constructs public capital improvements. PFFA is governed by a five member board appointed by the primary government. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for business-type funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The Redevelopment Agency (The "RDA") of the City of San Diego 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 is the governing board and the RDA is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- 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 can be requested from San Diego Data Processing Corporation, 5975 Santa Fe Street, San Diego, California 92109.

- The San Diego Facilities and Equipment Leasing Corporation (The "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 City Council appoints two of the three members of the governing board and services are exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for proprietary funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Industrial Development Authority (The "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. The SDIDA is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Open Space Park Facilities District #1 (The "SDOSPFD") was established in 1978 by the City for the purpose of acquiring open space properties to implement the Open Space Element of the City's General Plan. The boundaries are contiguous with those of the City. The City Council is the governing board. The SDOSPFD is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- 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 provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. SEDC's governing board is appointed by the City Council and services are provided either to the City or on behalf of the City. SEDC is reported as a governmental fund. Financial statements can be requested from the Southeastern Economic Development Corporation, 995 Gateway Center Way, Suite 300, San Diego, California 92102.

- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and provides retirement, health insurance, disability, and death benefits. Currently, SDCERS also administers the Unified Port District and the San Diego County Regional Airport Authority 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. SDCERS provides services almost exclusively to the primary government. Additionally, during the period reported, SDCERS utilized legal counsel independent of the City of San Diego. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports.

  SDCERS is reported as a pension and employee savings trust fund. Complete stand-alone financial statements can be requested from the San Diego City Employees' Retirement System, 401 West A Street, Suite 400, San Diego, California 92101.

- The City maintains various Community Facility, Maintenance Assessment and Business Improvement Districts to pay for the construction, maintenance and improvement of community facilities and infrastructure. The governing body of Special Assessment Districts and Community Facilities Districts (special districts) is the City's governing body. Among its duties, it approves the special districts budgets, parcel fees, special assessments, and special taxes. The special districts are reported in governmental fund types.

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. On July 1, 1993, SDCCC assumed similar responsibility for the San Diego Concourse. The City is a

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 is liable for any operating deficits and would be secondarily liable for any debt issuances of SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, California 92101.

- 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. Members of the Board of Commissioners are appointed by the Mayor and confirmed by the City Council. SDHC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.

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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. 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 are 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 have been met.

The government-wide 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") and Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

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 government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively water and sewer activities, has been included within business-type activities in the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. General revenues include all taxes and investment income.

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, charges for services, 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 are recognized during the current period.

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, other governmental units, and/or other funds, and include pension and employee savings trust,

investment trust, and agency funds. Pension and Employee Savings 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.

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 and Employee Savings Trust Funds - These funds account for the City Employees' Retirement System, the Supplemental Pension Savings 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 Automated Regional Justice Information System (ARJIS), the San Diego Graphic Information Source (SanGIS), and the Abandoned Vehicle Abatement (AVA) are all legally separate entities which have cash invested in the City Treasurer's investment pool.

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, and certain employee benefit plans.

d. Property Taxes

The County of San Diego (the "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 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 rise 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 this date 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 of 3% of the outstanding balance which reflects historical collections.

e. Cash and Investments

The City's cash and cash equivalents for statement of cash flow 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 market 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 a maturity date greater than 90 days.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer (the pool). The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it a 2a7–like pool. The investment activities of the Treasurer in managing the pool are governed by California Government Code § 53601 and the City's Investment Policy which is reviewed by the Investment Advisory Committee and approved annually by 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 market 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 is equal to the fair market 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 expressly stated in the resolutions creating individual funds. During the fiscal year ended June 30, 2005, approximately $1,600 of interest was assigned from various funds to the General Fund. These transactions caused an increase to the "transfers from" amount for the General Fund and caused a like increase to the "transfer to" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an increase to the "transfers from" amount for the fund transferring the negative interest and caused a like increase to the "transfer to" 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 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.* Deposit and investment risks are disclosed in Note 3 of the notes to

the financial statements in accordance with GASB 40, *Deposit and Investment Risk Disclosures*. GASB 40 was implemented to communicate deposit and investment risks to financial statement users. Common risk disclosures include interest rate risk, credit risk, concentration of credit risk, and foreign currency risk. The provisions of GASB 40 are effective for financial statement periods beginning after June 15, 2004. Note 3 also contains additional information on permissible investments per the City investment policy and other policies applicable to the cash and investments reported herein.

SDCERS' Board discharges their fiduciary duties in accordance with Article XVI, Section 17 of the California State Constitution and the "Prudent Expert Rule" under the Employee Retirement Income Security Act of 1974 (ERISA). 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 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. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consist of water in storage and supplies, 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, respectively. Inventory supplies of governmental funds are recorded as expenditures when purchased.

g. Land Held for Resale

Land Held for Resale, purchased by the Redevelopment Agency, is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental fund financial statements, fund balances are reserved in an amount equal to the carrying value of land held for resale, with the exception of an interfund payable due to the water utility fund of $1,327, because such assets are not available to finance the Redevelopment Agency's current operations.

h. 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 yield method.

i. Capital Assets

Non-depreciable Capital Assets, which include land and construction-in-progress, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, net of accumulated depreciation. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of equipment outlay, must equal or exceed a capitalization threshold of five thousand dollars. All other capital assets such as land, structures, infrastructure, and distribution and collection systems are 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 expenses incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the asset constructed. During fiscal year 2005, $20,795 of interest expense incurred was capitalized, which is calculated net of related interest revenue of $2,832.

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

Assets	Years
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 - 25
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

j. Disposition and Development Agreement

The Redevelopment Agency and McMillin-NTC, LLC entered into a Disposition and Development Agreement, dated June 26, 2000 and a Third Implementation Agreement, dated May 6, 2003, which were executed for the purpose of effectuating the Redevelopment Plan at the Naval Training Center Redevelopment Project in addition to constructing and installing additional infrastructure improvements as required by the City. The developer has agreed to advance the funds needed to pay for infrastructure costs. The Agency has consistently reimbursed for eligible costs as they are billed, therefore, this agreement is not treated as a loan and instead expenditures are recognized as payments are made to the developer and a corresponding capital asset is recorded in the government-wide financial statements.

k. Unearned/Deferred Revenue

In the government-wide and all fund level financial statements, unearned revenue represents revenues which have not been earned. The government-wide financial statements include revenues earned from developer credits, which are not reported in 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. There is also one interfund loan between the Capital Outlay Fund and the Water Utility Fund, for a land acquisition, which is reported as an Interfund Loan Receivable/Payable and included in Internal Balances.

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. Reimbursement is reported as expenditures or expenses in the reimbursing fund and a reduction of expenditures or expenses in the paying fund.

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 and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statements of net assets. Capital appreciation bond accretion, bond premiums and discounts, and bond refunding gains and losses are amortized over the life of the bonds using a method which approximates the effective yield method. Net bonds payable reflects amortized bond accretion and unamortized bond discounts, premiums and refunding gains and losses.

n. Sundry Trust Liabilities

Under approval of certain agreements, developers submit to the Redevelopment Agency an initial deposit to ensure the Developer proceeds diligently and in good faith to negotiate and perform all of the obligations under the agreement. These deposits can normally be used for administrative costs of the Redevelopment Agency. In the government-wide financial statements and in the fund financial statements, the unspent portion of these deposits, called Sundry Trust Liabilities, are reported as liabilities of the Redevelopment Agency.

o. 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.

In addition, sick leave earned through August 1981 by employees hired prior to July 1, 1975 is payable upon separation under the following conditions: (1) 50% of the employee's accrued amount upon retirement or death, or (2) 25% of the employee's accrued amount upon resignation.

The liability for compensated absences reported in the government-wide, proprietary and fiduciary 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. Social Security and 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.

p. 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.

q. 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 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 a permit revenue upon issuance and a corresponding capital asset is recorded in the government-wide financial statements.

r. Net Assets

In the government-wide and proprietary fund 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 which both restricted and unrestricted net assets are available.
- 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.

s. Fund Balance

In the fund financial statements, portions of fund equity of governmental funds have been reserved for specific purposes. Reservations are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated, or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods.

t. Reserves

City Charter Section 91 titled "General Reserve Fund" was approved by the voters on November 6, 1962. This section

requires Council to create and maintain a General Reserve Fund for the purpose of keeping the payment of running expenses of the City on a cash basis. Section 91 requires the reserve be maintained 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 argument for this charter section given by the Citizens Charter Review Committee, commissioned in 1962, was to "strengthen the financial position of the City through the more efficient utilization of tax monies by reducing the amount of taxes collected and lying idle during a great part of the year, and through focusing responsibility for fiscal policies on the elected City Council."

On February 28, 1984, the City Attorney's Office issued Opinion No. 84-3 which addresses issues in regards to the City's compliance with the funding requirements of Charter Section 91. In the opinion of the City Attorney, "To the extent that the legislative body approves the issuance of short term notes, commonly referred to as Tax or Revenue Anticipation Notes, pursuant to Section 92; or authorizes temporary loans to any tax-supported fund from any other funds in the treasury pursuant to Section 93, the General Reserve Fund required under section 91 can be reduced." Therefore, the funding requirements of Charter Section 91 have been satisfied through a combination of the general fund reserve of $31,662, reported within the General Fund column of the CAFR in Undesignated Fund Balance, and the provisions set forth in Charter Sections 92 and 93 for the fiscal year ended June 30, 2005.

In September 2007, the City Attorney's Office issued a new opinion that supersedes, in part, the opinion issued on February 28, 1984. The revised opinion states that the Charter Section 91General Reserve must be a separate, legal fund. This fund, separate from the General Fund, must be funded if not at a "four month operating expenditure" level then at a level of such "other necessary funding". The City Attorney's Opinion referenced the guidance of the Government Finance Officer's Association which recommends a level between 5% and 15% of operating expenditures as the benchmark for interpreting the required funding level that meets the intent of the City's voters. Per the City Attorney's opinion, the City will create a separate General Reserve Fund in fiscal year 2008, and the general fund reserve monies will be transferred to that separate fund and reported therein in all future financial statements.

The City also has an internal reserve policy in relation to certain governmental long term liabilities which are repaid with Transient Occupancy Tax revenues. When the liabilities are incurred by the City, the City creates policy reserves equal to one half of the annually required lease payments in the form of a rate stabilization reserve for each liability. The purpose of the internal reserve is to make the lease payments when they are due even if there are any unanticipated fluctuations in the Transient Occupancy Tax receipts that could potentially impact timely payment of the lease payments for such liabilities. In addition to the internal rate stabilization reserve, the City may also maintain cash funded Debt Service Reserve Funds or Surety Guarantees with Trustees in accordance with the bond indentures that exist for these liabilities. As of 06/30/05 the following is a schedule of all such rate stabilization reserves and where they are reported in the CAFR:

Rate Stabilization Reserve	CAFR Section	CAFR Column	Amount	
Convention Center Expansion	Special Revenue	Transient Occupancy Tax	$	6,850,531
Petco Park (PFFA-Ballpark)	Special Revenue	Transient Occupancy Tax		7,520,345
Balboa Park (SDFELC)	Special Revenue	Transient Occupancy Tax		3,286,878
Trolley (MTDB)	Special Revenue	Public Transportation		2,043,591
			$	19,701,345

u. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities, and the related amounts of revenues and expenses. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

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 except the Special Engineering Fund). The reconciliation of these adjustments are 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, and therefore, are either deferred or not reported in the funds." The details of this $98,479 difference are as follows:

Deferred Charges, net, July 1, 2004	$	19,132
Issuance Costs		2,479
Amortization Expense		(742)
Deferred Charges, net, June 30, 2005		20,869
Deferred Revenue:		
Taxes Receivable		10,471
Sales Taxes Receivable		4,774
Motor Vehicle License Receivable		485
Special Assessments Receivable		1,716
Tobacco Receipts		4,667
Notes Receivable		6,837
Grants and Other Receivables		48,660
Deferred Revenue, net, June 30, 2005		77,610
Net Adjustment to increase Total Fund Balances - Governmental Funds to arrive at Total Net Assets of Governmental Activities	$	98,479

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 ($1,574,001) difference are as follows:

Interest Accrued on Long-Term Debt	$	(21,604)
Compensated Absenses		(67,843)
Capital Leases Payable		(13,851)
Contracts Payable		(1,715)
Notes Payable		(7,924)
Loans Payable		(5,187)
Section 108 Loans Payable		(42,858)
SANDAG Loans Payable		(13,979)
Net Bonds Payable		(1,140,509)
Accretion of Interest on Capital Appreciation Bonds		(7,463)
Net Pension Obligation		(251,068)
Net adjustment to decrease Total Fund Balances - Governmental Funds to arrive at Total Net Assets - Governmental Activities	$	(1,574,001)

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 $135,885 difference are as follows:

Capital Projects	$	175,493
Other Capital Activities		75,858
Depreciation Expense		(115,466)
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	135,885

Another element of the reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to increase net assets." The details of this $7,791 are as follows:

In the Statement of Activities, only the loss on the sale of capital assets 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 cost of the capital assets sold.	$	(32)
Donations and transfers of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.		170
The Statement of Activities reports losses arising from the retirement of existing capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets.		7,653
Net adjustment to increase Net Change in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	7,791

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 consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this ($46,455) difference are as follows:

Debt Issued or Incurred:		
Capital Leases	$	(3,258)
Notes Payable		(2,100)
Loans Payable		(3,335)
Tax Allocation Bonds		(147,725)
Principal Repayments:		
Capital Leases		4,051
Notes Payable		174
Loans Payable		3,013
Section 108 Loans		2,059
SANDAG Loans		5,323
G.O. Bonds		31,245
Revenue Bonds		20,335
Special Assessment Bonds/Special Tax Bonds		3,240
Tax Allocation Bonds		7,018
Refundings:		
Tax Allocation Bonds		33,505
Net adjustment to decrease Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(46,455)

Another element of the reconciliation states that "Certain expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation, employee offset liability, amortization of bond premiums and discounts) and therefore are not accrued as expenses in governmental funds." The details of this ($58,354) difference are as follows:

Compensated Absences	$	(2,464)
Net Pension Obligation		(50,263)
Arbitrage Liability		262
Accrued Interest		(2,641)
Current Year Premiums/Discounts and Interest Accretion Less Amortization of Bond Premiums		(4,985)
Issuance Costs Less Current Year Amortization		1,737
Net adjustment to decrease Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(58,354)

3. CASH AND INVESTMENTS (In Thousands)

The following is a summary of the carrying amount of cash and investments:

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Assets Other Than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Assets	Grand Total
Cash & Cash or Equity in Pooled Cash & Investments	$ 824,870	$ 415,927	$ 68,218	$ 1,309,015	$ 2,174	$ 1,311,189
Cash & Investments with Fiscal Agent	126,134	71,492	583,911	781,537	438,782	1,220,319
Investments at Fair Value	103,777	33,169	-	136,946	3,271,515	3,408,461
Securities Lending Collateral	-	-	-	-	434,364	434,364
TOTAL	$ 1,054,781	$ 520,588	$ 652,129	$ 2,227,498	$ 4,146,835	$ 6,374,333

a. Cash & Cash or Equity in Pooled Cash & Investments

Cash & Cash or Equity in Pooled Cash & 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 balance 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 & Cash or Equity in Pooled Cash & Investments.

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

Cash on Hand	$ 210
Cash Deposits	(6,967)
Deposits Held in Escrow Accounts	24,751
Pooled Investments in the City Treasury	1,293,195
Total Cash & Cash or Equity in Pooled Cash & Investments	$ 1,311,189

A summary of the investments held by the City Treasurer's investment pool as of June 30, 2005 is as follows:

Investment	Fair Value	Cost	Interest Rate % Range		Maturity Range
US Treasury Notes & Bonds	$ 463,003	$ 464,255	1.625-4.00		11/30/2005 - 6/15/2010
Commercial Paper	104,998	104,755	3.03-3.39	*	7/1/2005 - 9/1/2005
Corporate Notes & Bonds	63,042	64,320	2.49-7.625		8/1/2005 - 3/4/2008
Repurchase Agreements	12,888	12,888	3.3	*	7/1/2005
Bank Notes	9,874	9,939	2.5-4.125		11/1/2006 - 3/10/2008
US Agency Notes & Bonds	616,818	617,921	1.5-5.5		8/26/2005 - 4/6/2010
Mortgage Backed Securities	1,544	1,609	4.5		3/1/2008
LAIF - City of San Diego	21,028	21,075	2.35	**	N/A
	$ 1,293,195	$ 1,296,762			

* Discount Rates

** LAIF - Fair Value is adjusted to account for LAIF factor, not included in Sungard

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's investment pool as of June 30, 2005:

Statement of Net Assets	
Investments of Pool Participants	$ 1,293,195
Equity of Internal Pool Participants	$ 1,280,036
Equity of External Pool Participants (SanGIS, ARJIS & AVA) **	13,159
Total Equity	$ 1,293,195

**Voluntary Participation

Statement of Changes in Net Assets	
Net Assets Held for Pool Participants at July 1, 2004	$ 1,262,328
Net Change in Investments by Pool Participants	30,867
Total Net Assets Held for Pool Participants at June 30, 2005	$ 1,293,195

b. Cash & Investments with Fiscal Agents

Cash & Investments with Fiscal Agents represents 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. The San Diego City Employees' Retirement System (SDCERS) portion of Cash & Investments with Fiscal Agents represents 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 is 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, 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, Effie Sergeant, Gladys Edna Peters, Los Penasquitos Canyon, and the Edwin A. Benjamin Library Fund).

d. Securities Lending Collateral (SDCERS Only)

SDCERS has agreed with a fiscal agent, currently SDCERS' custodial bank, to lend domestic and international equity and domestic and international fixed income securities to broker-dealers and banks in exchange for pledged collateral. A simultaneous agreement is entered into by which the fiscal agent agrees to return the collateral plus a fee to the borrower in the future for return of the same securities originally lent. All securities loans can be terminated on demand by either party, the lender or borrower. The maximum amount of a loan on any individual security is 95%. This enables SDCERS to still be notified of corporate actions such as proxy voting actions, stock splits, or dividends.

The fiscal agent received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, Canadian provincial debt, convertible bonds, and irrevocable letters of credit as collateral. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 101.5% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 104.5% of the market value of the loaned securities.

SDCERS had limited credit risk exposure to borrowers because the amounts provided to the fiscal agent on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to the fiscal agent on behalf of SDCERS for securities borrowed. The fiscal agent will indemnify SDCERS by agreeing to purchase replacement securities or return cash collateral in the event borrower failed to return a loaned security or pay distributions thereon. Non-cash collateral (securities and letters of credit) cannot be pledged or sold without a borrower default and are therefore not reported as an asset of SDCERS for financial reporting purposes.

The SDCERS securities lending transactions collateralized by cash as of June 30, 2005 had a fair value of $421,756 and a collateral value of $434,364, which were reported in the assets and liabilities in the statement of plan net assets for the City Employees' Retirement System in accordance with GASB Statement No. 28. The securities lending transactions collateralized by securities or irrevocable letters of credit had a fair value of $2,368 and a collateral value of $2,402, which were not reported in the assets or liabilities in the accompanying statement of fiduciary net assets for the City Employees' Retirement System per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end for its securities lending activities was $436,766.

The cash collateral received on each loan was invested by SDCERS fiscal agent, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2005, such investment pool had an average duration of 40 days and an average weighted maturity of 410 days.

SDCERS may encounter various risks related to securities lending agreements. However, the fiscal agent 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, and all rules, regulations and exemptions from time to time promulgated and issued under the authority of those laws.

e. Investment Policy

City Treasurer's Investment Policy

In accordance with the Charter §45 of the City of San Diego and under authority annually approved by the City Council, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury according to

the City's Investment Policy (the "Policy"). 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 trust funds which are placed in the custody of the Funds Commission by Council ordinance.

The Policy is reviewed annually by the Investment Advisory Committee (IAC) which makes recommendations regarding the Policy to the City Council. 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 approval on an annual basis.

In reviewing the Policy, the IAC evaluates the horizon returns, risk parameters, security selection, and market assumptions the City's investment staff is using when explaining the City's investment returns. The IAC also meets semi-annually to review the previous two quarters' investment returns and make recommendations to the City Treasurer on proposals presented to the IAC by the Treasurer's staff.

The Policy is governed by the California Government Code (CGC), Sections 53600 et seq. The CGC authorizes the City to invest pooled funds in the following investments:

Investment Type	Maximum Maturity (1)	Maximum Percentage of Portfolio	Maximum Percentage with One Issuer	Minimum Rating
US Treasury Obligations (bills, bonds, or notes)	5 years	None	None	None
US Agencies	5 years	None	None	None
Bankers' Acceptances	180 days	40%	30%	None
Commercial Paper	270 days	25%	None	P1
Negotiable Certificates	5 years	30%	None	None
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None	None
Local Agency Investment Fund	N/A	None	None	None
Non-Negotiable Time Deposits	5 years	None	None	None
Medium Term Notes/Bonds	5 years	30%	None	A
Mutual Funds	N/A	20%	10%	None
Notes, Bonds, or Other Obligations	5 years	None	None	None
Mortgage Pass-Through Securities	5 years	20%	None	AA
Financial Futures	N/A	None	None	None

Footnotes:

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

Within the context of CGC limitations, the following investments are authorized and further limited by the City's policy:

Investment Type	Maximum Maturity (1)	Maximum Percentage of Portfolio	Maximum Percentage with One Issuer	Minimum Rating
US Treasury Obligations (bills, bonds, or notes)	5 years	None	None	None
US Agencies	5 years	(2)	(2)	None
Bankers' Acceptances	180 days	40%	10%	(3)
Commercial Paper	270 days	25%	10%	P1
Negotiable Certificates	5 years	30%	10%	(3)
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None	None
Local Agency Investment Fund	N/A	None	None	None
Non-Negotiable Time Deposits	5 years	25%	10%	None
Medium Term Notes/Bonds	5 years	30%	10%	A
Mutual Funds	N/A	5%	None	None
Notes, Bonds, or Other Obligations	5 years	None	None	AA
Mortgage Pass-Through Securities	5 years	None	None	AAA
Financial Futures (4)	None	None	None	None

Footnotes:

(1) In the absence of a specified maximum, the maximum is 5 years. City Council must approve any investments with maturities greater than 5 years before purchase.

(2) The Prudent Investor Rule applies.

(3) Credit and maturity criteria must be in accordance with California Government Code 53601 per Section X of the Policy.

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

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. Exceptions to this rule can be made only upon written authorization of the City Treasurer.

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 "base value" of the pooled portfolio may be invested in structured notes.

The types of investments listed below are additionally restricted as to percentage of the cost value of the portfolio in any one issuer name up to a maximum of 5%. The total cost value invested in any one issuer name will not exceed 5% of an issuer's net worth. An additional 5% or a total of 10%, of the cost value of the portfolio in any one issuer name can be authorized upon written approval of the City Treasurer.

- Bankers' Acceptances
- Commercial Paper
- Medium Term Corporate Notes/Bonds
- Negotiable and Non-negotiable Certificates of Deposit

Ineligible investments include, but are not limited to, common stocks and long-term corporate notes/bonds, are prohibited from use in the portfolio. A copy of the investment Policy can be requested from the City Treasurer, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101.

San Diego City Employees' Retirement System Investment Policy

Investments for the pension trust fund are authorized to be made by the Board of Administration of the SDCERS (Board) in accordance with the Charter of the City. The Board is authorized to invest in any securities that are allowed by general law for savings banks. The Board can also invest in additional investments as approved by resolution of the San Diego City Council. SDCERS investments include, but are not limited to, bonds, notes and other obligations, real estate investments, repurchase agreements, common stock, preferred stock and pooled vehicles. Additionally, investment policies permit the pension trust fund to invest in financial futures contracts and non-marketable real estate investments. Financial futures contracts, which are recorded at fair value, are not hedges of existing assets, and changes in the market value of the contract result in recognition of a gain or loss. Non-marketable real estate investments are periodically appraised by independent third party appraisers. Investment earnings from the pension trust fund are accounted for in accordance with GASB 25.

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

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 the 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 Treasurer's investment policy. Each permanent endowment fund has its own separate investment policy. Copies of the individual investment policies can be requested from the City Treasurer, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101. Additionally, the City and its component units have funds invested in accordance with various bond indenture and trustee agreements.

f. Interest Rate Risk – City of San Diego (*excluding San Diego City Employees' Retirement System*)

Interest rate risk is the risk that increases in interest rates will adversely affect the fair value of an investment. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is provided by the following table.

As of June 30, 2005, the City's investments (in thousands) by maturity are as follows:

	Years				Fair Value
Pooled Investments with City Treasurer:	Under 1	1-3	3-5	Over 5	(In Thousands)
US Treasury Notes	$ 74,342	$ 308,761	$ 79,900	$ -	$ 463,003
US Agencies - Federal Farm Credit Bank	-	46,696	4,925	-	51,621
US Agencies - Federal Home Loan Bank	84,765	58,774	-	-	143,539
US Agencies - Federal Home Loan Mortgage Corporation	207,945	20,057	-	-	228,002
US Agencies - Federal National Mortgage Association	133,507	29,949	30,200	-	193,656
Bank Notes	-	9,874	-	-	9,874
Corporate Bonds and Notes	22,644	40,398	-	-	63,042
Commercial paper	104,998	-	-	-	104,998
Mortgage Backed Securities	-	1,544	-	-	1,544
Repurchase Agreement	12,888	-	-	-	12,888
State Local Agency Investment Fund	21,028	-	-	-	21,028
	662,117	516,053	115,025	-	1,293,195
Non-Pooled Investments with City Treasurer:					
US Treasury Notes	14,962	-	-	-	14,962
US Agencies - Federal Home Loan Bank	10,658	-	-	-	10,658
US Agencies - Federal Home Loan Mortgage Corporation	74,429	-	-	-	74,429
US Agencies - Federal National Mortgage Association	4,082	-	-	-	4,082
Commerical Paper	12,409	-	-	-	12,409
Repurchase Agreements	7,190	-	-	-	7,190
	123,730	-	-	-	123,730
Investments with Fiscal Agent, Funds Commission, and Other Investments:					
US Treasury Bills	17,118	-	-	-	17,118
US Treasury Notes and Bonds	19,969	4,967	606	512	26,054
US Agencies - Federal Farm Credit Bank	-	2,568	-	-	2,568
US Agencies - Federal Home Loan Bank	7,530	21,721	1,471	-	30,722
US Agencies - Federal Home Loan Mortgage Corporation	363	-	-	-	363
US Agencies - Federal National Mortgage Association	27,434	-	91	-	27,525
Corporate Bonds and Notes	384	501	393	1,424	2,702
Government Mortgage Backed Securities	-	-	-	98	98
Commercial Mortgage Backed Securities	-	-	-	130	130
Asset Backed Securities	-	-	218	-	218
Guaranteed Investment Contracts	20,507	-	-	4,518	25,025
Common Stock - Equity	3,086	-	-	-	3,086
Mutual Funds - Blended	39,865	-	-	-	39,865
Mutual Funds - Equity	234,686	-	-	-	234,686
Mutual Funds - Fixed	313,431	-	-	-	313,431
Money Market Mutual Funds	71,162	-	-	-	71,162
	755,535	29,757	2,779	6,682	794,753
Total Investments	$ 1,541,382	$ 545,810	$ 117,804	$ 6,682	2,211,678
Total Deposits					17,784
Total Cash on Hand					210
Total Investments, Deposits, and Cash on Hand (Includes SDCERS Pooled Cash & Investments with the City - $2,174)					$ 2,229,672

g. Interest Rate Risk – San Diego City Employees' Retirement System

SDCERS' fixed income portfolios use duration to measure how interest rates will affect the value of the portfolio. The following tables identify durations for SDCERS' two U.S. fixed income portfolios and single non-U.S. fixed income portfolio, based on holdings as of June 30, 2005.

SDCERS' U.S. convertible bond portfolio is not subject to interest rate risk because convertible bonds are usually positively correlated to interest rate movements compared to other fixed income securities.

Portfolio Duration Analysis
U.S. Fixed Income Portfolio (with tactical discretion to invest in non-U.S. fixed income securities)
As of June 30, 2005

	Market Value (in thousands)	Duration (in years)	Duration Contribution to Portfolio (in years)	Percent Duration of Portfolio	Percent of Market Value
Securitized:					
Asset Backed Securities	$ 3,557	2.5	0.02	0.6%	1.0%
Credit Obligations:					
Corporate Bonds	8,829	1.42	0.03	0.9%	2.4%
High Yield	5,628	3.97	0.06	1.6%	1.6%
Municipal Bonds	4,199	16.68	0.19	4.9%	1.2%
U.S. Government & Agency:					
U.S. Treasuries	35,988	9.21	0.92	23.1%	10.0%
U.S. Agencies	9,446	3.2	0.08	2.1%	2.6%
International Government:					
Sovereign & Yankee Bonds	28,341	10.22	0.81	20.2%	7.9%
Emerging Markets	9,290	5.11	0.13	3.3%	2.6%
CMO:					
Mortgages	147,085	2.47	1.01	25.1%	40.9%
Collateralized Mortgage Obligations	12,091	3.87	0.13	3.3%	3.3%
Short-Term/Other:					
Miscellaneous	8,046	2.14	0.05	1.2%	2.2%
Cash/Cash Equivalents	87,351	2.25	0.55	13.7%	24.3%
Total Portfolio	$ 359,851		3.98	100.0%	100.0%

The above portfolio is restricted to a duration of +/- 2 years from that of the effective duration of the Lehman Brothers Bond index.

**Source: SDCERS' CAFR as of June 30, 2005*

Portfolio Duration Analysis
U.S. Fixed Income Portfolio
As of June 30, 2005

	Market Value (In Thousands)	Effective Duration	Benchmark Duration	Difference
Governments	$ 83,935	5.83	4.81	1.02
Corporates	90,800	5.34	5.99	(0.65)
MBS	144,889	2.31	2.44	(0.13)
ABS	30,285	0.94	2.63	(1.69)
Cash Equivalents	12,385	0.06	0.00	0.06
Totals	$ 362,294	3.69	4.16	(0.47)

The above portfolio is restricted to a duration of +/- 1 year from that of the effective duration of the the Lehman Brothers Bond index.

Portfolio Duration Analysis
Non-U.S. Fixed Income Portfolio
As of June 30, 2005

	Market Value (In Thousands)	Effective Duration	Benchmark Duration	Difference
Cash and Forward Foreign Exchange	$ 6,319	0.00	0.00	0.00
Asset Backed Securities	3,612	5.43	0.00	5.43
Credit Obligations	26,755	4.24	0.00	4.24
U.S. Government and Agency Obligations	-	0.00	0.00	0.00
International Government and Agency	139,584	6.97	6.18	0.79
Collateralized Mortgage Obligations	-	0.00	0.00	0.00
Totals	$ 176,270	6.28	6.18	0.09

The above porfolio is restricted to an average duration of between .5 and 1.5 times that of the J.P. Morgan Non-U.S. Bond Index.
**Source: SDCERS' CAFR as of June 30, 2005*

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

U.S. Fixed Income Portfolio (with tactical discretion)	$ 359,851
U.S. Fixed Income Portfolio	362,294
Non-U.S. Fixed Income Portfolio	176,270
Securities Lending Collateral	434,364
Cash and Investments exempt from GASB 40 disclosure	2,811,882
Total Cash and Investments for SDCERS (excluding Pooled Investments with the City)	$ 4,144,661

h. Credit Risk – City of San Diego (*excluding San Diego City Employees' Retirement System*)

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. At June 30, 2005, the City's investments and corresponding credit ratings are as follows:

Pooled Investments with City Treasurer:	Moody's Rating	Fair Value	Percentage
US Treasury Notes	Aaa	$ 463,003	35.79%
US Agencies - Federal Farm Credit Bank	Aaa	51,621	3.99%
US Agencies - Federal Home Loan Bank	Aaa	143,539	11.10%
US Agencies - Federal Home Loan Mortgage Corporation	Aaa	228,002	17.63%
US Agencies - Federal National Mortgage Association	Aaa	193,656	14.98%
Bank Notes	Aa	9,874	0.76%
Corporate Bonds and Notes	Aaa	19,836	1.53%
Corporate Bonds and Notes	Aa	37,192	2.88%
Corporate Bonds and Notes	A	6,014	0.47%
Commercial paper	P1	104,998	8.12%
Mortgage Backed Securities	Not Rated	1,544	0.12%
Repurchase Agreement	Not Rated	12,888	1.00%
State Local Agency Investment Fund	Not Rated	21,028	1.63%
Subtotal - Pooled Investments		1,293,195	100.00%
Non-Pooled Investments with City Treasurer:			
US Treasury Notes	Aaa	14,962	12.09%
US Agencies - Federal Home Loan Bank	Aaa	10,658	8.61%
US Agencies - Federal Home Loan Mortgage Corporation	Aaa	74,429	60.16%
US Agencies - Federal National Mortgage Association	Aaa	4,082	3.30%
Commerical Paper	P1	12,409	10.03%
Repurchase Agreement	Not Rated	7,190	5.81%
Subtotal - Non-Pooled Investments		123,730	100.00%
Investments with Fiscal Agent, Funds Commission, and Other Investments:			
US Treasury Bills	Aaa	17,118	2.15%
US Treasury Notes and Bonds	Aaa	26,054	3.28%
US Agencies - Federal Farm Credit Bank	Aaa	2,568	0.32%
US Agencies - Federal Home Loan Bank	Aaa	23,192	2.92%
US Agencies - Federal Home Loan Bank	Not Rated	1,692	0.21%
US Agencies - Federal Home Loan Bank	WR**	5,838	0.73%
US Agencies - Federal Home Loan Mortgage Corporation	WR**	363	0.05%
US Agencies - Federal National Mortgage Association	Aaa	91	0.01%
US Agencies - Federal National Mortgage Association	Not Rated	27,434	3.45%
Corporate Bonds and Notes	Aaa	263	0.03%
Corporate Bonds and Notes	Aa	1,164	0.15%
Corporate Bonds and Notes	A	1,222	0.15%
Corporate Bonds and Notes	Baa	53	0.01%
Commercial Mortgage Backed Securities	Aaa	130	0.02%
Government Mortgage Backed Securities	Not Rated	98	0.01%
Asset Backed Securities	Not Rated	218	0.03%
Guaranteed Investment Contracts	Not Rated	25,025	3.15%
Common Stock - Equity	Not Rated	3,086	0.39%
Mutual Funds - Blended	Not Rated	39,865	5.02%
Mutual Funds - Equity	Not Rated	234,686	29.53%
Mutual Funds - Fixed	Not Rated	313,431	39.43%
Money Market Mutual Funds	Aaa	71,102	8.95%
Money Market Mutual Funds	Not Rated	60	0.01%
Subtotal - Other Investments		794,753	100.00%
Total Investments		2,211,678	
Total Deposits		17,784	
Total Cash on Hand		210	
Total Investments, Deposits, and Cash on Hand*		$ 2,229,672	

*(includes SDCERS Pooled Cash & Investments with the City - $2,174)
**When Moody's no longer rates an obligation on which it previously maintained a rating, the symbol WR is employed.

i. Credit Risk – San Diego City Employees' Retirement System

SDCERS' fixed income portfolios are sensitive to credit risk. The following tables identify the credit quality for SDCERS' two U.S. fixed income portfolios, based on holdings as of June 30, 2005.

Credit Risk
U.S. Fixed Income Portfolio (with tactical discretion to invest in non-U.S. fixed income securities)
As of June 30, 2005

			Security Types					
S&P Quality Rating	Moody's Quality Rating	Total Market Value (in thousands)	Securitized Obligations	Credit Obligations	U.S. Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	Short-Term/ Other
AAA	Aaa	$ 209,931	$ -	$ -	$ 41,731	$ 9,914	$ 158,286	$ -
AAA	NA	890	-	-	-	-	890	-
A1	P1	20,439	-	-	-	-	-	20,439
A1+	P1	70,128	-	-	-	-	-	70,128
AA+	Aa2	684	-	395	-	289	-	-
AA	Aa1	(153)	-	-	-	(153)	-	-
AA-	Aa1	392	-	-	-	392	-	-
A+	A1	200	-	-	-	-	-	200
A+	Aa3	1,179	-	-	-	1,179	-	-
A	A2	3,557	3,557	-	-	-	-	-
A-	A2	335	-	335	-	-	-	-
BBB	A3	3,602	-	502	-	-	-	3,100
BBB	Baa3	2,285	-	2,285	-	-	-	-
BBB	Baa1	1,054	-	-	-	1,054	-	-
BBB-	Baa3	6,220	-	1,031	-	5,189	-	-
BB+	Ba1	5,317	-	4,605	-	-	-	712
BB	Baa2	4,033	-	3,215	-	-	-	818
BB	Ba3	1,469	-	-	-	1,469	-	-
BB-	B1	4,799	-	3,221	-	1,578	-	-
B	Caa2	11	-	11	-	-	-	-
B-	Caa1	911	-	911	-	-	-	-
CCC+	Caa1	828	-	828	-	-	-	-
NR	NR	18,037	-	1,317	-	16,720	-	-
NR	AAA	3,703	-	-	3,703	-	-	-
TOTALS		$ 359,851	$ 3,557	$ 18,656	$ 45,434	$ 37,631	$ 159,176	$ 95,397

Maximum Exposure (except U.S. Treasury/Agency Organization for Economic Co-operation and Development Government Issues)

Issue	3% of portfolio
Issuer	5% of portfolio
Foreign Investments	30% of portfolio
Emerging Market Exposure	10% of portfolio
Foreign Currency Exposure	25% of non-U.S. dollar investments

**Source: SCDERS' CAFR as of June 30, 2005*

Credit Risk
U.S. Fixed Income Portfolio
As of June 30, 2005

S&P Quality Rating	Total Market Value (in thousands)	Governments	Corporates	MBS	ABS	Cash Equivalents
UST	$ 84,087	$ 80,372	$ -	$ 3,715	$ -	$ -
AGY	50,881	3,563	-	47,318	-	-
AAA	115,344	-	-	88,223	27,121	-
A+	8,726	-	8,726	-	-	-
A-	15,316	-	15,316	-	-	-
A	2,624	-	1,272	-	1,352	-
BBB+	12,302	-	12,302	-	-	-
BBB	6,104	-	6,104	-	-	-
BBB-	9,886	-	9,886	-	-	-
BB+	10,558	-	10,558	-	-	-
BB	17,034	-	16,592	-	442	-
BB-	7,147	-	7,147	-	-	-
B	2,022	-	2,022	-	-	-
B-	721	-	523	-	198	-
CCC	1,172	-	-	-	1,172	-
NA	18,370	-	352	5,633	-	12,385
TOTALS	$ 362,294	$ 83,935	$ 90,800	$ 144,889	$ 30,285	$ 12,385

Moody's Quality Rating	Total Market Value (in thousands)	Governments	Corporates	MBS	ABS	Cash Equivalents
UST	$ 84,087	$ 80,372	$ -	$ 3,715	$ -	$ -
AGY	50,881	3,563	-	47,318	-	-
Aaa	77,805	-	-	54,550	23,255	-
Aa3	10,078	-	8,726	-	1,352	-
A1	5,582	-	5,582	-	-	-
A2	7,719	-	7,521	-	198	-
Baa1	604	-	604	-	-	-
Baa2	15,569	-	15,569	-	-	-
Baa3	24,911	-	24,911	-	-	-
Ba1	6,126	-	6,126	-	-	-
Ba2	7,734	-	7,292	-	442	-
Ba3	4,482	-	4,482	-	-	-
B1	1,095	-	1,095	-	-	-
B3	4,823	-	4,823	-	-	-
Caa1	1,172	-	-	-	1,172	-
Caa2	2,022	-	2,022	-	-	-
NA	57,604	-	2,047	39,306	3,866	12,385
TOTALS	$ 362,294	$ 83,935	$ 90,800	$ 144,889	$ 30,285	$ 12,385

Maximum Exposure (except U.S. Treasury/Agency)

Issue	5% of portfolio
Issuer	5% of portfolio
Non-Investment Grade	10% of portfolio
Mortgage backed derivatives	5% of portfolio
USD Foreign Investments	15% of portfolio
Foreign Currency Exposure	0% of portfolio

**Source: SDCERS' CAFR as of June 30, 2005*

SDCERS' international fixed income portfolio is limited to a minimum average portfolio quality of A (market value weighted) and a minimum credit quality at the time of purchase of Ba/BB or equivalent by at least one of the major rating services. The following table identifies the credit quality for SDCERS' non-U.S. fixed income portfolio, based on holdings as of June 30, 2005.

Credit Risk
Non-U.S. Fixed Income Portfolio
As of June 30, 2005

S&P Quality Rating	Total Market Value (in thousands)	Cash & Forward Foreign Exchange	Asset Backed Securities	Credit Obligations	International Government & Agency
AAA	$ 142,177	$ 6,319	$ 3,612	$ 26,371	$ 105,875
AA+	7,912	-	-	-	7,912
AA	-	-	-	-	-
AA-	11,741	-	-	-	11,741
A+	-	-	-	-	-
A	-	-	-	-	-
A-	3,316	-	-	384	2,932
BBB+	-	-	-	-	-
BBB	986	-	-	-	986
BBB-	3,930	-	-	-	3,930
BB+	-	-	-	-	-
BB	-	-	-	-	-
BB-	1,019	-	-	-	1,019
B+	4,515	-	-	-	4,515
B	160	-	-	-	160
B-	514	-	-	-	514
CCC	-	-	-	-	-
NA	-	-	-	-	-
TOTALS	$ 176,270	$ 6,319	$ 3,612	$ 26,755	$ 139,584

**Source: SDCERS' CAFR as of June 30, 2005*

j. 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, 2005, no single issuer exceeded 5% of City's total investments (including SDCERS). Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

k. Custodial Credit Risk

Deposits – City of San Diego (*excluding San Diego City Employees' Retirement System*)

At June 30, 2005, the carrying amount of the City's cash deposits was approximately ($6,967), and the bank balance was approximately $7,995, the difference of which is substantially due to deposits in transit and outstanding checks. For the balance of cash deposits in financial institutions, approximately $657 was covered by federal depository insurance and approximately $7,338 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, $6,453 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 remaining $885 is uninsured and uncollateralized and includes the following: approximately $82 in deposits relating to Emtek Seed Capital Fund, $674 in deposits relating to San Diego Data Processing Corporation, $3 in deposits relating to Southeastern Economic Development Corporation, Inc., and $126 in deposits relating to Centre City Development Corporation, Inc.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately $24,751. For the balance of deposits in escrow accounts, approximately $595 was covered by federal depository insurance and approximately $24,156 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, $24,156 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.

Deposits – San Diego City Employees' Retirement System

SDCERS' is exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. At June 30, 2005, the amount of cash and cash equivalents that are not covered by federal depository insurance was $ 77,628.

Investments – City of San Diego (*excluding San Diego City Employees' Retirement System*)

The City's investments at June 30, 2005 are categorized as described below, including required disclosures for securities lending:

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, 2005, the City's investments at fair value included Category 3 type investments, all of which are within the Cemetery Perpetuity Fund's portfolio with Northern Trust Bank. The following is a summary of the City's investments (in thousands) exposed to custodial credit risk:

Investment Type	Fair Value
US Treasury Notes and Bonds	$ 1,538
US Agencies	453
Corporate Bonds and Notes	2,702
Commercial Mortgage Backed Securities	130
Governmentl Mortgage Backed Securities	98
Asset Backed Securities	218
Common Stock - Equity	3,086
Total:	$ 8,225

Investments – San Diego City Employees' Retirement System

SDCERS' is not exposed to any custodial credit risk related to any investments. As of June 30, 2005, 100% of SDCERS' investments were held in SDCERS' name.

I. Restricted Cash and Investments – City of San Diego

Cash and investments at June 30, 2005 that are restricted by legal or contractual requirements are comprised of the following:

Nonmajor Governmental Funds	
Reserved for Debt Service	$ 106,906
Permanent Endowments	13,885
Total Nonmajor Governmental Funds	120,791
Environmental Services Enterprise Fund	
Funds set aside for landfill site closure and maintenance costs	29,207
Total Environmental Services Enterprise Fund	29,207
Water Enterprise Fund	
Customer deposits	3,321
Interest and redemption funds	50,430
Acquisition funds	33,319
Total Water Enterprise Fund	87,070
Sewer Enterprise Fund	
Interest and redemption funds	21,062
Total Sewer Enterprise Fund	21,062
Internal Service Fund	
San Diego Data Processing Corporation	128
Total Internal Service Fund	128
Miscellaneous Agency Funds	
Retention held in escrow	24,752
Total Miscellaneous Agency Funds	24,752
Total Restricted Cash & Investments	$ 283,010

Total Cash and Investments Summary:

Total Unrestricted Cash and Investments	$	6,091,323
Total Restricted Cash and Investments		283,010
Total Cash and Cash or Equity in Pooled Cash & Investments	$	6,374,333

Total Governmental Activities	$	1,054,781
Total Business-Type Activities		520,588
Total Fiduciary Activities		4,798,964
Total Cash and Investments	$	6,374,333

m. Foreign Currency Risk – San Diego City Employees' Retirement System

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' cash and investments (in thousands) held in a foreign currency as of June 30, 2005.

Local Currency Name	Cash	Equity	Fixed income	Other	Total
Australian Pound	$ -	$ 1,290	$ 18,348	$ -	$ 19,638
Brazilian Real	-	1,076	-	-	1,076
Canadian Dollar	19	14,492	530	-	15,041
Danish Krone	-	2,796	15,756	-	18,552
Euro Currency	3,563	176,017	64,940	-	244,520
Hong Kong Dollar	5	9,254	-	-	9,259
Israeli Shekel	-	1,328	-	-	1,328
Japanese Yen	1,601	104,723	41,648	-	147,972
Mexican Peso	-	893	-	-	893
New Zealand Dollar	-	2,174	-	-	2,174
Norwegian Krone	-	4,628	10,362	-	14,990
Pound Sterling	76	81,788	10,822	-	92,686
Singapore Dollar	-	11,889	-	242	12,131
South African Rand	-	2,060	-	-	2,060
South Korean Won	-	8,884	2,641	-	11,525
Swedish Krona	-	6,918	963	732	8,613
Swiss Franc	-	36,977	-	-	36,977
Thailand Baht	-	324	-	-	324
TOTALS	$ 5,264	$ 467,511	$ 166,010	$ 974	$ 639,759

n. Derivative Instruments - San Diego City Employees' Retirement System

Certain of SDCERS' investment managers may invest in or otherwise enter into transactions involving derivative financial instruments, consistent with the objectives established by the Board's investment policies. These instruments include futures, options and swaps. By Board policy these investment vehicles may not be used to leverage SDCERS' portfolio. These instruments are used primarily to enhance portfolio performance and to reduce its risk or volatility. SDCERS could be exposed to credit risk in the event of non-performance by counterparties; however, SDCERS enters into derivative transactions with high-quality institutions, and no losses due to counterparty nonperformance on derivative financial instruments have been incurred. Credit and legal risks are also mitigated through the use of exchange traded contracts on organized exchanges. SDCERS is exposed to market risk, which is the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with investment policy guidelines, through buying or selling instruments or entering into offsetting positions.

The notional (underlying) or contractual amounts of derivatives indicate the extent of SDCERS' involvement in the various types and uses of derivative financial instruments and do not measure the exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The aggregate notional or contractual amounts for SDCERS' derivative financial instruments at June 30, 2005 were as follows:

Money Market Futures	$	181,010
Government Bond Futures		22,889
Options		(102)
SWAPS		374

**Source: SDCERS' CAFR as of June 30, 2005*

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery on a specific financial instrument on a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay and generally requires margin payments to minimize such risk.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. SDCERS uses exchange traded and over-the-counter options. Options were sold and proceeds were received to enhance fixed income portfolio performance. Option contracts sold were predominantly on money market and short term instruments of less than one-year to maturity. On call option contracts, if interest rates remained steady or declined during the option contract periods, the contracts would expire unexercised. By contrast, on put option contracts, if interest rates rose sufficiently to result in the purchase of the securities on or before the end of the option periods, this would occur at prices attractive to the portfolio manager.

Swap agreements are used to modify investment returns or interest rates on investments. Swap transactions involve the exchange of investment returns or interest rate payments without the exchange of the underlying principal amounts. These swaps could expose investors entering into these types of arrangements to credit risk in the event of nonperformance by counterparties.

o. Discretely Presented Component Units

San Diego Convention Center Corporation

Deposits

On June 30, 2005, the carrying amount of SDCCC's deposits was $4,535 and the bank balance was $5,410. Of the bank balance, $200 was covered by federal depository insurance. The remaining balance was uninsured but collateralized by securities held by the financial institutions and are considered to be held in the name of SDCCC.

Investments

SDCCC does not have a formal deposit and investment policy that addresses credit quality risk. At June 30, 2005, SDCCC had $11,490 in investments. The investments were maintained in a money market mutual fund rated AAAm by S&P, Aaa by Moody's, and AAA by Fitch.

San Diego Housing Commission

Deposits

On June 30, 2005, the carrying amount of the Commission's deposits, which includes cash and non-negotiable certificates of deposit, was $48,541 and the bank balance was $49,713. All deposits are collateralized and/or insured with securities held by the pledging financial institutions in the Commission's name. The California Government Code requires California banks and savings and loan associations to secure Commission'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 the Commission's name.

Investments

Policy

The San Diego Housing Commission is empowered by HUD Notice PIH 96-33 to invest HUD funds in the following:

Investment Type
US Treasury Obligations (bills, bonds, or notes)
US Agencies
Local Agency Investment Fund
Demand and Savings Deposits (1)
Money Market Deposit Accounts (1)
Super NOW Accounts (1)
Negotiable Certificates of Deposit (1)
Repurchase/Reverse Repurchase Agreements (2)
Sweep Accounts (1)
Money Market Mutual Funds
Trust Indentures/Contracts
Principal Only Strips

Footnotes:

(1) Deposits in excess of the insured amounts must be 100% collateralized.

(2) Securities purchased under these agreements shall be no less than 102% of the market value.

Source: San Diego Housing Commission Investment Policy

The San Diego Housing Commission is empowered by California Government Code (CGC) Sections 5922 and 53601 et seq. to invest non-HUD funds in the following:

Investment Type
Bonds (issued by the San Diego Housing Commission)
US Treasury Obligations (bills, bonds, or notes)
Registered state warrants, treasury notes/bonds (issued by the State of California)
Local Agency Investment Fund
US Agencies
Bankers' Acceptances (not to exceed 180 days)
Prime Commercial Paper (not to exceed 180 days)
Repurchase/Reverse Repurchase Agreements (2)
Medium Term Notes (rated "A" or better and not to exceed 5 years)
Negotiable Certificates of Deposit (1)
Money Market Mutual Funds
Trust Indentures/Contracts
Collateralized Bank Deposits
Mortgage Pass-Through Securities (not to exceed 5 years)

Footnotes:

(1) Deposits in excess of the insured amounts must be 100% collateralized.

(2) Securities purchased under these agreements shall be no less than 102% of the market value.

Source: San Diego Housing Commission Investment Policy

Interest Rate and Credit Risk

As of June 30, 2005, the Housing Commission's investments (in thousands) included the following:

Investment	Maturity Under 1 Year	Moody's Credit Rating	Fair Value (In Thousands)
State Local Agency Investment Fund	$ 3,509	Not Rated	$ 3,509
Total Investments - San Diego Housing Commission			$ 3,509

4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2005 was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
GOVERNEMENTAL ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 1,643,517	$ 53,207	$ (32)	$ 112	$ 1,696,804
Construction in Progress	141,458	155,668	(8,080)	(65,527)	223,519
Total Non-Depreciable Capital Assets	1,784,975	208,875	(8,112)	(65,415)	1,920,323
Depreciable Capital Assets:					
Structures and Improvements	953,463	8,406	14,960	21,723	998,552
Equipment	369,554	27,373	(23,126)	1,947	375,748
Infrastructure	2,715,964	20,135	-	43,696	2,779,795
Total Depreciable Capital Assets	4,038,981	55,914	(8,166)	67,366	4,154,095
Less Accumulated Depreciation For:					
Structures and Improvements	(207,878)	(26,368)	961	(36)	(233,321)
Equipment	(246,167)	(26,250)	22,122	(1,781)	(252,076)
Infrastructure	(1,223,753)	(80,895)	-	36	(1,304,612)
Total Accumulated Depreciation	(1,677,798)	(133,513)	23,083	(1,781)	(1,790,009)
Governmental Activities Capital Assets, Net	$ 4,146,158	$ 131,276	$ 6,805	$ 170	$ 4,284,409
BUSINESS-TYPE ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 85,303	$ 374	$ 4	$ (63)	$ 85,618
Construction in Progress	461,717	157,966	(14,046)	(109,453)	496,184
Total Non-Depreciable Capital Assets	547,020	158,340	(14,042)	(109,516)	581,802
Depreciable Capital Assets:					
Structures and Improvements	1,463,530	10,102	(13)	3,352	1,476,971
Equipment	289,351	9,346	(586)	13,507	311,618
Distribution & Collection Systems and Other Infrastructure	2,976,441	65,104	(43,575)	90,359	3,088,329
Total Depreciable Capital Assets	4,729,322	84,552	(44,174)	107,218	4,876,918
Less Accumulated Depreciation For:					
Structures and Improvements	(241,642)	(32,546)	-	14,307	(259,881)
Equipment	(162,649)	(24,474)	500	2,393	(184,230)
Distribution & Collection Systems and Other Infrastructure	(454,843)	(54,515)	16,706	(14,572)	(507,224)
Total Accumulated Depreciation	(859,134)	(111,535)	17,206	2,128	(951,335)
Business-Type Activities Capital Assets, Net	$ 4,417,208	$ 131,357	$ (41,010)	$ (170)	$ 4,507,385

Governmental Activities capital assets net of accumulated depreciation at June 30, 2005 are comprised of the following:

General Capital Assets, Net	$	4,199,247
Internal Service Funds Capital Assets, Net		85,162
Total	$	4,284,409

Business-Type Activities capital assets net of accumulated depreciation at June 30, 2005 are comprised of the following:

Enterprise Funds Capital Assets, Net	$	4,507,056
Internal Service Funds Capital Assets, Net		329
Total	$	4,507,385

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

Governmental Activities:

General Government and Support	$	2,746
Public Safety - Police		4,887
Public Safety - Fire and Life Safety		3,644
Parks, Recreation, Culture and Leisure		30,835
Transportation		71,941
Sanitation and Health		701
Neighborhood Services		712
Subtotal		115,466
Internal Service (Except Special Engineering)		18,047
Total Depreciation Expense	$	133,513

Business-Type Activities:

Airports	$	551
City Store		1
Development Services		372
Enviromental Services		6,496
Golf Course		664
Recycling		1,093
Sewer Utility		74,863
Water Utility		27,277
Subtotal		111,317
Internal Service (Special Engineering)		218
Total Depreciation Expense	$	111,535

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2005 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corp.			
	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable Capital Assets:				
Structures and Improvements	$ 19,730	$ 1,491	$ (1,416)	$ 19,805
Equipment	10,112	359	(1,358)	9,113
Total Depreciable Capital Assets	29,842	1,850	(2,774)	28,918
Less Accumulated Depreciation For:				
Structures and Improvements	(6,721)	(1,313)	495	(7,539)
Equipment	(7,596)	(1,152)	1,379	(7,369)
Total Accumulated Depreciation	(14,317)	(2,465)	1,874	(14,908)
Capital Assets, Net	$ 15,525	$ (615)	$ (900)	$ 14,010

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	$ 27,798	$ 3,372	$ (626)	$ 30,544
Construction in Progress	7,309	1,328	-	8,637
Total Non-Depreciable Capital Assets	35,107	4,700	(626)	39,181
Depreciable Capital Assets:				
Structures and Improvements	85,002	-	(1,857)	83,145
Equipment	915	35	(35)	915
Total Depreciable Capital Assets	85,917	35	(1,892)	84,060
Less Accumulated Depreciation For:				
Structures and Improvements	(37,450)	(3,184)	995	(39,639)
Equipment	(861)	(36)	35	(862)
Total Accumulated Depreciation	(38,311)	(3,220)	1,030	(40,501)
Capital Assets, Net	$ 82,713	$ 1,515	$ (1,488)	$ 82,740

5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (In Thousands)

a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2005 comprise the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005
Compensated Absences				$ 74,387
Liability Claims				218,366
Capital Lease Obligations				30,647
Contracts Payable:				
Contract Payable to SDSU Foundation, dated December 1991	variable*	---	1,598	1,598
Amendment to Contract Payable to SDSU Foundation, dated January 1995	variable*	---	117	117
Total Contracts Payable				1,715
Notes Payable:				
Note Payable to Wal-Mart, dated June 1998	10.0%	2017	1,308	746
Notes Payable to San Diego Revitalization, dated April 2001	5.0	2032	5,115	5,078
Notes Payable to San Diego Revitalization, dated May 2005	8.0	2025	2,100	2,100
Total Notes Payable				7,924
Loans Payable:				
International Gateway Associates, LLC, dated October 2001	10.0	2032	1,876	1,852
North Park Theatre, LLC, dated December 2004	variable*	---	3,335	3,335
Total Loans Payable				5,187
San Diego Association of Governments (SANDAG) Loans Payable				13,979
Section 108 Loans Payable				42,858
General Obligation Bonds:				
Public Safety Communications Project, Series 1991	5.0 - 8.0**	2012	25,500	13,010
Open Space Park Refunding Bonds, Series 1994	5.0 - 6.0**	2009	64,260	1,520
Total General Obligation Bonds				14,530
Revenue Bonds / Lease Revenue Bonds / COPs:				
MTDB Authority Lease Revenue Refunding Bonds, Series 1994	4.25 - 5.625**	2010	66,570	14,890
Public Facilities Financing Authority Stadium Lease Revenue Bonds, Series 1996 A	6.2 - 7.45**	2027	68,425	61,720

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A	4.0 - 5.6**	2011	$ 33,430	$ 18,070
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation Refunding, Series 1996 B	4.0 - 6.0**	2022	11,720	9,520
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25**	2028	205,000	187,980
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.49**	2026	12,105	11,095
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2.75 - 4.75**	2018	30,515	19,030
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	3.5 - 5.10**	2018	7,630	4,725
Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002	7.15 - 7.7**	2032	169,685	169,685
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0**	2032	25,070	24,235
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.30**	2027	20,515	19,960
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375**	2023	15,255	14,665
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0**	2024	17,425	15,710
Total Revenue Bonds / Lease Revenue Bonds / COPs				571,285
Special Assessment / Special Tax Bonds				
1915 Act Otay Mesa Industrial Park Improvement Bonds, Series 1992	5.5 - 7.95**	2013	2,235	435
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	3.75 - 5.375**	2021	59,465	48,730
Santaluz Special Tax Bonds, Series 2000 A	4.75 - 6.375**	2031	56,020	55,110
Santaluz Special Tax Bonds, Series 2000 B	4.5 - 6.2**	2031	4,350	4,255
City of San Diego Reassessment District Limited Obligation Refunding Bonds, Series 2003-1	4.25 - 5.8**	2018	8,850	8,380
Piper Ranch Limited Obligation Improvement Bonds, Series 2003	2.5 - 6.2**	2034	5,430	5,430
Santaluz Special TaxBonds, Improvement Area No.1, Series 2004	1.7 - 5.5**	2031	5,000	5,000
Santaluz Special TaxBonds, Improvement Area No.4, Series 2004	1.65 - 5.5**	2034	9,965	9,965
Total Special Assessment / Special Tax Bonds				137,305

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005
Tax Allocation Bonds:				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8 - 9.75**	2014	$ 1,400	$ 880
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0**	2020	1,200	920
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 B	6.9 - 8.2**	2021	3,955	3,305
Southcrest Redevelopment Project Tax Allocation Bonds, Series 1995	4.75 - 6.592**	2020	3,750	2,560
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0**	2016	12,970	9,005
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 B	4.3 - 7.0**	2007	9,830	795
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125**	2019	25,680	25,355
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	6.25**	2014	11,360	11,360
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	3.1 - 4.75**	2025	13,610	12,625
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8**	2029	5,690	5,575
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4***	2029	10,141	9,978
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.6 9**	2031	3,395	3,210
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6**	2025	6,100	5,510
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35**	2025	21,390	20,125
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8**	2022	15,025	14,555
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875**	2031	13,000	12,135
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9**	2031	7,000	6,540
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.5**	2026	1,860	1,715

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	4.93 - 5.55****	2027	$ 58,425	$ 57,605
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	5.0**	2027	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2.5 - 5.0**	2029	31,000	24,855
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	5.875 - 6.5**	2034	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2.5 - 4.25**	2014	865	695
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125**	2028	7,145	6,790
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75 - 5.0**	2034	5,360	5,360
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65 - 5.1**	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25 - 5.45**	2022	4,530	4,530
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49 - 7.74**	2022	8,000	7,735
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	3.5 - 5.25**	2030	101,180	101,180
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2.26 - 4.58**	2011	9,855	9,855
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26 - 6.18**	2030	27,785	27,785
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26 - 6.28**	2030	8,905	8,905
Total Tax Allocation Bonds				415,778
Total Bonds Payable				1,138,898
Net Pension Obligation				254,486
Total Governmental Activities Long-Term Liabilities				$ 1,788,447

* Additional information on the variable rate contracts payable with the SDSU Foundation and loans payable with North Park Theatre, LLC are discussed further on the following page.

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

*** The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2005 does not include accreted interest of $4,518.

**** The Centre City Redevelopment Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2005 does not include accreted interest of $2,945.

Liability claims are primarily liquidated by the Self Insurance Fund and Enterprise Funds. Compensated absences are paid out of the operating funds and certain internal service funds. Pension liabilities are paid out of the operating funds based on a percentage of payroll.

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. Open space general obligation bonds are backed by Environmental Growth Fund 2/3 franchise fees.

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.

Special assessment/special tax bonds are issued by the City to provide funds for public improvements in/and or serving special assessment and Mello-Roos districts created by the City. The bonds are secured by assessments and special taxes levied on the properties located within the assessment districts and the community facilities districts, and are payable solely from the assessments and special taxes collected. The assessments and the special taxes, and any bonds payable from them, are secured by a lien on the properties upon which the assessments and the special taxes are levied. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds.

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 & Infrastructure projects.

SANDAG loans are comprised of two components: repayment of debt service on bonds, and repayment of proceeds from commercial paper. The City received distributions of SANDAG bond proceeds, based on the City's agreement with SANDAG. The annual debt service payments related to these bond issuances are recovered by SANDAG through reductions in TransNet allocations that would otherwise be available for payment to the City. TransNet-Proposition A, was passed in 1987 to enact a ½ percent sales tax increase to fund regional transportation projects. All expenses must first be approved by SANDAG and be included on the Regional Transportation Plan (RTP). The City recognizes repayment of the principal and interest on bonds as an increase in TransNet revenues and an offsetting debt service expenditure. The interest rates on the outstanding bonds range from 4.75 percent to 6.0 percent. In addition to financing from bond issuances, financing for TransNet related projects is made available through the issuance of commercial paper notes by SANDAG, at the request of the City. Repayment of proceeds related to the commercial paper is collected in future periods through reductions in TransNet allocations, similar to the repayment of the debt service on bonds. Interest rates on commercial paper notes during the current year have varied from 1.00 percent to 2.50 percent, with maturities from 1 day to 166 days. Interest rates on outstanding commercial paper note amounts at June 30, 2005, ranged from 2.27 percent to 2.50 percent.

San Diego State University Foundation executed an Agreement for Processing a Redevelopment Plan and Land Use Entitlements with the Redevelopment Agency of the City of San Diego which allows for reimbursement of expenses incurred by the Foundation, in assisting in the preparation and processing of the Redevelopment Plan and Land Use Entitlements in the College Area. The agreement is a variable rate obligation of the Agency. The unpaid principal bears interest at the prime rate and is fixed on a quarterly basis, using the prime rate established on the first banking day of each calendar quarter. Interest calculations are made on the quarterly weighted average of the principal balance and are made at the end of the quarter based upon the rate fixed for that quarter. The interest rate is not to exceed 12 percent per annum on funds advanced to the Agency. The effective interest rate as of June 30, 2005 is 5.75 percent.

The Redevelopment Agency of The City of San Diego and North Park Theatre, LLC entered into a Disposition and Development Agreement dated April 23, 2002, a Second Implementation Agreement dated, April 28,2004 and a Third Implementation Agreement dated December 9, 2004, which were executed for the purposes of effectuating the Redevelopment Plan for the North Park Redevelopment Project by providing for the disposition of certain real property and a loan to the Agency from the Developer to fund the Agency's subsidy of the rehabilitation of the North Park Theatre building by the Developer. The Third Implementation Agreement converted the loan from a fixed rate to a variable rate obligation of the Agency. The interest on the loan is based on the prime rate plus 2 percent for the first two years, then will increase by a 1/2 percent per year for the remainder of the term of the loan. The interest rate shall not exceed the lesser of the Prime Rate plus four percent or the maximum interest rate allowed by law. The interest rate shall be reset annually, on August 1st, based on the Prime Rate on the reset date. The effective interest rate as of June 30, 2005 is 6.75 percent.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2005, including interest payments to maturity, are as follows:

Year Ended June 30,	Capital Lease Obligations		Contracts Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 9,588	$ 1,012	$ -	$ -	$ -	$ -
2007	7,038	716	-	-	-	-
2008	4,744	485	-	-	-	-
2009	3,881	316	-	-	-	-
2010	2,586	182	-	-	-	-
2011-2015	2,810	271	-	-	-	-
2016-2020	-	-	-	-	-	-
2021-2025	-	-	-	-	-	-
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
Unscheduled*	-	-	1,715	1,540	7,924	4,853
Total	$ 30,647	$ 2,982	$ 1,715	$ 1,540	$ 7,924	$ 4,853

** The contracts payable to SDSU Foundation in the amount of $1,715 and the notes payable to Wal-Mart of $746 and San Diego Revitalization of $7,178, do not have annual repayment schedules. Annual payments on the San Diego State University debt is based on the availability of tax increment net of the low-moderate and taxing agency set-asides as well as project area administration costs. Annual payments to the Wal-Mart and San Diego Revitalization debt are based on available tax increment.*

Year Ended June 30,	Loans Payable		SANDAG Loans		Section 108 Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 14	$ 185	$ 6,653	$ 526	$ 2,483	$ 2,407	$ 1,840	$ 927
2007	15	184	5,091	315	2,959	2,270	1,985	783
2008	17	182	2,235	109	3,422	2,101	2,125	641
2009	18	181	-	-	2,246	1,951	2,265	502
2010	20	179	-	-	2,335	1,831	1,975	353
2011-2015	136	859	-	-	13,651	6,939	4,340	293
2016-2020	218	777	-	-	10,669	2,883	-	-
2021-2025	352	643	-	-	5,093	661	-	-
2026-2030	567	428	-	-	-	-	-	-
2031-2035	495	102	-	-	-	-	-	-
Unscheduled*	3,335	37	-	-	-	-	-	-
Total	$ 5,187	$ 3,757	$ 13,979	$ 950	$ 42,858	$ 21,043	$ 14,530	$ 3,499

** The loans payable to North Park Theatre, LLC in the amount of $3,335, does not have an annual repayment schedule. Annual payments on this debt are based upon future receipts of unallocated tax increment or other available sources.*

Year Ended June 30,	Revenue Bonds / COPs		Special Assessment / Special Tax Bonds		Tax Allocation Bonds		
	Principal	Interest	Principal	Interest	Principal	Unaccreted Appreciation	Interest
2006	$ 21,435	$ 33,377	$ 3,500	$ 7,457	$ 10,917	$ 1,822	$ 19,872
2007	19,875	32,416	3,775	7,297	12,041	1,910	19,482
2008	20,860	31,437	4,050	7,123	12,631	1,996	19,039
2009	21,550	30,395	4,320	6,931	13,136	2,081	18,551
2010	21,235	29,337	4,635	6,720	13,684	2,163	17,965
2011-2015	91,910	131,788	27,875	29,590	79,587	11,862	78,495
2016-2020	103,580	104,590	34,190	21,249	97,449	11,730	56,196
2021-2025	130,590	70,556	22,120	13,131	100,604	7,694	31,123
2026-2030	110,230	29,761	24,100	6,565	68,569	1,136	9,118
2031-2035	30,020	3,383	8,740	612	7,160	-	702
Subtotal	571,285	497,040	137,305	106,675	415,778	42,394	270,543
Add: Accreted Appreciation through June 30, 2005	-	-	-	-	7,463	-	-
Total	$ 571,285	$ 497,040	$ 137,305	$ 106,675	$ 423,241	$ 42,394	$ 270,543

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, 2005. The effect of bond accretion, bond premium, discounts and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	$ 262	$ -	$ (262)	$ -	$ -
Compensated Absences	71,895	56,440	(53,948)	74,387	31,787
Liability Claims	202,914	59,504	(44,052)	218,366	43,724
Capital Lease Obligations	30,619	10,485	(10,457)	30,647	9,588
Contracts Payable	1,715	-	-	1,715	-
Notes Payable	5,998	2,100	(174)	7,924	35
Loans Payable	4,865	3,335	(3,013)	5,187	14
Section 108 Loans Payable	44,917	-	(2,059)	42,858	2,483
SANDAG Loans Payable	19,302	-	(5,323)	13,979	6,653
General Obligation Bonds	45,775	-	(31,245)	14,530	1,840
Revenue Bonds / COPs	591,620	-	(20,335)	571,285	21,435
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(999)	-	49	(950)	-
Net Revenue Bonds/COP's	590,621	-	(20,286)	570,335	21,435
Special Assessment / Special Tax Bonds	140,545	-	(3,240)	137,305	3,500
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(701)	-	47	(654)	-
Net Special Assestment Bonds	139,844	-	(3,193)	136,651	3,500
Tax Allocation Bonds	308,576	147,725	(40,523)	415,778	10,917
Interest Accretion	5,757	1,732	(26)	7,463	-
Balance with Accretion	314,333	149,457	(40,549)	423,241	10,917
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	32	3,093	90	3,215	-
Net Tax Allocation Bonds	314,365	152,550	(40,459)	426,456	10,917
Net Pension Obligation	203,589	50,897	-	254,486	-
Total	$ 1,676,681	$ 335,311	$ (214,471)	$ 1,797,521	$ 131,976

d. Defeasance of Debt

The Redevelopment Agency of The City of San Diego issued Centre City Subordinate Refunding Tax Allocation Bonds, Series 2004 A in the amount of $101,180 and Series B in the amount of $9,855. The bond proceeds were used to advance refund the remaining outstanding Centre City Tax Allocation Bonds Series 1993 A and B. 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 $2,220. In addition, the refunding resulted in a cash flow savings of approximately $2,992. The refunded bonds were redeemed at a call date prior to the end of the fiscal year and, accordingly, there was no balance outstanding as of June 30, 2005.

As of June 30, 2005, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount (In Thousands)
Horton Plaza Redevelopment Project Subordinate Tax Allocation Refunding Bonds, Series 1996 B	$ 6,640
Miramar Ranch North Special Tax Bonds, Series 1995 B	19,860
Total Defeased Bonds Outstanding	$ 26,500

6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (In Thousands)

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2005 comprise the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005
Arbitrage Liability				$ 213
Compensated Absences				17,521
Liability Claims				47,389
Capital Lease Obligations				3,521
Loans Payable:				
Loans Payable to San Diego County Water Authority	-	-	100	100
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2020	10,606	8,303
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80**	2022	6,684	5,829
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80**	2022	33,720	29,406
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2022	7,742	6,749
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2021	860	712
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80**	2021	2,525	2,091
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99**	2020	3,767	3,229
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80**	2023	8,068	7,384
Total Loans Payable				63,803
Bonds Payable:				
Sewer Revenue Bonds, Series 1993	2.8 - 5.25*	2023	250,000	189,090
Sewer Revenue Bonds, Series 1995	3.9 - 6.0*	2025	350,000	293,190
Sewer Revenue Bonds, Series 1997 A	3.7 - 5.375*	2027	183,000	156,615

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005
Sewer Revenue Bonds, Series 1997 B	3.7 - 5.375*	2027	$ 67,000	$ 57,335
Water Certificate of Undivided Interest, Series 1998	4.0 - 5.375*	2029	385,000	279,020
Sewer Revenue Bonds, Series 1999 A	3.5 - 5.125*	2029	203,350	182,890
Sewer Revenue Bonds, Series 1999 B	3.5 - 5.125*	2029	112,060	100,975
Subordinated Water Revenue Bonds, Series 2002	2.0 - 5.0*	2033	286,945	286,945
Sewer Revenue Bonds, Series 2004	variable***	2008	152,000	152,000
Total Bonds Payable				1,698,060
Estimated Landfill Closure and Postclosure Care				13,665
Net Pension Obligation				35,104
Total Business-Type Activities Long-Term Liabilities				$ 1,879,276

** Interest rates are fixed, and reflect the range of rates for various maturities from the date of issuance to maturity.*
*** Effective rate*
**** Variable rate based on 62.34% of the London Inter-bank Offered Rate (LIBOR), which is a daily reference rate based on the interest rates at which major banks offer to lend unsecured funds to other banks in the London inter-bank market, plus 75 basis points through December 16, 2005. The effective interest rate at fiscal year end June 30, 2005 is 3.0067%.*

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2005, including interest payments to maturity, are as follows:

Year Ended June 30	Revenue Bonds Payable		Loans Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 73,355	$ 81,046	$ 3,311	$ 1,155	$ 1,470	$ 121
2007	117,645	77,396	3,371	1,095	1,045	69
2008	81,615	73,262	3,432	1,034	840	31
2009	45,595	70,851	3,494	971	166	4
2010	47,585	68,850	3,558	908	-	-
2011-2015	275,540	306,640	18,779	3,548	-	-
2016-2020	352,585	228,970	20,546	1,782	-	-
2021-2025	417,565	130,567	7,212	223	-	-
2026-2030	248,305	37,170	-	-	-	-
2031-2035	38,270	2,934	-	-	-	-
Unscheduled *	-	-	100	-	-	-
Total	$ 1,698,060	$ 1,077,686	$ 63,803	$ 10,716	$ 3,521	$ 225

** The loan payable to the San Diego County Water Authority in the amount of $100 does not have an annual repayment schedule. The payment is due if funding for the projects for which the loan was received becomes available from other sources.*

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2005. The effect of bond premiums, discounts and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	$ 221	$ 9	$ (17)	$ 213	$ -
Compensated Absences	16,595	14,523	(13,597)	17,521	7,708
Liability Claims	49,249	5,529	(7,389)	47,389	2,968
Capital Lease Obligations	5,008	-	(1,487)	3,521	1,470
Loans Payable	67,054	470	(3,721)	63,803	3,311
Revenue Bonds Payable	1,731,825	-	(33,765)	1,698,060	73,355
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(9,080)	-	570	(8,510)	-
Net Revenue Bonds Payable	1,722,745	-	(33,195)	1,689,550	73,355
Estimated Landfill Closure and Postclosure Care	12,679	986	-	13,665	-
Net Pension Obligation	28,346	6,758	-	35,104	-
Total	$ 1,901,897	$ 28,275	$ (59,406)	$ 1,870,766	$ 88,812

d. Defeasance of Debt

As of June 30, 2005, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Balance
Water Revenue Bonds, Series 1998	$ 77,155
Total Defeased Bonds Outstanding	$ 77,155

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

Discretely presented component units long-term debt as of June 30, 2005 is comprised as follows:

San Diego Convention Center Corporation

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005	Due Within One Year
Note Payable to San Diego Unified Port District, dated 1999	0.00%	2010	$ 10,000	$ 5,500	$ 1,000

SDCCC will repay the note at the rate of zero percent (0.0%) per annum with principal payable as follows:

Fiscal Year	Amount
2006	$ 1,000
2007	1,000
2008	1,000
2009	1,000
2010	1,000
2011	500
Total	$ 5,500

San Diego Housing Commission

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005	Due Within One Year
Note Payable to Bank of America, dated February 1985	5.0 – 10.2%	2025	$ 3,789	$ 3,174	$ 98
Note Payable to Ciy of San Diego Redevelopment Agency, dated March 1992	0.0	2022	696	696	-
Note Payable to Washington Mutual, dated June 1995	Variable*	2011	4,725	3,791	127
Note Payable to State of California (RHCP)	0.0	2015	3,149	3,149	-
Note Payable to State of California (RHCP)	0.0	2013	1,405	1,405	-
Note Payable to State of California (CalHELP)	3.0	2013	704	2,506	-
Total Notes Payable				$ 14,721	$ 225

* The interest rate as of June 30, 2005 was 3.58%

Annual requirements to amortize such long-term debt as of June 30, 2005 to maturity are as follows:

Year Ended June 30	Principal	Interest
2006	$ 225	$ 273
2007	291	263
2008	302	252
2009	314	240
2010	326	228
2011-2015	8,892	1,647
2016-2020	2,222	549
2021-2025	2,149	138
Total	$ 14,721	$ 3,590

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, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	$ -	$ 114,000	$ (114,000)	$ -

The $114,000 FY05 TRANs issue had an average interest rate of 1.98% and was repaid on May 4, 2005.

9. JOINT VENTURE (In Thousands)

San Diego Medical Services Enterprise, LLC

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. San Diego Medical Services Enterprise, LLC (SDMSE) is a joint venture that is reported within the General Fund.

SDMSE was organized on May 2, 1997 to provide emergency medical services and medical transportation services to the citizens of San Diego. Operations began July 1, 1997 under an initial 5 year agreement that was extended on June 30, 2002 for an additional three year period. The SDMSE partners are the City of San Diego and Rural Metro of San Diego, Inc., a wholly owned subsidiary of Rural Metro Corporation (a publicly traded corporation). The SDMSE governing board is comprised of five members, three of whom are appointed by the City. In accordance with GASB 14, the financial impacts of the joint venture are reported in the General Fund.

The maximum funds which the City is required to contribute to the costs of SDMSE operations are limited to an aggregate of $8,450. This aggregate includes a $650 annual subsidy and any other amounts to be paid to the City since 1997 under the original contract, and any losses the City is required to cover under the extended contract, excluding any amount the City contributes for Medicare fee reimbursements. Cumulatively, the City has paid annual subsidies totaling $5,700 as of June 30, 2005. Net assets of SDMSE are pro-rated to each partner based on a 50/50 split. In accordance with the operating agreement, profit and loss for each fiscal year is allocated equally to the members, subject to an aggregate limitation on loss to the City of $8,450 (equal to the amount of subsidies discussed above). For the fiscal year ended June 30, 2005, SDMSE reported a net income of $195, a member distribution of $155, and an ending net assets of $3,083.

Under the terms of an operating agreement between Rural/Metro of San Diego, Inc. and SDMSE, Rural/Metro of San Diego, Inc. has made available a line-of-credit in the initial amount of $3,500 bearing an interest rate of 9.5%. SDMSE did not have an outstanding balance, nor did it borrow on the line-of-credit at June 30, 2005.

Complete financial statements can be requested from San Diego Medical Services Enterprise, LLC, 8401 East Indian School Rd., Scottsdale, Arizona 85251.

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.

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, 2005:

Year Ended June 30	Amount
2006	$ 12,333
2007	12,084
2008	11,510
2009	11,684
2010	11,406
2011-2015	38,944
2016-2020	245
2021-2025	196
Total	$ 98,402

Rent expense as related to operating leases was $11,535 for the year ended June 30, 2005.

Capital Leases

The City has entered into various capital leases for equipment, vehicles and property. These capital leases have maturity dates ranging from July 1, 2005 through November 30, 2014, and interest rates ranging from 1.76% to 7.94%. A schedule of future minimum lease payments under capital leases as of June 30, 2005 is provided in Notes 5 and 6. The value of all capital leased assets as of June 30, 2005 for governmental assets is $42,753, net of accumulated depreciation of $73,428 and business-type assets of $11,820 net of accumulated depreciation of $7,090.

Lease Revenues

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

Year Ended June 30	Amount
2006	$ 28,468
2007	28,139
2008	27,474
2009	27,277
2010	26,777
2011-2015	128,149
2016-2020	117,793
2021-2025	109,802
2026-2030	104,519
2031-2035	96,786
2036-2040	84,573
2041-2045	69,662
2046-2050	40,477
2051-2055	4,518
2056-2060	4,250
2061-2065	850
Total	$ 899,514

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 $66,470 for the year ended June 30, 2005 which includes contingent rentals amounting to $39,342.

11. DEFERRED COMPENSATION PLAN (In Thousands)

The City, San Diego Convention Center Corporation (SDCCC), San Diego Data Processing Corporation (SDDPC), and San Diego Housing Commission (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, available to eligible employees, permit them 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 of San Diego'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 is an agent multiple-employer defined benefit public pension plan and acts as a common investment and administrative agent for the City, the San Diego Unified Port District (the "Port"), and the San Diego County Regional Airport Authority (the "Airport"). It is administered by the SDCERS Board (the "Board") to provide retirement, disability, death and survivor benefits for its members. Adoption and amendment of the City's benefit provisions requires City Council approval and a majority vote by members and are codified in the City's Municipal Code.

The Defined Benefit Plan (the Plan) covers 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 CAFR, however, and the information herein relates solely to the City's participation in SDCERS. City employment classes participating in the Plan are elected officers, general and safety (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.

	General	Safety	Total by Classification
Active Members	6,808	2,628	9,436
Terminated Members	1,732	266	1,998
Retirees, Disabled and Beneficiaries	3,580	2,415	5,995
Total Members, as of June 30, 2005	12,120	5,309	17,429

As a defined benefit plan, retirement benefits are determined primarily by a member's class, age at retirement, number of years of service credit earned, and the member's final compensation based on the highest salary earned over a consecutive one-year period. The City provides cost of living adjustments of 2% to retirees, which is factored into the actuarial assumptions. The City requires ten years of service at age 62, 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, to vest for a benefit. Typically, retirement benefits are awarded at a rate of 2.5% of the employee's one-year high annual salary per year of service at age 55 for general members, and 3% for Safety members starting at the age of 50. The actual percentage of final average salary 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. General plan percentage of final average salary per year served is a maximum of 2.8% for general members and 3% for safety members.

The City also has a Deferred Retirement Option Program (DROP). If a SDCERS member participates in DROP, they accumulate a deferred benefit which they can receive as a lump sum benefit or periodic distributions in addition to their normal monthly retirement allowance when they leave employment with the City. DROP was

initially offered by SDCERS' plan sponsors on a trial basis for a three-year period ending March 31, 2000, and was subsequently continued. SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the DROP program due to the benefit changes negotiated with the July 1, 2005 Memoranda of Understanding (MOU). It is the legal opinion of SDCERS that the effective date would instead be February 16, 2007 when the Ordinance, O-19567, was officially codified in the Municipal Code. As of the original issuance of this report, the City Attorney and SDCERS legal counsel do not agree on this issue but the Municipal Code states July 1, 2005 as the effective date. SDCERS' members who were hired prior to July 1, 2005 are eligible to participate in DROP when they are eligible for a service retirement. A DROP participant continues to work for the City and receives a regular paycheck. The DROP participant makes reduced retirement contributions to SDCERS and the DROP participant stops earning creditable service. A DROP participant continues to receive most of the employer offered benefits available to regular employees.

SDCERS' members electing to enter DROP must agree to participate in the program for a specific period, 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. A SDCERS member's decision to enter DROP is irrevocable.

The DROP benefit is the value of a DROP participant's account at the end of the DROP participation period. SDCERS will distribute the funds in a participant's DROP account when they leave employment and begin retirement. The distribution is made as a single lump sum or in 240 equal monthly payments, or as otherwise allowed by applicable provisions of the Internal Revenue Code. Outstanding liabilities for DROP are shown on the Statement of Fiduciary Net Assets in the basic financial statements.

In 1998, a lawsuit was filed by retired employees who alleged that the City's method of calculating retiree pension benefits improperly excluded the value of certain benefits such as vacation and sick leave when computing the employees' pensionable salaries. The City settled in May of 2000, which is known as the Corbett Settlement. This settlement provided for a flat increase of 7% in benefits payable to eligible retirees from annual realized earnings of SDCERS pension assets, if sufficient. To the extent earnings are insufficient, the unpaid amount is carried forward. For employees active at the time of the settlement who joined the Retirement System before July 1, 2000, San Diego Municipal Code section 24.0402 and 24.0403 allows for two options in calculating his/her unmodified service retirement allowance:

1. the unmodified factors in effect on July 1, 2000 ("Corbett Factors"), as shown in the table below, with no increase to the General Member's Final Compensation, or
2. the unmodified factors in effect on June 30, 2000 ("Old Factors"), as shown in the table below, with a 10% increase to the General Member's Final Compensation.

In effect on July 1, 2002 ("New Factors"), additional increases related to MP-2 (as defined below) were granted, as shown in the tables below, with no increase to the members' compensation.

GENERAL MEMBER RETIREMENT CALCULATION FACTORS

Retirement Age	Unmodified Factors Effective 6/30/00 (Old Factors)	Unmodified Factors Effective 7/1/00 (Corbett Factors)	Unmodified Factors Effective 7/1/02 (New Factors)
55	2.00%	2.25%	2.50%
56	2.00%	2.25%	2.50%
57	2.00%	2.25%	2.50%
58	2.00%	2.25%	2.50%
59	2.08%	2.25%	2.50%
60	2.16%	2.30%	2.55%
61	2.24%	2.35%	2.60%
62	2.31%	2.40%	2.65%
63	2.39%	2.45%	2.70%
64	2.47%	2.50%	2.75%
65 and older	2.55%	2.55%	2.80%

SAFETY MEMBER RETIREMENT CALCULATION FACTORS

	Unmodified Factor* Effective 1/01/97 - 6/30/00		Unmodified Factor*
Retirement Age	Lifeguard	Police & Fire	Effective 7/01/00
50	2.20%	2.50%	3.00%
51	2.32%	2.60%	3.00%
52	2.44%	2.70%	3.00%
53	2.57%	2.80%	3.00%
54	2.72%	2.90%	3.00%
55	2.77%	2.99%	3.00%

*Unmodified Factor utilized to calculate the maximum service retirement allowance.

Additionally, on March 19, 2001, the City Council adopted Ordinance O-18930, adding SDMC sections 24.1601 through 24.1608, establishing 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), 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). The POB Plan is administered by the SDCERS Board as a separate trust from the City's pension plan. On February 16, 2007, the SDCERS Board adopted the Preservation of Benefit Plan and Trust to carry out the intent of SDMC section 24.1601 et seq. As provided, in SDMC 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, and is therefore in the process of establishing a mechanism to pay for these benefits on a pay-as-you-go basis. Currently, activities related to the POB Plan are included in the RSI for the City's pension plan using actuarial assumptions consistent with those used to perform actuarial valuations for the City's core pension plan.

On November 7, 2006, the citizens approved an amendment to Article 9, Section 143 of the City's Charter, requiring voter approval of certain increases in retirement system benefits for public employees. Specifically, this amendment requires a majority approval of any ordinance that amends the City's retirement system by increasing the benefits of any employee. However, increases in retirement benefits due to cost of living adjustments do not require voter approval.

Additional details of retirement benefits can be obtained from SDCERS. SDCERS is considered part of the City of San Diego's financial reporting entity and is reported as a pension trust fund. SDCERS issues stand-alone financial statements which are available at its office located at 401 West A Street, Suite 400, San Diego, California 92101.

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. Investment income is recognized in accordance with GASB 25 and is stated net of investment management fees and related expenses.

c. Contributions and Reserves - Disclosure Related to Long - Term Contracts and Other Agreements

Funding Contracts: MP-1 and MP-2

The City employer contributions for fiscal years 1996 - 2003 were not based on the full actuarial rates. Instead, employer contributions were less than the full actuarial rates in accordance with an agreement between the City and SDCERS, commonly referred to as Manager's Proposal 1 (MP-1). MP-1 provided that the City would make annual payments according to a contractually fixed formula of slowly increasing percentages of total payroll instead of annual payments based on the annually required contribution (ARC) rates determined by the actuary. This agreement was subject to an actuarially determined funding ratio ("the trigger") of 82.3%. In the event the trigger was reached, the City would be required to make a lump sum payment to return the system to the funding ratio of 82.3%. The funding provision established by MP-1 was effective until fiscal year 2007, at which time, the City's contribution would return to the full ARC rate determined by the actuary. In the opinion of Kroll (a professional consulting firm engaged by the City to act in the capacity of an Audit Committee) and the City Attorney, the funding mechanism of MP-1 was illegal in violation of the City Charter and the State Constitution.

In 2002, a second agreement between the City and SDCERS was ratified; this agreement subsequently became known as Manager's Proposal 2 (MP-2). MP-2 modified MP-1 principally by allowing the City to avoid a balloon payment if the trigger was reached. Instead, MP-2 allowed the City to increase its funding until the full ARC was reached. This provision of MP-2 required that funding be increased over a five year period. In the opinion of Kroll and the City Attorney, the funding mechanism of MP-2 was illegal in violation of the City Charter and the State Constitution.

The actuarial valuation as of June 30, 2002, received in January 2003, which applies to contributions made in fiscal year 2004, stated the funded ratio to be 77.3%, thus the trigger had been breached. As a result, the City paid the increased contribution rates (which were less than the full actuarial rates) as required by MP-2 in the next fiscal year (fiscal year ended June 30, 2004). MP-1 and MP -2 are no longer in effect due to the Gleason settlement (see the section titled "Funding Commitments Related to Legal Settlements" in this Note).

A discussion of funding levels can be found in the Funding Policy and Annual Pension Cost section of this note.

Funding Contracts: Union Agreements

The City has historically made payments to offset some of the employee's portion of retirement costs. Subsequent to June 30, 2003, the City engaged in meet and confer with its employee unions. The fiscal year 2006 MOUs and the changes to current and future employee benefits therein were introduced to Council in November 2006, and the changes in benefit eligibility were approved by Council Resolution 300600.

The agreement in the MOUs (agreements with the police union were not reached) was to reduce the amount of individual employees' pension contributions which are paid for by the City, effective fiscal year 2006. The agreements with labor unions resulted in the reduction of City "pick-up" of the employee pension contribution by 3% for the Municipal Employees' Association (MEA), the International Association of Fire Fighters Local 145, and the Deputy City Attorney Association (DCAA) and a unilaterally imposed reduction of 3.2% for the San Diego Police Officers Association (POA). In addition, the American Federation of State and County Municipal Employees (AFSCME) Local 127 negotiated a 1.9% salary reduction in lieu of additional employee pension contribution and a benefit freeze.

The agreements with the bargaining units explicitly indicate that savings to the City must be used to help address its Unfunded Actuarial Accrued Liability (UAAL) within the timeframe of the respective contracts. The labor contract with Local 127 states that "By June 30, 2008, if the City has not dedicated a total of $600 million or more to the UAAL reduction, including the amount received by leveraging employee salary reduction and pension contribution monies, the AFSCME salary reduction monies with interest will revert to SDCERS Employee Contribution Rate Reserve for benefit of Local 127 unit members to defray employee pension contributions." The City will be excused from meeting the above obligation if the funded ratio reaches 100% by June 30, 2008.

In June 2006, the City leveraged a portion of the employee pick up savings by contributing $90,800 from securitization of future tobacco settlement revenues, $9,200 of current tobacco settlement revenues, and $8,300 from the remaining balance in the employee "pick-up" amount as part of meeting its negotiated commitment. (These agreements are also discussed in the Subsequent Events Note 22). A financing option to generate approximately $80 million in additional funding is currently being pursued. As of February 8, 2008, it appears the City will not be able to meet the outstanding obligation of approximately $411,700 by June 30, 2008 in its entirety.

Funding Commitments Related to Legal Settlements

Subsequent to the adoption of MP-2, the City settled a class action lawsuit regarding alleged breaches of fiduciary duty and law regarding the City's underfunding of the pension system resulting from the adoption of MP-1 and MP-2. The Gleason Settlement Agreement resolved the issues raised regarding the City's underfunding of the pension system by imposing the following requirements on the City for fiscal years 2005 through 2008:

1. Contribute $130,000 in fiscal year 2005. *
2. Pay its full ARC beginning fiscal year 2006.
3. Repeal Municipal Code Sections that legitimized the City's contribution obligations related to MP-2.
4. Provide a total of $375,000 of real property as collateral for payments required via the Gleason Settlement Agreement.

* The City's Gleason Settlement required contribution of $130,000 in fiscal year 2005 was paid prior to the execution of the agreement on July 7, 2005, and therefore, was omitted from the final agreement.

The Gleason Settlement also stipulated that certain actuarial assumptions be fixed, notably, that the amortization period was reset to a 29 year closed commencing with the June 30, 2004 Annual Actuarial Valuation. These

assumptions were to remain in place for the duration of the settlement. On July 1, 2004 the City made the Gleason Settlement required contribution of $130,000 for fiscal year 2005 in addition to providing real property totaling $375,000 as collateral to be returned in annual installments of $125,000. On July 1, 2005 the City made the annually required contribution of $163,000 for fiscal year 2006. On July 3, 2006 the City made its full annually required contribution of $162,000. The contributions for fiscal years 2005 and 2006 did not include the effects of the Corbett settlement because the SDCERS' Board viewed those benefits as contingent (see section e. for a description of the Corbett Settlement). Subsequent to those payments, the SDCERS' Board and the City determined that the Corbett Settlement liabilities are not contingent, and therefore, the ARC for financial reporting was modified from the original ARC calculated by the actuary to include Corbett Settlement liabilities. As a result, the City's NPO includes the effects of the Corbett Settlement. These benefits were included in actuarial liabilities beginning with the valuation period dated June 30, 2006, which resulted in a fiscal year 2008 annual required contribution of approximately $165,000 that was made on July 2, 2007.

In September 2006, the City entered into a settlement of McGuigan v. City of San Diego (the "McGuigan Settlement") related to the underfunding by the City of the pension system. This agreement stipulated that the City pay $173,000 plus interest on amounts outstanding to SDCERS over a period of 5 years. An additional requirement of the McGuigan Settlement is that the City provides SDCERS real property collateral totaling $100,000. These amounts are in addition to those required by the Gleason Settlement and are to be returned upon the full payment of the settlement.

As of the original issuance of this report, the City has provided the real property collateral in addition to a $108,300 payment to SDCERS, in an attempt to meet the terms of the McGuigan Settlement. The McGuigan Settlement was partially funded through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, and additional employee "pick up" savings. This contribution is further discussed in the Funding Contracts: Union Agreements section above.

In January, 2006, the City reached a settlement on a separate civil action captioned: Newsome v. City of San Diego Retirement System, City of San Diego (the "Newsome Settlement"). As part of this settlement, the plaintiff has agreed to dismiss the lawsuit if the City provides an additional $100,000 in funding over five years to SDCERS or, the funding ratio of the City's retirement plan returns to 82.3%. The amounts stipulated in the Newsome settlement are in addition to the amount stipulated in the settlement of the McGuigan Settlement. Under the Newsome Settlement, if the City does not provide the additional funding, the plaintiff then has the right to re-file the lawsuit after giving the City 60 days notice.

d. Funding Policy and Contribution Rates

City Charter Article IX Section 143 requires employees and employers to contribute to the retirement plan. The Charter section, which was amended in fiscal year 2005, 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 retirement plan. Prior to the amendment in 2005, the Charter required that employer contributions be substantially equal to employee contributions. 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 percentages of annual covered payroll. 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 for fiscal year 2005, provided by the actuary as of June 30, 2003, expressed as percentages of active payroll:

	Employer Contribution Rates	
	General Members	Safety Members
Normal Cost*	9.78%	17.70%
Amortization Payment*	12.29%	25.37%
Normal Cost Adjusted for Amortization Payment*	22.07%	43.07%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	21.24%	41.44%

** 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 = That 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. Contributions vary according to age at entry into the defined Plan and salary. For fiscal year 2005, the City employee contribution rates as a percentage of annual covered payroll, averaged 10.54% for general members and 12.86% for safety members. A portion of the employee's share, depending on the employee's member class, is paid by the City. The amount paid by the City ranges from 2.81% to 9.05% of covered payroll for general members. Of this, 1.6% came from the retirement fund employee rate reserve, and the remainder was paid by the City. The rate for safety plan members ranges from 4.83% to 10.71%. Of this, 2.7% came from the retirement fund employee rate reserve and all remaining payments were made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process and reduced the amount of the employee contribution paid for by the City. In accordance with agreements with the labor unions, any and all savings realized by these agreements must be set aside and ultimately leveraged to reduce the pension system's UAAL.

Under SDMC Sections 24.1501 and 24.1502, an annual calculation is required to determine the Annual Realized Investment Earnings ("Realized Earnings") of SDCERS' pension assets. In accordance with these SDMC sections an annual distribution of these Realized Earnings, in priority order, takes place. The Realized Earnings 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, realized earnings are used to credit interest, at a rate determined by the SDCERS Board, which is currently 8%, to the Employer and Employee Contribution Reserves (these reserves increase Plan assets to fund the Plan liabilities for defined benefits), and Deferred Retirement Option Plan ("DROP") member accounts as well as funding the SDCERS Annual Budget (DROP and Budget disbursements decrease Plan assets). If earnings still remain, they are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) A transfer to the Employer Contribution Reserve for funded retiree health in accordance with SDMC Section 24.1203. When a transfer of realized earnings to the Employer Contribution Reserve occurs under SDMC Section 24.1203, the City designates an equivalent amount of its' annual contribution to the 401(h) Fund for healthcare benefits. (Pursuant to Resolution 300102, adopted February 1, 2005, SDCERS no longer pays for retiree health care from pension assets. Instead, the City now transfers funds directly into the healthcare trust fund for retiree health benefits which are then used to pay health premiums approved by SDCERS.) 2) Annual Supplement Benefit Payment ("13th Check") paid to retirees generally equal to approximately $30 times the number of years of

employment and paid only when there are sufficient annual Realized Earnings. 3) 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). 4) Crediting interest to the Reserve for Employee Contribution Rate Increases and the Reserve for Supplemental Cost of Living Adjustment ("COLA").

After the above noted distribution, any remaining Realized Earnings are transferred to the Employer Contribution Reserve which increases system assets.

The impact of paying retiree health insurance, supplemental or contingent payments out of Realized Earnings is to decrease system assets. This has the effect of increasing the UAAL and thereby decreasing the funded ratio. Another related impact is on the net rate of interest earned on system assets which is negatively impacted when earnings are diverted from system assets. The City recognizes SDMC Section 24.1502's negative impact to the UAAL and funded ratio; however, in order to eliminate the use of surplus undistributed earnings as described above, changes to the municipal code are necessary. Beginning in fiscal year 2005 when the reserve was depleted, the City funded the remaining retiree health benefits expense for fiscal year 2005 and the expenses for fiscal years 2006 and 2007 by transferring from the general and non-general funds into the retiree healthcare trust fund. In November 2004, voters changed the City Charter and the mix of Board members requiring that a majority of the Board be independent of the City. Also, the Charter now requires that a 15-year amortization period be used for the UAAL beginning in fiscal year 2009; however, the SDCERS Board, in conjunction with the actuary, is currently using a 20-year amortization period and has taken the position that it is legally responsible for establishing the valuation parameters, including the amortization period. Given the size of the City's current Unfunded Actuarially Accrued Liability, a change to a 15-year amortization schedule will have a significant impact on future annually required contributions.

e. Annual Pension Cost and Net Pension Obligation

Annual Pension Costs

The normal cost (i.e. the actuarial present value of pension plan benefits allocated to the current year) and the UAAL amortization cost (i.e. the portion of the pension plan payment designed to amortize the UAAL) were determined using the Projected Unit Credit (PUC) actuarial funding method. The following are the principal actuarial assumptions used for the 2004 valuation (additional assumptions were used regarding a variety of other factors):

(a) An 8.0% investment rate of return, net of administrative expenses.**
(b) Projected salary increases of at least 4.75% per year.**
(c) An assumed annual cost-of-living adjustment that is generally 2% per annum and compounded. In addition, there is a closed group of special safety officers whose annual adjustment is equal to inflation (4.25% per year).

**Both (a) and (b) included an inflation rate of 4.25%.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. In fiscal year 2007, the SDCERS Board accepted the actuary's recommendation to adopt a different asset smoothing method. [The method used by the actuary in fiscal year 2005 is not a commonly used method.] The UAAL for funding purposes, as approved by SDCERS, was being amortized over a fixed 30-year period on a closed basis and the resulting annual amount is herein

called the full actuary rate. As of June 30, 2003, the valuation year used to compute the annually required contribution, there were 18 years remaining in the amortization period. As discussed above, the 30 year closed amortization period was restarted in fiscal year 2005 pursuant to the Gleason Settlement. Beginning with the valuation dated June 30, 2007, the normal cost and UAAL amortization cost will be determined using the Entry Age Normal actuarial method, the result of which will cause the UAAL to increase in fiscal year 2009.

The following table shows the City's annual pension cost ("APC") and the percentage of APC contributed for the fiscal year ended June 30, 2005 and two preceding years (in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2003	$ 90,454	64.84%	$ 163,050
2004	138,488	49.83%	232,536
2005	179,743	67.92%	290,190

Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference, since the effective date of GASB 27 (fiscal year 1998), 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, 2005, the City's NPO is approximately $290,000 and is reported in accordance with GASB 27. See table above.

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) and adding to that 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 2005]	$ 181,284
Contributions Adjusted for Health Expenses [Fiscal Year 2005]	(122,089)
Interest on NPO	18,604
ARC Adjustment	(20,145)
Change in NPO	57,654
NPO Beginning of Year [Fiscal Year 2004]	232,536
NPO End of Year [Fiscal Year 2005]	$ 290,190

NPO Components related to Retiree Health

The City's annual contribution to SDCERS pension trust fund, for the fiscal years ended June 30, 2005, 2004, and 2003, included amounts that were contributed to the 401(h) Fund for healthcare benefits and are reported net of this contribution. Annual realized earnings, as determined by the SDMC Sections 24.1501 and 24.1502, in the pension trust fund were withdrawn and used to offset the portion of the City's contribution that went to healthcare benefits instead of being retained in the pension trust fund. This funding mechanism is an alleged violation of the Internal Revenue Code (IRC) Section 401(a). SDCERS hired counsel to make a filing to the IRS to correct this

operational failure and potential IRC violation. (See Contingencies Note 18 for additional disclosures). The amounts taken from the pension trust fund for healthcare benefits were approximately $7,900 in fiscal year 2005, $12,800 in fiscal year 2004, and $11,500 in fiscal year 2003. These payments have been removed from the City contribution amounts and resulted in an increase to the City's NPO. The cumulative impact to the City's NPO related to the diversion of assets to fund retiree health is approximately $74,100. (See Other Post Employment Benefits Note 13 for further details.)

NPO Components related to Employee Offset Liabilities

In fiscal year 1998, the City set aside $37,800 in funds from the pension trust fund's undistributed earnings to fund the Employee Contribution Rate Reserve, and annually added 8% interest earnings to this reserve. This employee contribution reserve was to pay for the City's share (pick up) of the employee's retirement contribution. The amount of NPO related to the employee offset as of June 30, 2005 is $26,300. This reserve was depleted in fiscal year 2006. As noted in the Funding Contracts: Union Agreements section above, the agreements with labor unions resulted in the reduction of City "pick-up" of the employee pension contribution.

NPO Components related to Corbett Settlement and Subsequent Benefit Increases

The City is amortizing the unfunded liability incurred as a result of the benefit increases pursuant to the Corbett Settlement. Initially, the City interprets GASB 27 to require that the amortization methods used in calculating funding for the Plan to be consistent with the method used to calculate Plan expense. Thus, the previous amortization method of 40 years open for expensing plan costs was found to be incorrect. The impact on the NPO related to Corbett as of June 30, 2005 is approximately $21,900.

NPO Components related to the Under Funding of Plan Contributions

As a result of the MP-1 and MP-2 funding contracts, the City's contributions for fiscal years 1996-2003 were less than the annual required contribution as determined by the actuary. The impact on the NPO related to the under funding of plan contributions as of June 30, 2005 is approximately $167,900.

f. Actions taken on behalf of the City to address Pension Liability and Net Pension Obligation

As part of the agreements with the labor unions, several benefits were altered or eliminated for all employees hired on or after July 1, 2005, including the Deferred Retirement Option Plan (DROP), the 13th Check, the option to purchase years of service credits ("air-time"), and retiree healthcare benefits; however, the retirement formula remains 2.5% at 55 for general members and 3.0% at 50 for safety members. Also for employees hired on or after July 1, 2005, it was agreed to establish a trust vehicle for a defined contribution plan to fund and determine retiree medical benefits. The employer/employee contributions for such a plan have not been determined as of the original issuance of this report. The City has consolidated health care options to help manage the cost of health care for both current and retired employees, and as part of the agreements with the labor unions, the new definition of "health-eligible retiree" states that employees must have 10 years of service with the City to receive 100% of the retiree health benefit and five years of service to receive 50% of the retiree health benefit.

In June 2006, the amount from labor concessions that was committed to address the pension's unfunded liability was $17,500 (general fund and non-general fund). The City has contributed $108,300 through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, and additional employee "pick up" savings. This contribution is the same as that discussed in the Funding Contracts: Union Agreements section above.

The contribution will have the effect of reducing the NPO in fiscal year 2006. The City is also exploring other financing options as a means to eliminate its NPO and UAL.

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 Wachovia Corporation 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 retirement members and lifeguard members of the City's safety retirement members participate in the plan. Eligible employees may participate from the date of employment.

The following table details plan participation:

Plan	Participants
SPSP	8,895
SPSP – H	4,392

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.

The City and the covered employees contributed approximately $49,482 in fiscal year 2005. As of June 30, 2005, the fair value of plan assets totaled approximately $443,245. SPSP is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund.

b. 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 Wachovia Corporation to provide pension benefits for eligible employees. Employees are eligible to participate from date of employment. Employees make contributions to their 401(k) Plan accounts through

payroll deductions, and may also elect to contribute to their 401(k) account through the City's Employees' Flexible Benefits Program.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed approximately $27,452 during the fiscal year ended June 30, 2005. There is no City contribution towards the 401(k) Plan.

As of June 30, 2005, the fair value of plan assets totaled approximately $169,165. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

c. Pension Plan - Centre City Development Corporation (CCDC)

CCDC has a Money Purchase Pension Plan covering all full-time permanent employees (the "CCDC Plan"). The CCDC 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 each year, CCDC contributes semi-monthly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service. CCDC's total payroll in fiscal year 2005 was approximately $3,243. CCDC contributions were calculated using the base salary amount of approximately $3,024. CCDC made the required 8% contribution amounting to approximately $242 (net of forfeitures) for fiscal year 2005.

In addition, CCDC has a Tax Deferred Annuity Plan covering current and previous eligible employees. The CCDC 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, CCDC contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. This amount includes a 3% increase from the prior year as approved by the Board of Directors on August 13, 2003. CCDC's contributions for each employee are fully vested at time of contribution. The Tax Deferred Annuity Plan includes amounts deposited by employees prior to CCDC becoming a contributor to the CCDC Plan. CCDC made the required 16% contribution amounting to approximately $484 for fiscal year 2005.

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

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

SDCCC's Money Purchase Pension Plan (the "SDCCC Plan") 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 plan 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.

A plan year is defined as a calendar year. SDCCC'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 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, 2005, pension expenditures for the SDCCC Plan amounted to $1,230. SDCCC records pension expenditures during the fiscal year based upon estimated covered compensation.

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

SDDPC has accrued and set aside funds in a money market account to provide employees who transferred from the City to SDDPC with retirement benefits approximately equal to those under the City's retirement plan. As of June 30, 2005, the balance in the account was $129.

The balance at June 30, 2005 consisted of the total estimated liability plus interest earned on the account since its establishment in fiscal year 1991.

In addition, SDDPC has in effect a Money Purchase Pension Plan (the "SDDPC Plan") covering substantially all employees. 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 the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC contributions for each employee are fully vested after four years of continuing 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. SDDPC's total payroll in fiscal year 2005 was approximately $18,024. As all employees are substantially covered, SDDPC contributions were calculated using this base salary amount. SDDPC made the required 20% contribution, amounting to approximately $3,535.

f. Pension Plan - San Diego Housing Commission (SDHC)

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (the "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 2005 was approximately $9,874. SDHC made the required 14% contribution, amounting to approximately $1,382 for fiscal year 2005. 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.

g. Pension Plan - Southeastern Development Corporation (SEDC)

SEDC has an optional Simplified Employee Pension Plan covering all full-time permanent employees (the "SEDC Plan"). The SEDC Plan is a defined contribution plan administered by Morgan Stanley Dean Witter. Under section 212 of the SEDC Employee Handbook, employees are eligible to participate six months after their date of employment, and SEDC contributes a monthly amount equal to 12% of the employees' base salary, or 15% of management employees' base salary. Such contributions are fully vested upon contribution. SEDC's total payroll in fiscal year 2005 was approximately $957. SEDC contributions were calculated using the base salary amount of approximately $888. SEDC made the required contribution, amounting to approximately $118 for fiscal year 2005. SEDC Plan members contributed an additional $1.2.

13. OTHER POST EMPLOYMENT BENEFITS (In Thousands)

a. Plan Description

The City provides certain healthcare insurance benefits to a variety of retired employees through SDCERS, as provided for in San Diego Municipal Code (SDMC) SDMC Sections 24.1201 through 24.1204. Currently, the benefits are primarily for health-eligible retirees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. 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. In fiscal year 2005, health eligible retirees who are also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $6.3 per year, in addition to reimbursement/payment for Medicare Part B premiums, limited to approximately $1.0 per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $6.7 per year. Non-health-eligible employees who retired or terminated prior to October 6, 1980 or employees who were hired after July 1, 2005, and who are otherwise eligible for retirement allowances, are also eligible for reimbursement/payment of healthcare benefits, limited to a total of $1.2 per year.

b. Contributions

In accordance with SDMC Sections 24.1203 and 24.1502 as in effect through January 2005 (such sections having been subsequently repealed), amounts were designated from annual realized earnings of SDCERS' pension assets to the retiree healthcare reserve for the purposes of funding the retiree health benefits that would have otherwise have been paid by the City. It is from this Reserve that post-employment healthcare benefits were paid. This diversion of plan assets is alleged to have violated the provisions of IRC Section 401(a), and in response, SDCERS hired Counsel to make a filing to the IRS to correct this operational failure and potential IRC violation. (See Contingencies Note 18 for additional disclosures). The City's Annually Required Contribution (ARC) payments were reduced by the amount required to fund retiree healthcare benefits, resulting in an increase of the NPO.

Expenses for post-employment healthcare benefits are paid on a pay-as-you-go basis. In fiscal year 2005, approximately 4,100 retirees received either City paid insurance or were reimbursed for other health insurance costs incurred. Additionally, expenditures of approximately $20,800 were recognized by the City for post-employment healthcare benefits. Approximately $7,900 was paid from the Reserve, which was depleted in January 2005. An additional contribution of approximately $6,900 was made by the City to fund post-employment healthcare benefits in excess of the reserve balance for fiscal year 2005. The remaining contribution of approximately $6,000 was made by retirees for beneficiary health benefits. All three of these contributions were placed into a trust fund called the Retiree Health Trust Fund, and all retiree health insurance premiums are made directly from this fund by SDCERS.

In October 2004, City Council approved the decision to have the remaining retiree health benefits transferred directly from City funds into the Retiree Health Trust fund, instead of transferred from the SDCERS Pension Trust Fund. In February 2005 the City Council adopted O-19354 which requires retiree healthcare premiums to be paid using General Fund and non-general funds of the City (Additional information is presented in Pension Plan Note 12 section d and e). These funds are transferred from the General Fund and non-general funds to the Retiree Health Trust Fund which is the fund that pays the Retiree Health Insurance Premiums. On September 28, 2007, the City Attorney's Office released Opinion No. 2007-04 which states that the trust relationship between the City and SDCERS was not affected by the change in funding mechanism, and therefore, SDCERS remains the trustee of the retiree healthcare funds.

In July 2004, GASB issued GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB), which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial statements. The City will implement GASB 45 in the financial statements for the fiscal year ending June 30, 2008. Post-employment healthcare actuarial accrued liability and any unfunded actuarial accrued liability will be reported in the required supplemental information in a manner similar to pension obligations. However, current year amounts will be disclosed in the notes to the financial statements.

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. The majority of the advances, $2,250, is an advance from the HUD Section 108 grant funds to the Redevelopment Agency. Interfund WCA balances at June 30, 2005 are as follows:

Contributing Fund (Receivable)	Benefiting Fund (Payable) General Fund	NonMajor Governmental	Total
General Fund	$ -	$ 300	$ 300
NonMajor Governmental	-	3,470	3,470
Sewer Utility	341	-	341
Water Utility	644	-	644
Total	$ 985	$ 3,770	$ 4,755

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year. The majority of the NonMajor Governmental loans, $76,507, represent the Redevelopment Agency loans from their special revenue funds to their capital projects and debt service funds. There is also a $16,275 loan from the General Fund to expenditure-driven grant funds that have temporary cash shortfalls, pending reimbursements from the Federal Government and the State. Interfund receivable/payable balances at June 30, 2005 are as follows:

Contributing Fund (Receivable)	Benefitting Fund (Payable) Nonmajor Governmental
General Fund	$ 16,275
Nonmajor Governmental	87,992
Nonmajor Enterprise	3,164
Total	$ 107,431

The Water Utility Major Fund has an interfund loan receivable of $2,386, and the Capital Outlay NonMajor Governmental Fund has a corresponding interfund loan payable of $2,386 for a loan agreement in which the Water Utility financed a land acquisition for the government. This land held for resale in the Capital Outlay Fund was sold to the Redevelopment Agency on October 16, 2006. The purchase price of the land was $6,380, of which $3,191 (which includes accrued interest) will be repaid to the Water Utility Fund and the remainder will be placed in the Capital Outlay Fund.

The Sewer Utility Major Fund has an interfund loan receivable of $3,487, and the Black Mountain Ranch Facilities Benefit Assessment Fund, a NonMajor Governmental Fund, has a corresponding interfund payable of $3,487 for advanced Facilities Benefit Assessment (FBA) project funding. The Sewer Fund agreed to finance the Carmel Valley Trunk Sewer project to facilitate earlier construction, of which a portion was deemed the responsibility of the Carmel Valley area developers and is intended to be reimbursed in FY2010 from FBA Fund assessment revenue.

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 Transient Occupancy Tax (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 at June 30, 2005 are as follows:

	Benefiting Fund							
Contributing Fund	General Fund	NonMajor Governmental	Sewer Utility	Water Utility	NonMajor Enterprise	Internal Service	Capital Asset Transfers	Total
General Fund	$ -	$ 14,276	$ -	$ -	$ 497	$ 688	$ -	$ 15,461
NonMajor Governmental	58,913	284,073	-	26	827	328	-	344,167
Sewer Utility	-	1,307	-	7	-	591	76	1,981
Water Utility	-	1,030	19	-	-	300	16	1,365
NonMajor Enterprise	1,711	588	-	-	-	400	53	2,752
Internal Service	5,328	670	485	3,370	252	122	26	10,253
Capital Asset Transfers	-	-	-	1	-	-	-	1
Total	$ 65,952	$ 301,944	$ 504	$ 3,404	$ 1,576	$ 2,429	$ 171	$ 375,980

15. RISK MANAGEMENT (In Thousands)

The City is exposed to various risks of loss related to torts; 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 participates in 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) whereby the City pays the first $1,000 per occurrence. Effective July 2003, the City's excess liability insurance coverage was obtained through a sister joint powers risk pool, California Public Entity Insurance Authority (CPEIA) for amounts up to $50,000 per occurrence in excess of a $2,000 self-insured retention.

The City offers a cafeteria-style flexible benefits plan. This plan requires employees to choose a health and life insurance plan and also gives employees the option of obtaining dental insurance, vision insurance, or catastrophic care insurance. Employees can place remaining flexible benefit dollars into IRS qualified dental/medical/vision and childcare reimbursement accounts, into their 401(k), and/or take as cash.

The City is self-insured for workers' compensation and long-term disability (LTD). All operating funds of the City participate in both these programs and make payments to the Self Insurance 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 expenditures 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, 2005 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are 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, and Water Utility Fund.

A reconciliation of total liability claims showing current and prior year activity is presented below:

	Public Liability	Workers' Comp & Long-Term Disability	Total
Balance, July 1, 2003	$ 85,073	$ 116,059	$ 201,132
Claims and Changes in Estimates	29,055	62,965	92,020
Claim Payments	(12,267)	(28,722)	(40,989)
Balance, June 30, 2004	101,861	150,302	252,163
Claims and Changes in Estimates	24,996	40,037	65,033
Claim Payments	(24,508)	(26,933)	(51,441)
Balance, June 30, 2005	$ 102,349	$ 163,406	$ 265,755

The City also participates in the joint purchase of its first party property insurance including all-risk, flood, boiler and machinery and business interruption coverages through the CSAC-EIA pool. Earthquake coverage is purchased separately through the pool. The joint purchase of the City's "all risk" property insurance, insuring approximately $2,000,000 in value of City property and assets, provides coverage for losses to City property up to approximately $400 per occurrence, subject to a $25 deductible. This limit includes 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 counties are mutually subject to the same loss. Limits and coverages may be

adjusted periodically in response to requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace.

Earthquake coverage is provided for designated buildings/structures and certain designated City lease financed locations in the amount of $75, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 5% of total values per unit per occurrence, subject to a $500 minimum, effective March 31, 2004. 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 acts 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 the current year, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, the settlements have not exceeded insurance coverage.

See Contingencies, Note 18, for additional information.

16. FUND DEFICIT (In Thousands)

The Self Insurance Fund has a net deficit of approximately ($186,480) at June 30, 2005, 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. In addition to user charges, in November 2006, the Mayor's office presented a five-year financial outlook to the City Council that outlines a proposal to fund the Self Insurance Fund.

The Grants Fund and the Capital Outlay Fund also have net deficits of approximately ($18,225) and ($14,133), respectively, due to the large number of reimbursement grants accounted for within these funds. With reimbursement grants, the resources remain the property of the grantor until allowable costs are incurred. The grants revenues are recognized as soon as all eligibility criteria have been met and the amounts become available. This results in a deficit fund balance in these funds.

17. COMMITMENTS (In Thousands)

As of June 30, 2005, the City's business-type activities contractual commitments are as follows:

Airports	$	1,425
Environmental Services		2,638
Sewer Utility		69,526
Water Utility		52,340
Other		1,907
Total Contractual Commitments	$	127,836

The contractual commitments are to be financed with existing reserves and future service charges. In addition, the Sewer and Water Utility Funds intend to finance the contractual commitments with existing reserves, future service charges, and revenue bonds secured by system revenues.

Proposed Consent Decree

On April 2, 2001, two environmental groups filed suit against the City alleging that the Municipal System's collection system was deficient as a result of sewer spills from December 1996 to the time of the filing. The complaint seeks injunctive relief to prevent illegal discharges, a compliance schedule to upgrade the Municipal System's collection system, and civil penalties of $27.5 per day for each day of a violation. The City contests the plaintiffs' claims.

The Environmental Protection Agency (EPA) and the State also filed suits against the City alleging the same collection system violations, seeking unspecified penalties and injunctive relief for collection system improvements. All three cases were consolidated. On March 16, 2005, the City settled the State lawsuit for $1,200. Of this total, $1,000 funded three supplemental environmental projects to benefit the local environment, and $200 was deposited in the State's Cleanup and Abatement Account.

The EPA, the City and the environmental groups have reached an agreement on the additional requirements to reduce sewer spills, which will be set forth in a Proposed Consent Decree (the "Proposed Consent Decree"). The Proposed Consent Decree will require increased sewer spill response and tracking, increased root control, replacement or rehabilitation of 250 miles of pipeline, a canyon economic and environmental analysis, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The estimated annual cost of this commitment is $108,000 per year in capital projects and $47,000 per year in operational maintenance to the sewer system through the term of the settlement. No civil penalty payment will be required, though stipulated penalties ranging from $375 (in whole dollars) to $20,000 (in whole dollars) per occurrence are included for subsequent violations of the Proposed Consent Decree. The Proposed Consent Decree was lodged with the Court on July 31, 2007, and will be considered for approval by the Judge after a public review and comment period.

Sewer rate increases were approved for the next four years to partially fund the obligations of the Proposed Consent Decree. However, additional rate increases will be necessary to completely fund the Proposed Consent Decree. As mentioned previously, the estimated annual cost is $108,000/year in capital projects and $47,000/year in operations and maintenance. The City is also investigating financing options to fund the capital projects in the Proposed Consent Decree.

California Department of Public Health Compliance Order

In 1994, the City of San Diego entered into a compliance agreement with the State of California Department of Public Health ("DPH") with the approval of City Council, after the DPH Drinking Water Field Operations Branch conducted a sanitary survey of the City's water system. This agreement required the City to correct operational deficiencies and begin necessary capital improvements. The City was notified in January of 1997 that it was not in compliance with this agreement. At that time, the DPH issued a compliance order. The January 1997 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 Water Department is meeting all of the requirements of the DPH Compliance Order, including the ongoing obligation to provide DPH with quarterly progress reports. In addition, on February 26, 2007, the City authorized an increase in water rates and charges to continue funding projects mandated in the DPH Compliance Order as well as other Capital Improvement Program projects.

DPH has the authority to impose civil penalties if the City fails to meet DPH Compliance Order deadlines, although DPH has not imposed such penalties to date. Violation of the DPH Compliance Order may be subject to judicial action, including civil penalties specified in California Health and Safety Code, Section 116725. Section 116725 penalties for violating a schedule of compliance for a primary drinking water standard can go as high as $25 per day for each violation; for violating other standards, such as turbidity, the penalties can reach $5 per day. There are a number of additional enforcement tools prescribed by law, including mandatory water conservation, litigation and service connection moratoriums.

The costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. As of 2007, the Water Department's DPH Compliance Order project and DPH related project costs approximate:

Total Projects	FY07	FY08 - FY11	FY12 - FY19	TOTAL
DPH Order Requirements	$ 31,800	$ 344,200	$ 214,600	$ 590,600
DPH Related Requirements	7,500	67,700	100,700	175,900
DPH Water Main Replacement[1]		71,000	214,600	285,600

These commitments are to be financed with existing net assets, present and future revenues, and bonds secured by system revenues.

[1] The DPH Compliance Order requires the City to replace water mains at a rate of at least 10 miles a year.

Dewatering Memorandum of Understanding

Current Status

The City and the Port District entered into a Memorandum of Understanding dated September 17, 1998 (the "Dewatering MOU") regarding the operation of the system which pumps groundwater from under the Existing Center (the "dewatering system"). (There is no need for a permanent dewatering system for the Expansion Project since there is no below-grade construction other than the sinking of pilings, whereas there is subterranean parking under the Existing Center.) Under the Dewatering MOU, the City and District agreed to share the cost (50% by each) of an outfall that would discharge the groundwater from the underground parking facility at the Existing Center into the middle of the San Diego Bay to achieve compliance with discharge requirements. Under a separate 1998 Management Agreement between the City and the District, the City agreed to accept the National Pollutant Discharge Elimination System ("NPDES") permit for the discharge upon a showing that it was in compliance with discharge requirements.

Monthly groundwater discharge sample results have not met the standards dictated by Cease and Desist Order R9-2003-0086 since the end of calendar year 2005. This triggered the implementation of work to cease effluent violations within twenty seven months (end of March 2008).

To achieve compliance with groundwater discharge requirements, the City of San Diego retained an engineering consultant in 2006 to review all previous work and develop the most cost-effective engineering solution to achieve compliance. The consultant's final report was received in August 2007. A determination will be made as to which report recommendations will be implemented. Costs for implementing the report's recommended potential solutions could range from a one-time expense of between $5,600 to $9,500, and annual operation and maintenance expenses of $528 to $793 per year. Funding to implement any of the potential solutions is the responsibility of the City General Fund.

The City of San Diego plans to take necessary actions to achieve groundwater discharge NPDES compliance by the end of March 2008. Upon completion by the City of an action plan to address the groundwater discharge problem and the identification of required funding, the City plans to communicate with the Regional Water Quality Control Board ("RWQCB") on the final details of the plan. If compliance is not achieved by March 2008, the Board could enact enforcement actions against the City of San Diego.

Background

The City accepted the NPDES permit in November of 1999 and, along with the District, completed the outfall in March of 2001. Thereupon the City applied for a site specific NPDES discharge permit that would recognize the mixing effect of the outfall and would thereby allow for modified discharge limits, especially for metals in the groundwater. The RWQCB considered the request for the site specific permit with the modified limits on March 12, 2003. Due to historical contamination in San Diego Bay, especially from copper from ship activities, the Board did not allow any modified limits and issued an NPDES permit for the groundwater discharge that sets specific limits for metals and toxicity. Given the variables of groundwater, the City expected to meet all discharge limits except for chronic toxicity and copper. Consequently, the City concurrently was issued a Cease & Desist Order from the Board that sets a final compliance date of December 31, 2003 with the following interim milestones: (1) technical report detailing the cost of treatment of the discharge to the sanitary sewer (due by April 9, 2003); (2) progress reports on engineering alternatives to comply with the discharge limits (due by May 14, 2003 and monthly, thereafter); (3) a technical report detailing the engineering alternatives for compliance; and (4) a remedial action workplan to accomplish compliance (due by September 15, 2003).

The City accepted the Cease & Desist Order without appeal and embarked on compliance with the four directives. In reviewing engineering alternatives, it was discovered that the established limits could be complied with by changing the location and method of monitoring the effluent from comparable samples at each pump (pumps 1, 2, 3, and 4) to one composite sample at the discharge point into San Diego Bay. This new methodology was consistent with and acceptable under the site specific elements of the NPDES permit. With the composite samples in compliance with the waste discharge requirements but recognizing that groundwater is variable, the City sought a modification of the Cease & Desist Order to: (1) eliminate the December 31, 2003 deadline; and (2) stay the remedial action workplan until such time as the samples under the new method of monitoring detected any exceedences.

The City's request for the above modifications was heard and approved by the Board on December 10, 2003. In approving the modifications, the Board issued Addendum No. 1 to the previous Cease & Desist Order, R9-2003-0086, and directed in pertinent part that: (1) if a monthly composite sample shows permit exceedences, the City must increase by six the samplings over the following 14 days and implement the workplan only if three of the six samplings confirm copper or toxicity violations; (2) the City must begin monthly status work reports to the Board thirty days after the first detection of exceedences; (3) the City must cease effluent violations no later than twenty-seven months after initiation of the remedial action plan if exceedences of the NPDES permit are confirmed.

Through calendar years 2003, 2004, and much of 2005, monthly effluent samples showed continued compliance with the NPDES permit limitations and therefore the remedial action workplan provisions were not required to be implemented. Consequently, during that time additional capital investment from the City's General Fund was not under consideration; such investment is not required unless and until the composite samples show noncompliance with the NPDES established limits.

Since the end of calendar year 2005, most monthly groundwater discharge sample results have not met the standards dictated by Cease and Desist Order R9-2003-0086.

18. CONTINGENCIES (In Thousands)

FEDERAL AND STATE GRANTS

The City recognizes revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the County'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 2004 was completed by Macias Gini & O'Connell LLP and has been received and filed by the City Council. Macias Gini & O'Connell LLP is also in the process of completing the Single Audit for fiscal year 2005.

CONTINUING DISCLOSURE OBLIGATIONS

The City, in connection with all bond offerings since the effective date (July 1995) of the continuing disclosure requirements of SEC Rule 15c2-12, has contractually obligated itself to provide annual financial information, including audited financial statements, within certain specified time periods (generally nine months) after the end of each fiscal year. The City completed its financial statements, and Council received and filed these statements, for fiscal year ended June 30, 2004. The City is currently in the process of finalizing its audited financial statements for the fiscal year ended June 30, 2005 and has not yet released its audited financial statements for the fiscal year ended June 30, 2006. Accordingly, the City has not been able to timely satisfy its contractual obligations to provide to the national repositories audited financial statements, or financial information and operating data derived from the financial statements. At the time of each deadline, the City did, as required by its continuing disclosure contractual obligations, provide to the national repositories a notice of the failure to file the audited annual financial statements information.

REGULATORY AND OTHER INDEPENDENT INVESTIGATIONS

In November 2006, the Securities and Exchange Commission (SEC) entered an Order sanctioning the City of San Diego for committing securities fraud by failing to disclose, in 2002 and 2003, important information about its pension and retiree health care obligations in connection with disclosures relating to the sale of its municipal bonds. To settle the action, the City agreed to cease and desist from future securities fraud violations and to retain an independent consultant for three years to foster compliance with its disclosure obligations under the federal securities laws.

In issuing the Order, the SEC made the following determinations:

- The City failed to disclose that the City's unfunded liability to its pension plan was projected to increase to an estimated $2 billion at the beginning of fiscal year 2009, and that the City knew and failed to disclose that its health care liability would be in excess of $1.1 billion. (In the June 30, 2007 SDCERS actuarial valuation (unaudited), dated January 10, 2008, the unfunded actuarial liability was calculated to be $1.183 billion.)

- The City failed to disclose that it had been intentionally under-funding its pension obligations so that it could increase pension benefits but defer the costs, and that it would face severe difficulty funding its future pension and retiree healthcare obligations unless new revenues were obtained, pension and healthcare benefits were reduced, or City services were reduced.

- The City knew or was reckless in not knowing that its disclosures were materially misleading.

- The Order finds that the City made these misleading statements through three different means:

    1. In the offering documents for five municipal offerings in 2002 and 2003 that raised over $260 million from investors. The offering documents containing the misleading statements included the "official statements," which were intended to disclose material information to investors, and the "preliminary official statements," which were used to gauge investors' interest in a bond issuance.

    2. The City made misleading statements to the agencies that gave the City its credit rating for its municipal bonds.

    3. The City made misleading statements in its "continuing disclosure statements," which described the City's financial condition and were provided by the City to the municipal securities market with respect to prior City bond offerings.

The City consented to the issuance of the Order without admitting or denying the findings in the Order. The SEC's investigation is ongoing as to individuals and other entities that may have violated the federal securities laws.

- The SEC Order sanctioning the City of San Diego for committing securities fraud is available at: www.sec.gov

Prior to settlement with the SEC, the City engaged a number of firms to review the City's disclosure practices and to investigate potential illegal acts. In February 2004, the law firm of Vinson & Elkins LLP (V&E) was engaged to conduct a review of the adequacy of the City's financial disclosure relating to the pension fund in bond offerings from 1996 to 2002 and to prepare a report on its findings. In September 2004, V&E released a report that identified a number of disclosure deficiencies and made recommendations on how to remediate their causes. The report did not offer conclusions on the culpability of individual members of the City's government.

Many of the recommendations contained in the V&E report were adopted by the City in October 2004. However, the City's previous accounting firm advised that the report did not provide a sufficient basis to conclude that all questions necessary to the completion of the audit were sufficiently investigated and resolved in a manner that would permit the issuance of an audit report. In response, the City engaged a professional consulting firm, Kroll Inc. and Willkie, Farr and Gallagher LLP, to act in the capacity of an audit committee. Kroll took over the investigatory process. The independent investigations concluded when Kroll presented its final report to the City on August 8, 2006. The Kroll report concluded that there were numerous failures on the part of City government to conform to law, to adhere to principles of sound governance and financial reporting, and to protect the financial integrity of the City's pension system. The Kroll report was more fully summarized in the City's fiscal year 2003 financial report. The City's fiscal year 2003 financial report, and the entire Kroll report including interview summaries and footnotes, as well as the V&E report, are available at: www.sandiego.gov.

The SEC's investigations against other parties with respect to the misleading disclosures in the City's 2002 and 2003 financial statements are still ongoing (most recently, on December 11, 2007, the SEC obtained a permanent injunction against the City's FY 2002 independent auditor and his firm in connection with the City's false and misleading financial statements in five bond offerings over the years 2002 and 2003).

INDEPENDENT INVESTIGATIONS INTO SERVICE LEVEL AGREEMENTS

On April 25, 2006, the San Diego Grand Jury completed its report regarding the use of service level agreements (SLAs) by the City's water district and wastewater district. The Grand Jury found that there was no City Council policy governing the use of SLAs, and that the use of SLAs lack internal management checks and balances to ensure that City departments appropriately bill the enterprise funds for services provided. The Grand Jury found that the City had used SLAs to improperly divert enterprise funds to subsidize City services that should have been funded by the City's general fund.

As a separate matter and in response to the Grand Jury report on Service Level Agreements, a follow up investigation was conducted by Mayer Hoffman McCann P.C., an independent CPA firm performing an agreed upon procedures engagement. Mayer Hoffman found that during fiscal years 1996 to 2003, City staff in the City Attorney's office was directly instructed by management to bill their time based on their budgeted area of responsibility, regardless of the actual work performed. This may have resulted in the enterprise funds being overcharged. The evidence indicates that they were not significantly overcharged, but it should be noted that the available evidence does not support a definitive conclusion regarding the amount of any overcharges. The current City Attorney asserts that these practices are no longer occurring. Other entities, including the California Attorney General, are currently investigating the matter.

CITY ATTORNEY INVESTIGATIONS

In May 2007, the City Attorney announced that his office was commencing an illegal acts investigation into the role of City management in the issuance of permits for an office building that had been determined to have violated Federal Aviation Administration regulations on the height of structures in close proximity to municipal airports. The City Attorney has indicated that any potential liability to the City as a result of this matter is inestimable nor has he identified when the underlying event that could potentially cause liability to the City occurred.

The City Attorney detailed his findings regarding matters identified by the County Grand Jury in his Interim Report #10. The City Attorney concluded that improper billing practices had occurred within the City Attorney's office and that the practice had been discontinued upon the current City Attorney taking office in December 2004. On December 12, 2007, the California Attorney General announced that it had completed its investigation with respect to past billing practices of the City Attorney's office and had determined that no criminal charges should be filed.

All of the City Attorney's Interim Reports are available at the City Attorney's Office, 1200 Third Avenue, Suite 1620, San Diego, California 92101, or on the City Attorney's website at www.sandiego.gov/cityattorney.

REMEDIATION OF DISCLOSURE DEFICIENCIES DISCOVERED THROUGH ILLEGAL ACTS INVESTIGATIONS

Beginning with the issuance of the V&E report, the City has taken steps to correct its control environment and initiate the remediation process concerning more specific control activities. The first action was to amend the municipal code by way of ordinance (0-19320) in October 2004. Among other changes, this ordinance:

- Created a Disclosure Practices Working Group. This group is charged with reviewing the form and content of all City documents and materials prepared, issued, or distributed in connection with the City's disclosure obligations relating to securities issued by the City or its related entities.
- Required the City Attorney to designate a deputy city attorney for finance and securities.[1]
- Mandated an annual review of Internal Controls to be conducted by the City's Auditor and Comptroller. The City's first annual report on Internal Controls was published in January 2006. This and subsequent reports can be found at www.sandiego.gov.
- Required mandatory training, on a regular basis, for City staff, officials, City Council members, and the mayor regarding their obligations relating to disclosure matters under federal and state securities laws.

Additionally, the Mayor proposed to the City Council a comprehensive remediation plan that addresses the deficiencies identified in the Kroll report. Council accepted and adopted, in principle, this plan on September 6, 2006 by Resolution No. 301858. Many aspects of the plan will require either changes to the City Charter or future Council action which has not yet

[1]The City Attorney has hired three attorneys to fulfill this obligation.

occurred. In addition, certain aspects of the plan are the subject of current debate, and no assurance can be given that all the aspects of the plan as described below will be adopted.

This plan includes, but is not limited to:

- The appointment of a monitor to oversee the implementation of the remediation plan and submit quarterly reports to the City and the SEC on the City's progress. The City hired an independent monitor (consultant) on January 16, 2007 with Resolution No. 302294 (see details on following page).

- Significant changes to the organizational structure of the City, including the centralization of the various components of the City's newly created Finance Department. This includes enhanced accountability for the City's Chief Financial Officer.

- The formation of an Audit Committee. Municipal Code Article 2, Division 43 "Audit Committee" was adopted per Ordinance 19612, effective June 1, 2007. The purpose of the Audit Committee is to provide independent, legislative oversight of the City's accounting and financial reporting processes, financial internal controls, internal financial audit function and audits of the City's financial statements. The committee is comprised of three voting Council members.

- The appointment of an independent Auditor General who reports to the Audit Committee.

- Guidelines and regulations over the hiring and retention of an Independent Audit firm.

- Modifications to the City's ethics laws to impose criminal penalties for violations.

- The retention of an independent actuary on a periodic basis, but not less than every three years, to assist the City in reviewing the SDCERS actuarial valuation and to provide analysis of the financial effects of retirement related decisions.

- Modifications to the City's internal controls governing the disclosure process.

- The acquisition of a new information system to record and maintain records of the City's operating results.

- Increased training for employees responsible for financial management, reporting and grant management.

In response to the Kroll remediation plan and the SEC Cease and Desist order issued in November 2006, the City hired an independent consultant (the "Independent Consultant") on January 16, 2007 with Resolution No. 302294. The Independent Consultant, who also serves as the independent monitor responsible for the oversight of the implementation of the Mayor's remediation plan, is responsible for:

- Conducting annual reviews for a three-year period of the City's policies, procedures, and internal controls regarding its disclosures for offerings, including disclosures made in its financial statements, pursuant to continuing disclosure agreements, and to rating agencies, the hiring of internal personnel and external experts for disclosure functions, and the implementation of active and ongoing training programs to educate appropriate City employees, including officials from the City Auditor and Comptroller's office, the City Attorney's office, the Mayor, and the City Councilmembers regarding compliance with disclosure obligations;

- Making recommendations concerning these policies, procedures, and internal controls with a view to assuring compliance with the City's disclosure obligations under the federal securities laws;

- Assessing, in years two and three, whether the City is complying with its policies, procedures, and internal controls, whether the City has adopted any of the Independent Consultant's recommendations from prior year(s) concerning such policies, procedures, and internal controls for disclosures.

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 has received approximately 3,000 notices of claims in fiscal year 2005.

The estimate of the liability for unsettled claims has been reported in the Government-Wide Statement of Net Assets, the Proprietary Fund Statement of Net Assets, and in the Proprietary Fund financial statements. The liability was estimated by categorizing the various claims and supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information.

Significant individual lawsuits are described below.

William J. McGuigan v. City of San Diego (McGuigan)

In McGuigan, the plaintiff alleges the City has under-funded its pension plan in violation of its own Charter and Municipal code. A settlement has been reached in which the City has agreed to pay $173,000 plus interest on amounts outstanding, into the San Diego City Employees Retirement System (SDCERS) over a period of 5 years. The City has already contributed approximately $100,000 pursuant to this settlement agreement through the securitization of tobacco revenue in fiscal year 2006. An additional requirement of the settlement is that the City provides SDCERS real property collateral totaling $100,000, to be returned upon the full payment of the settlement. Amounts related to this settlement were not accrued in the City's Self Insurance Fund because the City has already recorded a Net Pension Obligation in its financial statements.

De La Fuente Business Park v. City of San Diego

This lawsuit, filed in 1995, involves allegations of breach of contract and inverse condemnation brought by an Otay Mesa developer. In the first proceeding, the jury returned a verdict of $94,500 in favor of the plaintiff. On appeal, the court issued a tentative ruling that the case will be remanded to trial again on the contract issue, and that the inverse condemnation was not valid as a matter of law. There are also two other pending cases similar in nature that have been filed by the same Otay Mesa developer. These cases are on hold in the trial court, pending the outcome of the Business Park case. According to the City Attorney, the possible exposure of these cases ranges between $0 and $29,200. Liabilities for these cases were not accrued in the City's financial statements as the City Attorney has indicated the likelihood that the plaintiff will prevail is only reasonably possible.

Ernest Abbit v. City of San Diego

Plaintiffs are 298 individuals from the De Anza Mobilehome Park that are alleging Mobilehome Residency Law "MRL" violations on behalf of the City of San Diego. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of $0 - $22,000.

San Diego Police Officer's/ABBE v. City of San Diego

On October 25, 2005 the SDPOA (SDPOA #2) filed a lawsuit against the City alleging failure to pay for overtime work under the Fair Labor Standards Act. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of $0 - $5,000.

La Jolla Alta Master Council v. City of San Diego

This lawsuit alleges that the City's storm drainage system has caused significant erosion to the 93 acre canyon on Mount Soledad giving rise to this claim of inverse condemnation. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of $0 - $15,000.

Beacon Electric Supply v. City of San Diego

This lawsuit involves a claim against the City by Orion Construction for costs associated with construction delays of Sewer Pump Stations 77A & B which they are alleging were caused, in part, by the City. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of $0 - $2,600.

Significant regulatory actions are described below (Other regulatory actions are described in Notes 17 and 22).

IRS Voluntary Correction Program Settlement

SDCERS is operated as a qualified governmental defined benefit plan under Internal Revenue Code (IRC) §§ 401(a) and 414(d). In light of various concerns raised in investigative reports regarding practices of SDCERS that could have jeopardized its status as a qualified governmental defined benefit plan, SDCERS requested its outside tax counsel, Ice Miller LLP, to perform a comprehensive document compliance review, prepare submissions in accordance with the IRS Voluntary Correction Program (VCP), and work with the IRS to finalize a compliance statement to resolve SDCERS' compliance issues. A comprehensive settlement was reached between the IRS and SDCERS on December 20, 2007 (Settlement). The Settlement requires the City and SCDERS to take certain corrective actions, some of which will require Council approval, regarding certain provisions of its retirement plan within 150 days of December 20, 2007. The Settlement does not require the City to pay any penalty payments or to make any additional contributions to the retirement system. In the event the City does not successfully implement certain plan document changes required by the IRS Compliance Statement, SDCERS and the City may face additional regulatory actions from the IRS including but not limited to, SDCERS plan disqualification and financial penalties against the City, the plan sponsor.

The VCP filings identified violations and proposed corrections regarding the City's Presidential Leave Program for presidents of certain labor organizations that represent City employees; compensation limits under IRC § 401(a)(17); minimum distribution requirements under IRC § 401(a)(9); eligible rollover distribution compliance under IRC § 401(a)(31); minimum distribution requirements from the Deferred Retirement Option Plan (DROP) program; overpayment of disability benefits; conversion of annual leave to purchased service credits; retiree healthcare benefits and health administrative expenses under IRC § 401(h); benefit and compensation limits under IRC §§§ 415(b), 415(c) and 415(n); and remedial plan amendments.

The practice of using pension plan assets, and later a bifurcation of City contributions to the pension plan to fund retirement healthcare benefits, resulted in the most significant plan violation in monetary terms. The compliance statement identified that from 1983 through 1991 retiree health benefits were paid by SDCERS when the plan document did not provide for such benefits. Additionally, the compliance statement states that the plan was not appropriately reimbursed for administrative expenses related to the provision of retiree health benefits from 1993 to 2006. Both of these failures were related to non-compliance with IRC § 401(a)(2). The cumulative value of improper payments associated with this failure was approximately $34 million. In a separate failure, the compliance statement also identified that from 1998 through 2005, the terms of the

Plan did not comply with all of the provisions of IRC §§ 401(a)2 and 401(h) as it relates to the plan's administration of retirement health benefits and the use of plan earnings to fund the benefits. The compliance statement indicated that the manner in which the benefits were funded "made it extremely difficult, if not impossible to resolve that there was no inappropriate use of the Plan Assets." In this regard, and for the purposes of presenting fairly the effect on net assets, the City has estimated that from 1988 through 2006, the cumulative effect of the improper administration of Retiree Health Benefits was approximately $77.1 million. These amounts will be treated as a reduction to City contributions against its Annually Required Contribution during the year in which the expenditures occurred and instead recorded as part of the City's Net Pension Obligation.

With regard to benefit and compensation limits, in March 2001 the City Council authorized the establishment a Preservation of Benefit Plan. A preservation of benefit plan is a qualified governmental excess benefit arrangement (QEBA) under IRC § 415(m), which is a vehicle created by Congress to allow the payment of promised pension benefits that exceed the IRC § 415(b) limits. While the City Council approved the establishment of a Preservation of Benefit Plan satisfying the requirements of § 415(m), the City has not received a determination letter from the IRS approving the formation of its Preservation of Benefit Plan QEBA. Under the Internal Revenue Code, the City may not pre-fund the Preservation of Benefit Plan to cover future liabilities beyond the current year, as with the 401(a) plan. Despite the creation of the Preservation of Benefit Plan by the City Council in March 2001, SDCERS continued to treat the excess amounts as payable from the 401(a) plan assets in violation of law. SDCERS did not establish a Preservation of Benefit Plan and Trust until February 2007. In future years, SDCERS will determine the amount necessary to fund any pension benefits payable during the calendar year in excess of the amount permitted by IRC § 415(b). This amount will include the projected amount of all excess pension benefits payable for the calendar year as well as the projected cost of administering the Preservation of Benefit Plan for the calendar year. SDCERS will provide this information to the City and the City will pay these costs on an annual basis. The City transferred money into a new POB account in December 2007 to fund POB payments. With the issuance of the Compliance Statement, SDCERS has stopped paying benefits in excess of the 415(b) limits from the SDCERS Trust Fund. Excess benefits will be paid only from the POB Plan. The private letter ruling request is still pending with the IRS.

The most current estimated actuarially accrued liability related to excess benefits for eligible active members of the system, amounting to approximately $22.8 million, has been excluded from the actuarial valuation of the 401(a) retirement plan beginning in fiscal year 2006. Additionally, the liability for retired members of the Preservation of Benefit Plan, amounting to approximately $6.4 million, has been excluded from the fiscal year 2007 actuarial valuation (unaudited) of the 401(a) retirement plan. Accordingly, the liability related to excess benefits for retired members is reflected in the actuarial liabilities of the 401(a) plan in the actuarial valuation dated June 30, 2006 as well as in the ARC payable in fiscal year 2008.

In fiscal year 2005, costs related to the Preservation of Benefit Plan for both retired and active members are included in the actuarial liabilities presented in the Required Supplementary Information (RSI) for the City's core pension plan and are valued using the same set of assumptions. In a review of the financial statements of other local governments, the City has noted significant diversity of practice in how governments are accounting for QEBAs. As such, the City is in the process of implementing a plan to account for the QEBA with SDCERS.

City Attorney Concerns with Pension System

The City Attorney has concluded that, in his opinion, the excess retirement benefits referenced above, require voter approval as such benefits constitute a distinct pension plan not authorized under the City Charter. Therefore, it is also his opinion that the excess retirement benefits are illegal and that the City should immediately discontinue payment. Other members of management believe that this issue has yet to be resolved in court related to lawsuits previously filed by the City Attorney. As such, the City intends to continue to treat these benefits as legal obligations until instructed to do otherwise by a court. In the opinion of management, a decision to terminate such benefits would expose the City's residents to unnecessary and costly legal fees.

In addition, the City Attorney has written to the Internal Revenue Service, in letters dated September 13, 2007, October 3, 2007 and November 6, 2007, expressing his concerns that the pension plan in its current form violates various provisions of the City Charter and the City Municipal Code, and that such violations could jeopardize the status of SDCERS as a qualified governmental defined benefit plan. In addition to matters identified elsewhere in these notes and the IRS Compliance Statement, set forth below are additional concerns raised in such letters or in other public pronouncements of the City Attorney:

1. DROP: The City Attorney has alleged that the DROP program, as discussed in Note 12, is not currently operated on a neutral cost basis. Municipal Code section 24.1401(b) provides that "DROP is intended to be cost neutral." In DROP, the employee's retirement benefit calculation is fixed as of the date of participation and they continue to work for the City up to five years, while their monthly pension benefit is deposited into an individual account held by SDCERS.[1]

2. Purchase of Service Credit Program: Employees hired before July 1, 2005 were permitted to buy pensionable years' service credit below cost; however, such program was also intended to be cost neutral as reflected in a City Manager memorandum to the Council at the time Council approved such program.[1]

3. Term Limit: Elected officials are permitted to buy pensionable years' service credit in excess of the time they are permitted to serve under section 12(f) of the City Charter (two consecutive four-year terms).[2]

4. Pension Plan Vesting Requirement: Employees were allowed credit for pension years purchased below cost to satisfy the retirement plan's 10 year vesting requirement. In relation to non-public safety employees, the Charter provides that "No employee shall be retired before reaching the age of 62 years and before completing 10 years of service for which payment has been made, except such employees may be given the option to retire at the age of 55 years after 20 years of service for which payment has been made with a proportionally reduced allowance".[1]

5. Retirement Age: Non-public safety Employees were permitted to use pension years purchased below cost to retire at 55 rather than 62, without regard to whether they have 20 years of service.[1]

Other members of management believe that the legal status of these matters has not been definitively determined and do not raise IRS qualification issues. Furthermore, other members of management note that while the IRS was made aware of these issues prior to issuing the compliance statement discussed earlier in the note, to date the IRS has not determined to take any action regarding the issues alleged by the City Attorney.

California Regional Water Quality Board Administrative Proceeding

The City is in an on-going administrative proceeding before the California Regional Water Quality Control Board (RWQCB) where it has been alleged that the City, along with eight other entities, have contributed to polluting San Diego Bay, a condition which requires abatement. The allegations relate to current and historic discharges of urban runoff into Chollas Creek, which drains into the San Diego Bay. The City has retained consultants to assess the available data and therefore it is difficult to determine likelihood of an unfavorable outcome. However, the RWQCB has estimated that remediation costs could range between $900 and $122,000 depending on the remedy selected, and the City would have a yet-to-be determined share of those remediation costs if an unfavorable outcome were to happen.

[1] As of February 8, 2008, these matters are currently on appeal to the California Court of Appeals, Fourth District, and the parties are presently waiting to be apprised of the briefing schedule by the court.

[2] As of February 8, 2008, this concern has not been involved in any type of litigation.

19. THIRD PARTY DEBT (In Thousands)

The City has authorized the issuance of certain conduit revenue private activity bonds, in its name, to provide tax exempt status because it believes a substantial public benefit will be achieved through the use of the proceeds. Aside from the fact that these bonds have been issued in the City's name, the City has no legal obligation to make payment on these bonds and has not pledged any City assets as a guarantee to the bondholders. The following describes the various types of such third party debt:

Mortgage and 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 or moderate income.

Industrial Development Revenue Bonds

Industrial Development Revenue bonds have been issued to provide financial assistance for the acquisition, construction, and installation of privately-owned facilities for industrial, commercial or business purposes to mutually benefit the citizens of the City of San Diego.

1911 Act Special Assessment Bonds

1911 Act Special Assessment Bonds have been issued to provide funds for the construction or acquisition of public improvements, and/or the acquisition of property for public purposes, for the benefit of particular property holders within the City. Each bond is secured by a lien on a specific piece of property.

As of June 30, 2005, the status of all third party bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2005
Mortgage Revenue	$ 132,390	$ 34,065
Industrial Development Revenue	345,805	165,540
1911 Act Special Assessment	236	12
Total	$ 478,431	$ 199,617

These bonds do not constitute an 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. In reliance upon the opinion of bond counsel, City officials have determined that these bonds are not payable from any revenues or assets of the City, and neither the full faith nor credit for the taxing authority of the City, the state, or any political subdivision thereof is obligated to the payment of principal or interest on the bonds. In essence, the City is acting as a conduit for the private property owners/bondholders in collecting and forwarding the funds. Accordingly, no liability has been recorded in the City's government-wide statement of net assets.

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

State and federal laws and regulations require that the City of San Diego 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 $13,665 reported as landfill closure and post closure care liability at June 30, 2005 represents the cumulative amount reported to date based on the use of 77.3% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post closure care of $3,962 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at June 30, 2005. The City expects to close the landfill in fiscal year 2012. 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 at June 30, 2005, cash or equity in pooled cash and investments of $29,207 was held for this purpose. This 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 determined (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

On October 22, 2001, SDDPC renewed its fiscal year 2002 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 is to provide data processing services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental entity clients. Included in SDDPC's data processing services revenue is approximately $2,652 related to ARJIS for the year ended June 30, 2005.

City of San Diego and San Diego Medical Services Enterprise, LLC

On July 1, 1997, the City entered into an operating agreement with Rural/Metro Corporation, a provider of emergency medical transport services, to form San Diego Medical Services Enterprise, LLC (SDMSE) for the purpose of providing the City with emergency medical and medical transportation services. The operating agreement and related contracts to provide such services were renewed on July 1, 2002 and again on July 1, 2005. The operating agreement will expire on June 30, 2008 unless SDMSE is awarded a new contract after a competitive bidding process. Under the agreement the City paid SDMSE $994. SDMSE made a profit distribution to its partners of $155 during fiscal year 2005.

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 Facility was completed and operational in April 2004. The City and Padres jointly own the facility; the Padres having a 30% divided interest based upon the original Facility cost estimate of $267,500 (or $80,250) with the City owning 70% which is capitalized on the City's books. The City and the Padres have agreed upon the schedule of items and components that constitute the Padres' divided ownership, and the value of that divided ownership may vary from (but does not exceed) 30% due to the calculation of cost overruns for the Ballpark. Following termination of any occupancy agreement for the Ballpark, 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.

22. SUBSEQUENT EVENTS (In Thousands)

On July 1, 2005, the City privately placed a fiscal year 2005 - 2006 Tax Revenue Anticipation Note in an amount not to exceed $155,000. The City borrowed $145,000 to meet its cash flow needs and repaid the borrowing by May 2006.

On July 6, 2005, the City received a State Revolving Fund Loan disbursement from the State of California Department of Health Services totaling $21,500 to assist in funding the Alvarado Water Treatment Plant, Earl Thomas Reservoir Replacement Project. The loan repayment period is 20 years with an annual interest rate of 2.5132%. Net System Revenues of the Water Utility Fund are the dedicated source of funds for repayment of the Loan.

On August 23, 2005 (and July 20, 2006) the San Diego Police Officers' Association (SDPOA #1 and #3 respectively) filed a lawsuit against the City for alleged violations of the Fair Labor Standards Act, various California Labor Code provisions, as well as breach of contract and unfair competition relating to the terms of their employment. The SDPOA #1 case has been dismissed by the United States District Court, SDPOA #3 remains pending but it is likely that the courts will dismiss given their recent decision on SDPOA #1.

On December 5, 2005, the Council authorized the First Amendment to the Master Lease Agreement with Banc of America Leasing and Capital, LLC. The First Amendment to the Master Lease Agreement provides financing for a portion of the lease purchase of law enforcement helicopters and equipment in an amount not to exceed $15,000.

On December 20, 2005, the City received a State Revolving Fund Loan disbursement from the State of California Water Resources Control Board totaling $10,000 for the construction of the Environmental Monitoring & Technical Services Lab. The loan repayment period is 20 years, which begins one year after the completion of the project. The City is required to provide a 16.667% match for the loan, resulting in an effective interest rate of 2.42%.

On January 17, 2006, the Council authorized the Fifth Amendment to the Master Lease Agreement with Motorola, Inc. The Fifth Amendment to the Master Lease Agreement provides financing for the purchase of equipment and services required for an 800MHz communications system upgrade for an amount not to exceed $15,100.

On June 14, 2006, the City established the Tobacco Settlement Revenue Funding Corporation, a California Nonprofit Public Benefit Corporation. In November 1998, the Attorney General of California signed a Master Settlement Agreement with the four major tobacco companies. The Corporation was formed to acquire future Tobacco Settlement Revenues from the City. The Corporation purchased from the City the rights to receive up to the first $10,100 annually of the tobacco settlement revenues due to the City under the Master Settlement Agreement (the "MSA"), the Memorandum of Understanding (the "MOU") entered into on August 5, 1998, among the State of California, various cities and counties in the State and certain other parties, as augmented by the Agreement Regarding Interpretation of Memorandum of Understanding (ARIMOU). On June 21, 2006, the Corporation issued $105,400 of Tobacco Settlement Asset-Backed Bonds, Series 2006, the proceeds of which were from the sale of the City's future tobacco settlement revenues. The Series 2006 Term Bonds are limited obligations of the Corporation, payable from and secured solely by Pledged Tobacco Settlement Revenues. The Term bonds have an interest rate of 7.125%, and the scheduled maturity date is June 1, 2032.

On June 22, 2006, the Redevelopment Agency of The City of San Diego issued $76,200 of Subordinate Tax Allocation Bonds (Series 2006A) and $33,800 of Housing Tax Allocation Bonds (Series 2006B). The Series 2006A Subordinate Bonds were issued for the purpose of financing certain redevelopment activities within the Centre City Project, to pay the costs of debt service reserve surety bonds and the costs of issuance in connection with the Series 2006A Subordinate Bonds. The 2006 Series B Subordinate Bonds were issued for the purpose of financing certain improvements relating to, or increasing the development of low and moderate income housing, to pay the costs of the

debt service reserve surety bonds and the costs of the issuance for the Series 2006B Subordinate Bonds. The Series 2006 A and B Bonds are payable from and secured by subordinate pledged tax revenues derived from the Centre City Redevelopment Project Area. The interest rate on the bonds ranges from 4.25 to 6.20% and the maturity date for the 2006A issue is September 1, 2032 and for the 2006B issue is September 1, 2031.

On July 3, 2006, the City privately placed a fiscal year 2006-2007 Tax Revenue Anticipation Note in an amount not to exceed $142,000, to meet certain general fund cash flow needs of the City. The City borrowed $142,000 on July 3, 2006 on a 13 month term. The fiscal year 2006-2007 Tax Revenue Anticipation Note was repaid in August 2007.

On July 13, 2006, the City issued, on a private placement basis, $16,000 of Community Facilities District No. 3 Special Tax Bonds. These bonds financed public improvements in order to meet the increased demands placed upon the City as a result of the redevelopment and reuse of the former Naval Training Center property. The Series 2006 A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are special obligations of Community Facilities District No. 3, payable solely from annual special taxes levied on certain taxable land within the district. The interest rate on the bonds ranges from 5.0 to 5.75%, and the maturity date is September 1, 2036.

On August 6, 2006 a lawsuit arose following a water main break which caused flooding along a private street in the Colony Hills Homeowners Association (HOA) in La Jolla. Claimants allege the water main failure caused soil subsidence, hillside failure, road failure and diminished property values of 40 HOA homes. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of $0 - $40,000.

On August 11, 2006 the City brought action against Sunroad Centrum for public nuisance abatement, injunction and violation of Unfair Practices Act as a result of their construction of an office building that has been deemed a hazard to air navigation at Montgomery Airport. Sunroad filed a cross-complaint against the City alleging the City issued building permits to Sunroad for construction of this office building. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of $0 - $45,000.

On October 17, 2006, the City Council authorized the 2nd and 3rd Amendments to the Master Lease Agreement with Banc of America Leasing and Capital, LLC. The 2nd Amendment to the Master Lease Agreement authorizes the lease-purchase of Motive Equipment in an amount not to exceed $6,800. The 3rd Amendment to the Master Lease Agreement authorizes the lease-purchase of Fire Apparatus in an amount not to exceed $2,550.

On October 31, 2006, the Redevelopment Agency of the City of San Diego issued a non-revolving line of credit with Bank of America, N.A. for an aggregate amount of $10,000, comprised of a tax-exempt commitment of $7,534 and a taxable commitment of $2,466. The line of credit is to be used to refinance the North Park Theatre, to pay sums of settlement of eminent domain actions relating to the North Park Redevelopment Area and for other redevelopment activities in the North Park Redevelopment Area. The interest rate on the tax-exempt advances will be at a rate per year equal to 62.347% of the LIBOR Rate plus .90% and the interest rate on the taxable advances will be at a rate per year equal to the LIBOR Rate plus 1.20%, unless the Agency elects to have any of the tax-exempt or taxable advances bear interest at a rate based on the Bank's Prime Rate. The maturity date will be November 1, 2008, unless the Agency issues bonds, notes or other obligations for the North Park Project Area prior to the maturity date.

On December 1, 2006, the Governmental Accounting Standards Board issued GASB 49. Reflecting its intention to ensure that costs and liabilities not specifically addressed by current governmental accounting standards are included in financial reports, the GASB issued a standard that will require state and local governments to provide the public with more extensive information about the financial impact of environmental cleanups effective for financial statements issued for fiscal year 2009. The City has not at this time determined the impact of this accounting standard on its financial statements.

On January 9, 2007, the City Council authorized the Mayor to execute a fifteen-year loan agreement with the California Energy Resources Conservation and Development Commission in the amount of $2,227 at the rate of 4.5% interest, to upgrade mechanical and electrical systems at multiple City facilities to more energy efficient systems. The effective date of the loan agreement or the date that the loan agreement was executed by both parties was March 3, 2007. The loan repayment is to be funded with annual energy savings realized by the energy efficiency improvements.

On January 30, 2007, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, $57,000 of Non-Transferable Subordinated Water Revenue Notes to finance upgrades to and expansion of the City's water system and to reimburse for previous costs incurred. The Series 2007A Notes are secured by and payable solely from net system revenues of the Water Utility Fund. The 2007A Notes bear an interest rate of 4.06%, and the maturity date is January 30, 2009.

On March 12, 2007, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, $156,560 of Lease Revenue Refunding Bonds to refund the existing Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002. The Series 2007A Bonds are secured by and payable solely from base rental payments payable under the Ballpark Facility Lease. Such base rental payments are a general fund obligation of the City. The interest rates range from 5.0% to 5.25%, and the final maturity date is February 15, 2032.

On March 21, 2007, the City received a State Revolving Fund Loan disbursement from the State of California Water Resources Control Board totaling $3,858 for the Point Loma Fourth Sludge Pump Modifications Project. The repayment period for the loan is 20 years, which begins one year after the completion of the project. The City is required to provide a 16.667% match for the loan, resulting in an effective interest rate of 2.42%.

On March 27, 2007, the Council authorized a Master Lease Agreement with Koch Financial Corporation for the lease-purchase of Motive Equipment and Public Safety Equipment in an amount not to exceed $14,600.

On May 7, 2007, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, $223,830 of Subordinate Sewer Revenue Notes, Series 2007 to finance and reimburse for previous costs incurred from upgrades to the City's sewer system and to refund the outstanding balance on the Series 2004 Subordinated Bonds in the amount of $144,400. The Series 2007 Notes are secured by and payable solely from net system revenues of the Sewer Utility Fund. The notes bear an interest rate of 5.00%, and the maturity date is May 15, 2009.

On May 15, 2007, the Council authorized a Master Lease Agreement with IBM Credit LLC for the lease-purchase of the Enterprise Resource Planning System in an amount not to exceed $29,500.

On July 2, 2007, the City privately placed a fiscal year 2007-2008 Tax Revenue Anticipation Note in an amount not to exceed $116,000 to meet general fund cash flow needs of the City. The City borrowed $116,000 on July 2, 2007 on a 13 month term.

On July 12, 2007, the Public Facilities Financing Authority issued $17,230 Series 2007A taxable pooled financing bonds for Southcrest, Central Imperial and Mount Hope Redevelopment Projects and $17,755 Series 2007B tax-exempt pooled financing Bonds for Southcrest and Central Imperial Redevelopment Projects. The Series A and Series B together were issued to make loans to the Redevelopment Agency of the City of San Diego to be used for financing and refinancing redevelopment activities in the Southcrest, Central Imperial and Mount Hope Redevelopment Project Areas. The issuance was through a public offering. The Series 2007 A and 2007 B Bonds are secured by a Loan Agreement and a Second Supplemental Trust Agreement (Central Imperial Redevelopment Project Area) and a Third Supplemental Trust Agreement (Southcrest Redevelopment Project Area) and a Fourth Supplemental Trust Agreement (Mount Hope Redevelopment Area) and are payable solely from the tax increment revenues derived from

each project area. The interest rates range from 4.0% to 6.65%, and the final maturity date is October 1, 2037.

On July 26, 2007, the Redevelopment Agency of the City of San Diego executed six separate non-revolving secured three-year term taxable and tax-exempt lines of credit with San Diego National Bank. Four taxable lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas for an aggregate of $34,000. The two additional lines of credit are for non-housing or general purpose for City Heights, which is a taxable line of credit of $20,000 and NTC Redevelopment Project, which is taxable for $6,000 and tax-exempt for $10,000. The Agency may elect to have the taxable advance bear interest at a fixed rate equal to the United States Three-Year Treasury Constant Maturities Index plus 1.90%, which will remain fixed for the entire period of such advance or elect to have the interest set at a fixed rate equal to the One-Month LIBOR Rate plus 1.10%. Tax-exempt advances will bear interest at a fixed rate determined by adding .70% to the product of the One-Month LIBOR Rate multiplied by 90%. Interest will be payable quarterly in arrears along with a .45% per annum loan fee on the unused commitment. Principal is due at maturity with no prepayment penalty.

On October 3, 2007 there was a landslide in La Jolla on Soledad Mountain Road. The cause of the landslide is under investigation by a geological consulting group, and has not been identified as of the original issuance of this report.

On October 21, 2007, multiple wild fires began burning throughout the county of San Diego. Fueled by dry Santa Ana winds, these fires prompted the evacuation of an estimated 500,000 residents. As of the original issuance of this report, we do not have an estimate for financial loss caused by these fires.

Required Supplementary Information
(Unaudited)
Pension Trust Funds Analysis of Funding Progress

The following table shows the funding progress of the full City's portion of SDCERS (excluding the Port and the Airport) for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ** PUC * (b)	UAAL** (b - a)	Funded Ratio ** (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
6/30/2003	$ 2,375,431	$ 3,607,173	$ 1,231,742	65.85%	$ 533,595	230.84%
6/30/2004	2,628,680	4,077,833	1,449,153	64.46%	540,181	268.27%
6/30/2005	2,983,080	4,436,017	1,452,937	67.25%	557,631	260.56%

* Projected Unit Credit method used for determining actuarial accrued liability.

** The actuarial accrued liability, UAAL, and funded ratio have been adjusted to reflect the impact of the Corbett contingent benefit. The Actuarial Valuation provided by the actuary does not include this contingent benefit in the funded ratio.

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Required Supplementary Information - General Fund

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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; Use of Money and Property; Aid from Other Governmental 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; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and Debt Service Principal and Interest. Appropriations are made from the fund annually.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Tax	$ 269,920	$ 275,640	$ 223,500	$ (52,140)
Sales Tax	139,713	144,116	95,376	(48,740)
In-Lieu Sales Tax	-	-	48,220	48,220
Transient Occupancy Tax	62,782	62,782	63,910	1,128
Other Local Taxes	67,356	74,574	73,456	(1,118)
Licenses and Permits	26,935	27,847	28,459	612
Fines, Forfeitures and Penalties	30,446	31,846	31,857	11
Revenue from Use of Money and Property	32,788	35,543	33,015	(2,528)
Revenue from Federal Agencies	1,672	2,485	6,888	4,403
Revenue from Other Agencies	17,863	25,763	74,571	48,808
Charges for Current Services	83,222	98,760	105,293	6,533
Other Revenue	16,779	5,172	3,249	(1,923)
TOTAL REVENUES	749,476	784,528	787,794	3,266
EXPENDITURES				
Current:				
General Government and Support	157,522	174,661	168,598	6,063
Public Safety - Police	311,121	322,672	321,537	1,135
Public Safety - Fire and Life Safety and Homeland Security	150,913	160,836	158,538	2,298
Parks, Recreation, Culture and Leisure	113,810	113,563	109,202	4,361
Transportation	21,993	22,542	22,354	188
Sanitation and Health	40,933	42,241	41,610	631
Neighborhood Services	23,298	26,484	26,267	217
Debt Service:				
Principal Retirement	1,726	2,381	2,381	-
Interest	5,222	5,363	1,811	3,552
TOTAL EXPENDITURES	826,538	870,743	852,298	18,445
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(77,062)	(86,215)	(64,504)	21,711
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	2,777	6,519	7,039	520
Transfers from Other Funds	65,180	64,482	58,913	(5,569)
Transfers to Proprietary Funds	(760)	(1,185)	(1,185)	-
Transfers to Other Funds	(12,007)	(14,277)	(14,276)	1
Net Income from Joint Venture	-	-	20	20
TOTAL OTHER FINANCING SOURCES (USES)	55,190	55,539	50,511	(5,028)
NET CHANGE IN FUND BALANCE	(21,872)	(30,676)	(13,993)	16,683
Fund Balance Undesignated at July 1, 2004	41,339	41,339	41,339	-
Reserved for Encumbrances at July 1, 2004	14,888	14,888	14,888	-
Reserved for Minority Interest in Joint Venture at July 1, 2004	-	-	1,522	1,522
Reserved for Minority Interest in Joint Venture at June 30, 2005	-	-	(1,542)	(1,542)
Designated for Subsequent Years' Expenditures at July 1, 2004	1,333	1,333	1,333	-
Designated for Subsequent Years' Expenditures at June 30, 2005	-	-	(1,954)	(1,954)
FUND BALANCE UNDESIGNATED AT JUNE 30, 2005	$ 35,688	$ 26,884	$ 41,593	$ 14,709

The accompanying notes to required supplementary information are an integral part of this financial statement.

Notes to Required Supplementary Information
Year Ended June 30, 2005

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 Operation
    - -Environmental Growth Funds:
      - -Two-Thirds Requirement
      - -One-Third Requirement
    - -Police Decentralization
    - -Public Transportation
    - -Qualcomm Stadium Operations
    - -Special Gas Tax Street Improvement
    - -Street Division Operations
    - -Transient Occupancy Tax
    - -Zoological Exhibits
    - -Other Special Revenue
  - -Centre City Development Corporation
  - -Southeastern Economic Development Corporation
- Debt Service Funds:
  - -City of San Diego:
    - -Public Safety Communications Project
  - -San Diego Open Space Park Facilities District #1
- Capital Projects Funds:
  - -City of San Diego:
    - -Underground Surcharge

Public hearings are then conducted to obtain citizen comments on the proposed budget. During the month of July the budget is legally adopted through passage of an appropriation ordinance by the City Council. 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 reserve for 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, proceeds from capital leases, and net income from joint venture.

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 deficiency of revenues over expenditures prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2005 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	$ (174)
Add (Deduct):	
Encumbrances Outstanding, June 30, 2005	(15,659)
Reserved for Advances and Deposits, June 30, 2005	(300)
Reserved for Advances and Deposits, June 30, 2004	2,140
Net Change in Fund Balances - Budgetary Basis	$ (13,993)

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 reported as reservations of fund balances, since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

Supplementary Information - General Fund

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GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAX					
One Percent Property Tax Allocation	$ -	$ -	$ -	$ 275,273	$ (275,273)
Current Year - Secured	185,756	-	185,756	-	185,756
Current Year Supplemental - Secured	16,414	-	16,414	-	16,414
Current Year - Unsecured	7,865	-	7,865	-	7,865
Current Unsecured Supplemental Roll	282	-	282	-	282
Homeowners' Exemptions - Secured	2,700	-	2,700	-	2,700
Homeowners' Exemptions - Unsecured	3	-	3	-	3
Prior Years' - Secured	5,261	-	5,261	367	4,894
Prior Years' - Unsecured	(221)	-	(221)	-	(221)
Interest and Penalties on Delinquent Taxes	470	-	470	-	470
Escapes - Secured	114	-	114	-	114
Escapes - Unsecured	319	-	319	-	319
Other Property Taxes	868	-	868	-	868
State Secured Unitary	3,669	-	3,669	-	3,669
TOTAL PROPERTY TAX	223,500	-	223,500	275,640	(52,140)
SALES TAX	95,376	-	95,376	144,116	(48,740)
IN-LIEU SALES TAX	48,220	-	48,220	-	48,220
TRANSIENT OCCUPANCY TAX	63,910	-	63,910	62,782	1,128
OTHER LOCAL TAXES					
Franchises	60,687	-	60,687	61,001	(314)
Property Transfer Tax	12,769	-	12,769	13,573	(804)
TOTAL OTHER LOCAL TAXES	73,456	-	73,456	74,574	(1,118)
LICENSES AND PERMITS					
General Business Licenses	6,866	-	6,866	6,845	21
Refuse Collection Business Licenses	1,063	-	1,063	1,180	(117)
Other Regulatory Business Licenses	2,977	-	2,977	2,913	64
Rental Unit Tax	6,815	-	6,815	6,145	670
Parking Meter Revenue	7,133	-	7,133	7,494	(361)
Street and Curb Permits	107	-	107	64	43
Other Licenses and Permits	3,498	-	3,498	3,206	292
TOTAL LICENSES AND PERMITS	28,459	-	28,459	27,847	612
FINES, FORFEITURES AND PENALTIES					
California Vehicle Code Violations	28,928	-	28,928	29,066	(138)
Other City Ordinance Code Violations	2,926	-	2,926	2,780	146
Other California Statutory Violations	3	-	3	-	3
TOTAL FINES, FORFEITURES AND PENALTIES	31,857	-	31,857	31,846	11
REVENUE FROM USE OF MONEY AND PROPERTY					
Interest on Investments	1,784	-	1,784	3,955	(2,171)
Balboa Park Rents and Concessions	666	-	666	969	(303)
Mission Bay Park Rents and Concessions	23,622	-	23,622	23,181	441
Other Rents and Concessions	6,943	-	6,943	7,438	(495)
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	33,015	-	33,015	35,543	(2,528)
REVENUE FROM FEDERAL AGENCIES	6,888	-	6,888	2,485	4,403

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GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM OTHER AGENCIES					
State Motor Vehicle License Fees	$ 8,376	$ -	$ 8,376	$ 9,866	$ (1,490)
Off-Highway Motor Vehicle License Fees	45	-	45	-	45
In-Lieu Vehicle License Fees	52,215	-	52,215	-	52,215
Local Relief	5,340	-	5,340	5,263	77
Tobacco Revenue	7,938	-	7,938	7,900	38
State Grants	657	-	657	2,734	(2,077)
TOTAL REVENUE FROM OTHER AGENCIES	74,571	-	74,571	25,763	48,808
CHARGES FOR CURRENT SERVICES					
Administrative Services to Other Agencies	76	-	76	26	50
Cemetery Revenue	799	-	799	805	(6)
Engineering Services	507	-	507	898	(391)
Fire Services	12,580	-	12,580	12,567	13
Library Revenue	1,624	-	1,624	1,729	(105)
Miscellaneous Recreation Revenue	2,623	-	2,623	2,195	428
Other Services	475	-	475	752	(277)
Paramedic Services	167	-	167	158	9
Planning and Miscellaneous Filing Fees	304	-	304	258	46
Police Services	5,154	-	5,154	3,507	1,647
Swimming Pools Revenue	1,596	-	1,596	1,758	(162)
Services Rendered to Other Funds for:					
General Government and Financial	39,452	-	39,452	39,461	(9)
Engineering	23,232	-	23,232	21,765	1,467
Park Design	5,127	-	5,127	3,579	1,548
Miscellaneous Services	11,577	-	11,577	9,302	2,275
TOTAL CHARGES FOR CURRENT SERVICES	105,293	-	105,293	98,760	6,533
OTHER REVENUE					
Other Refunds of Prior Years' Expenditures	14	471	485	362	123
Repairs and Damage Recoveries	244	-	244	112	132
Sale of Personal Property	306	-	306	187	119
Miscellaneous Revenue	2,214	-	2,214	4,511	(2,297)
TOTAL OTHER REVENUE	2,778	471	3,249	5,172	(1,923)
TOTAL REVENUES	787,323	471	787,794	784,528	3,266
TRANSFERS FROM PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Golf Course	1,712	-	1,712	1,712	-
Internal Service Funds:					
City of San Diego:					
Central Garage and Machine Shop	4,044	-	4,044	4,200	(156)
Central Stores	8		8	-	8
Special Engineering	-	-	-	607	(607)
Print Shop	3		3	-	3
Miscellaneous Internal Service	308		308	-	308
San Diego Data Processing Corporation	964	-	964	-	964
TOTAL TRANSFERS FROM PROPRIETARY FUNDS	7,039	-	7,039	6,519	520

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSFERS FROM OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Environmental Growth Fund	3,679	-	3,679	3,679	-
Police Decentralization	35		35	-	35
Special Gas Tax Street Improvement	4,115	-	4,115	3,505	610
Street Division Operations	29		29	-	29
Transient Occupancy Tax	33,136	-	33,136	32,910	226
Other Special Revenue-Budgeted	7,306	-	7,306	6,530	776
Other Special Revenue-Unbudgeted	2,358	-	2,358	8,658	(6,300)
Redevelopment Agency	-	-	-	750	(750)
CCDC	3,000	-	3,000	3,000	-
Debt Service Funds:					
City of San Diego:					
Other Special Assessments	143	-	143	-	143
Capital Projects Funds:					
City of San Diego:					
Other Construction	4,714	-	4,714	5,075	(361)
Permanent Funds:					
Cemetery Perpetuity	348	-	348	375	(27)
Jane Cameron Estates	50	-	50	-	50
TOTAL TRANSFERS FROM OTHER FUNDS	58,913	-	58,913	64,482	(5,569)
CAPITAL LEASES					
Capital Leases	3,258	(3,258)	-	-	-
NET INCOME (LOSS) FROM JOINT VENTURE	20	-	20	-	20
TOTAL REVENUE AND TRANSFERS	$ 856,553	$ (2,787)	$ 853,766	$ 855,529	$ (1,763)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	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	$ 1,795	$ -	$ 1,795	$ 1,795	$ -
Non-Personnel	891	1	892	898	6
Total Mayor	2,686	1	2,687	2,693	6
City Council District 1					
Salaries and Wages	496	-	496	496	-
Non-Personnel	268	1	269	269	-
Total City Council District 1	764	1	765	765	-
City Council District 2					
Salaries and Wages	561	-	561	561	-
Non-Personnel	279	1	280	280	-
Total City Council District 2	840	1	841	841	-
City Council District 3					
Salaries and Wages	574	-	574	574	-
Non-Personnel	281	1	282	282	-
Total City Council District 3	855	1	856	856	-
City Council District 4					
Salaries and Wages	536	-	536	536	-
Non-Personnel	274	3	277	277	-
Total City Council District 4	810	3	813	813	-
City Council District 5					
Salaries and Wages	461	-	461	461	-
Non-Personnel	252	1	253	253	-
Total City Council District 5	713	1	714	714	-
City Council District 6					
Salaries and Wages	525	-	525	525	-
Non-Personnel	269	1	270	270	-
Total City Council District 6	794	1	795	795	-
City Council District 7					
Salaries and Wages	555	-	555	555	-
Non-Personnel	279	1	280	280	-
Total City Council District 7	834	1	835	835	-
City Council District 8					
Salaries and Wages	589	-	589	589	-
Non-Personnel	294	1	295	295	-
Total City Council District 8	883	1	884	884	-
Council Administration					
Salaries and Wages	432	-	432	465	33
Non-Personnel	298	1	299	368	69
Total Council Administration	730	1	731	833	102
City Attorney					
Salaries and Wages	21,849	-	21,849	22,234	385
Non-Personnel	10,103	113	10,216	10,277	61
Total City Attorney	31,952	113	32,065	32,511	446

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 1,795	$ -	$ 1,795	$ 1,795	$ -
5	$ -	5	5	-	896	1	897	903	6
5	-	5	5	-	2,691	1	2,692	2,698	6
-	-	-	-	-	496	-	496	496	-
1	-	1	1	-	269	1	270	270	-
1	-	1	1	-	765	1	766	766	-
-	-	-	-	-	561	-	561	561	-
-	-	-	1	1	279	1	280	281	1
-	-	-	1	1	840	1	841	842	1
-	-	-	-	-	574	-	574	574	-
-	-	-	1	1	281	1	282	283	1
-	-	-	1	1	855	1	856	857	1
-	-	-	-	-	536	-	536	536	-
-	-	-	1	1	274	3	277	278	1
-	-	-	1	1	810	3	813	814	1
-	-	-	-	-	461	-	461	461	-
-	-	-	1	1	252	1	253	254	1
-	-	-	1	1	713	1	714	715	1
-	-	-	-	-	525	-	525	525	-
-	-	-	1	1	269	1	270	271	1
-	-	-	1	1	794	1	795	796	1
-	-	-	-	-	555	-	555	555	-
-	-	-	1	1	279	1	280	281	1
-	-	-	1	1	834	1	835	836	1
-	-	-	-	-	589	-	589	589	-
-	-	-	1	1	294	1	295	296	1
-	-	-	1	1	883	1	884	885	1
-	-	-	-	-	432	-	432	465	33
-	-	-	1	1	298	1	299	369	70
-	-	-	1	1	730	1	731	834	103
-	-	-	-	-	21,849	-	21,849	22,234	385
(48)	49	1	81	80	10,055	162	10,217	10,358	141
(48)	49	1	81	80	31,904	162	32,066	32,592	526

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Departmental (Continued):					
City Auditor and Comptroller					
Salaries and Wages	$ 6,267	$ -	$ 6,267	$ 6,325	$ 58
Non-Personnel	3,102	13	3,115	3,124	9
Total City Auditor and Comptroller	9,369	13	9,382	9,449	67
City Clerk					
Salaries and Wages	2,034	-	2,034	2,100	66
Non-Personnel	1,329	50	1,379	1,411	32
Total City Clerk	3,363	50	3,413	3,511	98
City Manager					
Salaries and Wages	549	-	549	549	-
Non-Personnel	286	-	286	289	3
Total City Manager	835	-	835	838	3
Engineering and Capital Projects - Administration					
Salaries and Wages	261	-	261	286	25
Non-Personnel	144	-	144	169	25
Total Engineering and Capital Projects - Administration	405	-	405	455	50
Field Engineering					
Salaries and Wages	8,243	-	8,243	8,244	1
Non-Personnel	4,646	59	4,705	4,705	-
Total Field Engineering	12,889	59	12,948	12,949	1
Public Buildings & Parks					
Salaries and Wages	2,843	-	2,843	2,843	-
Non-Personnel	1,406	169	1,575	1,602	27
Total Public Buildings & Parks	4,249	169	4,418	4,445	27
Equal Opportunity Contracting					
Salaries and Wages	1,541	-	1,541	1,541	-
Non-Personnel	808	-	808	808	-
Total Equal Opportunity Contracting	2,349	-	2,349	2,349	-
Budget and Management Services					
Salaries and Wages	1,859	-	1,859	1,859	-
Non-Personnel	931	25	956	960	4
Total Budget and Management Services	2,790	25	2,815	2,819	4
City Treasurer					
Salaries and Wages	4,100	-	4,100	4,277	177
Non-Personnel	3,567	173	3,740	4,416	676
Total City Treasurer's	7,667	173	7,840	8,693	853
Financing Services					
Salaries and Wages	936	-	936	1,151	215
Non-Personnel	607	25	632	656	24
Total Financing Services	1,543	25	1,568	1,807	239
General Services - Administration					
Salaries and Wages	165	-	165	188	23
Non-Personnel	64	-	64	94	30
Total General Services - Administration	229	-	229	282	53
Station 38					
Salaries and Wages	339	-	339	339	-
Non-Personnel	132	-	132	142	10
Total General Services - Administration	471	-	471	481	10

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 6,267	$ -	$ 6,267	$ 6,325	$ 58
19	6	25	28	3	3,121	19	3,140	3,152	12
19	6	25	28	3	9,388	19	9,407	9,477	70
-	-	-	-	-	2,034	-	2,034	2,100	66
45	12	57	59	2	1,374	62	1,436	1,470	34
45	12	57	59	2	3,408	62	3,470	3,570	100
-	-	-	-	-	549	-	549	549	-
-	-	-	-	-	286	-	286	289	3
-	-	-	-	-	835	-	835	838	3
-	-	-	-	-	261	-	261	286	25
7	13	20	51	31	151	13	164	220	56
7	13	20	51	31	412	13	425	506	81
-	-	-	-	-	8,243	-	8,243	8,244	1
42	64	106	112	6	4,688	123	4,811	4,817	6
42	64	106	112	6	12,931	123	13,054	13,061	7
-	-	-	-	-	2,843	-	2,843	2,843	-
13	31	44	44	-	1,419	200	1,619	1,646	27
13	31	44	44	-	4,262	200	4,462	4,489	27
-	-	-	-	-	1,541	-	1,541	1,541	-
-	5	5	5	-	808	5	813	813	-
-	5	5	5	-	2,349	5	2,354	2,354	-
-	-	-	-	-	1,859	-	1,859	1,859	-
-	7	7	7	-	931	32	963	967	4
-	7	7	7	-	2,790	32	2,822	2,826	4
-	-	-	-	-	4,100	-	4,100	4,277	177
563	527	1,090	1,093	3	4,130	700	4,830	5,509	679
563	527	1,090	1,093	3	8,230	700	8,930	9,786	856
-	-	-	-	-	936	-	936	1,151	215
-	-	-	-	-	607	25	632	656	24
-	-	-	-	-	1,543	25	1,568	1,807	239
-	-	-	-	-	165	-	165	188	23
21	-	21	24	3	85	-	85	118	33
21	-	21	24	3	250	-	250	306	56
-	-	-	-	-	339	-	339	339	-
-	-	-	-	-	132	-	132	142	10
-	-	-	-	-	471	-	471	481	10

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Departmental (Continued):					
Facilities Maintenance					
Salaries and Wages	$ 7,058	$ -	$ 7,058	$ 7,265	$ 207
Non-Personnel	9,125	198	9,323	9,325	2
Total Facilities Maintenance	16,183	198	16,381	16,590	209
Purchasing					
Salaries and Wages	1,079	-	1,079	1,208	129
Non-Personnel	650	25	675	748	73
Total Purchasing	1,729	25	1,754	1,956	202
Storm Water					
Salaries and Wages	1,157	-	1,157	1,157	-
Non-Personnel	951	194	1,145	1,190	45
Total Storm Water	2,108	194	2,302	2,347	45
Governmental Relations					
Salaries and Wages	285	-	285	328	43
Non-Personnel	399	26	425	438	13
Total Governmental Relations	684	26	710	766	56
Human Resources					
Salaries and Wages	530	-	530	530	-
Non-Personnel	248	-	248	248	-
Total Human Resources	778	-	778	778	-
Organizational Effectiveness Program					
Salaries and Wages	422	-	422	422	-
Non-Personnel	232	-	232	234	2
Total Organizational Effectiveness Program	654	-	654	656	2
Personnel					
Salaries and Wages	3,729	-	3,729	3,729	-
Non-Personnel	2,019	362	2,381	2,381	-
Total Personnel	5,748	362	6,110	6,110	-
Public and Media Affairs					
Salaries and Wages	91	-	91	100	9
Non-Personnel	77	-	77	93	16
Total Public and Media Affairs	168	-	168	193	25
Real Estate Assets					
Salaries and Wages	2,440	-	2,440	2,668	228
Non-Personnel	1,347	76	1,423	1,461	38
Total Real Estate Assets	3,787	76	3,863	4,129	266
Special Projects					
Salaries and Wages	594	-	594	647	53
Non-Personnel	493	86	579	679	100
Total Special Projects	1,087	86	1,173	1,326	153
Citizens Assistance					
Salaries and Wages	200	-	200	200	-
Non-Personnel	101	-	101	131	30
Total Citizens Assistance	301	-	301	331	30

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 7,058	$ -	$ 7,058	$ 7,265	$ 207
285	21	306	496	190	9,410	219	9,629	9,821	192
285	21	306	496	190	16,468	219	16,687	17,086	399
-	-	-	-	-	1,079	-	1,079	1,208	129
1	-	1	2	1	651	25	676	750	74
1	-	1	2	1	1,730	25	1,755	1,958	203
-	-	-	-	-	1,157	-	1,157	1,157	-
138	86	224	293	69	1,089	280	1,369	1,483	114
138	86	224	293	69	2,246	280	2,526	2,640	114
-	-	-	-	-	285	-	285	328	43
56	44	100	100	-	455	70	525	538	13
56	44	100	100	-	740	70	810	866	56
-	-	-	-	-	530	-	530	530	-
-	-	-	-	-	248	-	248	248	-
-	-	-	-	-	778	-	778	778	-
-	-	-	-	-	422	-	422	422	-
-	-	-	-	-	232	-	232	234	2
-	-	-	-	-	654	-	654	656	2
-	-	-	-	-	3,729	-	3,729	3,729	-
169	42	211	321	110	2,188	404	2,592	2,702	110
169	42	211	321	110	5,917	404	6,321	6,431	110
-	-	-	-	-	91	-	91	100	9
-	-	-	2	2	77	-	77	95	18
-	-	-	2	2	168	-	168	195	27
-	-	-	-	-	2,440	-	2,440	2,668	228
3	15	18	20	2	1,350	91	1,441	1,481	40
3	15	18	20	2	3,790	91	3,881	4,149	268
-	-	-	-	-	594	-	594	647	53
62	13	75	75	-	555	99	654	754	100
62	13	75	75	-	1,149	99	1,248	1,401	153
-	-	-	-	-	200	-	200	200	-
-	-	-	-	-	101	-	101	131	30
-	-	-	-	-	301	-	301	331	30

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Departmental (Continued):					
Ethics Commission					
Salaries and Wages	$ 297	$ -	$ 297	$ 303	$ 6
Non-Personnel	140	-	140	176	36
Total Ethics Commission	437	-	437	479	42
Total Departmental	121,684	1,606	123,290	126,279	2,989
Citywide Program:					
Assessments to Public Property					
Non-Personnel	293	-	293	294	1
Citywide Elections					
Non-Personnel	514	57	571	571	-
Competition Program					
Non-Personnel	-	-	-	8	8
Total Competition Program	-	-	-	8	8
Employee Personal Property Damage					
Non-Personnel	4	-	4	10	6
Fellowship Program					
Non-Personnel	4	-	4	4	-
Total Fellowship Program	4	-	4	4	-
Financial Accounting Systems					
Salaries and Wages	-	-	-	6	6
Non-Personnel	(3)	-	(3)	-	3
Total Financial Accounting Systems	(3)	-	(3)	6	9
General Government Printing					
Non-Personnel	33	-	33	42	9
Independent Audit					
Non-Personnel	17	88	105	106	1
Total Financial Accounting Systems	17	88	105	106	1
Insurance					
Non-Personnel	2,059	(1,020)	1,039	1,040	1
Labor Relations					
Salaries and Wages	172	-	172	174	2
Non-Personnel	91	-	91	91	-
Total Labor Relations	263	-	263	265	2
Management Compensation Plan					
Non-Personnel	334	-	334	356	22
Total Management Compensation Plan	334	-	334	356	22

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 297	$ -	$ 297	$ 303	$ 6
1	3	4	4	-	141	3	144	180	36
1	3	4	4	-	438	3	441	483	42
1,383	938	2,321	2,831	510	123,067	2,544	125,611	129,110	3,499
-	-	-	-	-	293	-	293	294	1
-	-	-	-	-	514	57	571	571	-
-	-	-	-	-	-	-	-	8	8
-	-	-	-	-	-	-	-	8	8
-	-	-	-	-	4	-	4	10	6
-	-	-	-	-	4	-	4	4	-
-	-	-	-	-	4	-	4	4	-
-	-	-	-	-	-	-	-	6	6
24	-	24	25	1	21	-	21	25	4
24	-	24	25	1	21	-	21	31	10
-	-	-	-	-	33	-	33	42	9
389	339	728	728	-	406	427	833	834	1
389	339	728	728	-	406	427	833	834	1
-	76	76	76	-	2,059	(944)	1,115	1,116	1
-	-	-	-	-	172	-	172	174	2
-	-	-	-	-	91	-	91	91	-
-	-	-	-	-	263	-	263	265	2
-	-	-	-	-	334	-	334	356	22
-	-	-	-	-	334	-	334	356	22

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Citywide Program (Continued):					
Memberships					
Non-Personnel	$ 609	$ -	$ 609	$ 610	$ 1
Municipal Activities					
Non-Personnel	51	24	75	76	1
Property Tax Administration					
Non-Personnel	2,847	-	2,847	2,847	-
Public Liability					
Non-Personnel	18,388	-	18,388	18,388	-
Public Works Projects					
Salaries and Wages	106	-	106	106	-
Non-Personnel	749	107	856	859	3
Total Public Works Projects	855	107	962	965	3
Random Drug Testing					
Salaries and Wages	35	-	35	44	9
Non-Personnel	53	73	126	129	3
Total Random Drug Testing	88	73	161	173	12
Special Pay					
Non-Personnel	-	-	-	9	9
Training					
Salaries and Wages	-	-	-	1	1
Total Training	-	-	-	1	1
San Diego Geographic Info Source					
Non-Personnel	622	-	622	638	16
Total San Diego Geographic Info Source	622	-	622	638	16
Space Rental					
Salaries and Wages	38	-	38	38	-
Non-Personnel	5,126	88	5,214	5,217	3
Total Space Rental	5,164	88	5,252	5,255	3
Other Special Projects					
Salaries and Wages	485	-	485	553	68
Non-Personnel	8,133	357	8,490	10,754	2,264
Total Other Special Projects	8,618	357	8,975	11,307	2,332
Total Citywide Program	40,760	(226)	40,534	42,971	2,437
TOTAL GENERAL GOVERNMENT AND SUPPORT	162,444	1,380	163,824	169,250	5,426

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 609	$ -	$ 609	$ 610	$ 1
-	-	-	-	-	51	24	75	76	1
-	-	-	-	-	2,847	-	2,847	2,847	-
-	-	-	-	-	18,388	-	18,388	18,388	-
-	-	-	-	-	106	-	106	106	-
24	183	207	209	2	773	290	1,063	1,068	5
24	183	207	209	2	879	290	1,169	1,174	5
-	-	-	-	-	35	-	35	44	9
35	-	35	52	17	88	73	161	181	20
35	-	35	52	17	123	73	196	225	29
-	-	-	-	-	-	-	-	9	9
-	-	-	-	-	-	-	-	1	1
-	-	-	-	-	-	-	-	1	1
4	2	6	27	21	626	2	628	665	37
4	2	6	27	21	626	2	628	665	37
-	-	-	-	-	38	-	38	38	-
188	563	751	784	33	5,314	651	5,965	6,001	36
188	563	751	784	33	5,352	651	6,003	6,039	36
-	-	-	-	-	485	-	485	553	68
401	225	626	679	53	8,534	582	9,116	11,433	2,317
401	225	626	679	53	9,019	582	9,601	11,986	2,385
1,065	1,388	2,453	2,580	127	41,825	1,162	42,987	45,551	2,564
2,448	2,326	4,774	5,411	637	164,892	3,706	168,598	174,661	6,063

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PUBLIC SAFETY - POLICE					
Departmental:					
Police					
Salaries and Wages	$ 195,849	$ -	$ 195,849	$ 196,228	$ 379
Non-Personnel	121,990	1,636	123,626	123,628	2
Total Police	317,839	1,636	319,475	319,856	381
Citywide Program:					
Police Review Board					
Salaries and Wages	144	-	144	146	2
Non-Personnel	88	-	88	90	2
Total Police Review Board	232	-	232	236	4
Total Citywide Program	232	-	232	236	4
TOTAL PUBLIC SAFETY - POLICE	318,071	1,636	319,707	320,092	385
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY					
Departmental:					
Fire-Rescue					
Salaries and Wages	97,818	-	97,818	97,948	130
Non-Personnel	58,325	(181)	58,144	60,092	1,948
Total Fire-Rescue	156,143	(181)	155,962	158,040	2,078
Homeland Security					
Salaries and Wages	386	-	386	386	-
Non-Personnel	272	1	273	301	28
Total Homeland Security	658	1	659	687	28
Citywide Program:					
Emergency Medical Services					
Salaries and Wages	136	-	136	142	6
Non-Personnel	1,201	16	1,217	1,303	86
Total Emergency Medical Services	1,337	16	1,353	1,445	92
Total Citywide Program	1,337	16	1,353	1,445	92
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY	158,138	(164)	157,974	160,172	2,198

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 195,849	$ -	$ 195,849	$ 196,228	$ 379
1,560	270	1,830	2,580	750	123,550	1,906	125,456	126,208	752
1,560	270	1,830	2,580	750	319,399	1,906	321,305	322,436	1,131
-	-	-	-	-	144	-	144	146	2
-	-	-	-	-	88	-	88	90	2
-	-	-	-	-	232	-	232	236	4
-	-	-	-	-	232	-	232	236	4
1,560	270	1,830	2,580	750	319,631	1,906	321,537	322,672	1,135
-	-	-	-	-	97,818	-	97,818	97,948	130
515	34	549	647	98	58,840	(147)	58,693	60,739	2,046
515	34	549	647	98	156,658	(147)	156,511	158,687	2,176
-	-	-	-	-	386	-	386	386	-
-	-	-	-	-	272	1	273	301	28
-	-	-	-	-	658	1	659	687	28
-	-	-	-	-	136	-	136	142	6
15	-	15	17	2	1,216	16	1,232	1,320	88
15	-	15	17	2	1,352	16	1,368	1,462	94
15	-	15	17	2	1,352	16	1,368	1,462	94
530	34	564	664	100	158,668	(130)	158,538	160,836	2,298

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PARKS, RECREATION, CULTURE AND LEISURE					
Departmental:					
Reservoir Concessions					
Salaries and Wages	$ 692	$ -	$ 692	$ 800	$ 108
Non-Personnel	566	102	668	791	123
Total Reservoir Concessions	1,258	102	1,360	1,591	231
Park and Rec-Administrative Services					
Salaries and Wages	662	-	662	666	4
Non-Personnel	400	-	400	401	1
Total Park and Rec - Administration Services	1,062	-	1,062	1,067	5
Community Parks I					
Salaries and Wages	5,410	-	5,410	5,776	366
Non-Personnel	7,561	434	7,995	8,741	746
Total Community Parks I	12,971	434	13,405	14,517	1,112
Community Parks II					
Salaries and Wages	9,246	-	9,246	9,250	4
Non-Personnel	8,891	168	9,059	9,078	19
Total Community Parks II	18,137	168	18,305	18,328	23
Developed Regional Parks					
Salaries and Wages	12,604	-	12,604	12,799	195
Non-Personnel	16,129	392	16,521	17,002	481
Total Developed Regional Parks	28,733	392	29,125	29,801	676
Open Space Division					
Salaries and Wages	1,549	-	1,549	1,696	147
Non-Personnel	2,438	334	2,772	3,170	398
Total Open Space Division	3,987	334	4,321	4,866	545
Park and Planning Development					
Salaries and Wages	3,123	-	3,123	3,126	3
Non-Personnel	1,560	49	1,609	1,611	2
Total Park and Planning Development	4,683	49	4,732	4,737	5
Library					
Salaries and Wages	17,838	-	17,838	18,302	464
Non-Personnel	15,451	462	15,913	16,319	406
Total Library	33,289	462	33,751	34,621	870
Total Departmental	104,120	1,941	106,061	109,528	3,467
Citywide Program:					
Park and Recreation Programs					
Non-Personnel	114	3	117	118	1
TOTAL PARKS, RECREATION CULTURE AND LEISURE	104,234	1,944	106,178	109,646	3,468

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 692	$ -	$ 692	$ 800	$ 108
23	7	30	52	22	589	109	698	843	145
23	7	30	52	22	1,281	109	1,390	1,643	253
-	-	-	-	-	662	-	662	666	4
1	-	1	1	-	401	-	401	402	1
1	-	1	1	-	1,063	-	1,063	1,068	5
-	-	-	-	-	5,410	-	5,410	5,776	366
323	128	451	644	193	7,884	562	8,446	9,385	939
323	128	451	644	193	13,294	562	13,856	15,161	1,305
-	-	-	-	-	9,246	-	9,246	9,250	4
491	-	491	525	34	9,382	168	9,550	9,603	53
491	-	491	525	34	18,628	168	18,796	18,853	57
-	-	-	-	-	12,604	-	12,604	12,799	195
425	52	477	889	412	16,554	444	16,998	17,891	893
425	52	477	889	412	29,158	444	29,602	30,690	1,088
-	-	-	-	-	1,549	-	1,549	1,696	147
268	442	710	745	35	2,706	776	3,482	3,915	433
268	442	710	745	35	4,255	776	5,031	5,611	580
-	-	-	-	-	3,123	-	3,123	3,126	3
116	315	431	448	17	1,676	364	2,040	2,059	19
116	315	431	448	17	4,799	364	5,163	5,185	22
-	-	-	-	-	17,838	-	17,838	18,302	464
393	40	433	613	180	15,844	502	16,346	16,932	586
393	40	433	613	180	33,682	502	34,184	35,234	1,050
2,040	984	3,024	3,917	893	106,160	2,925	109,085	113,445	4,360
-	-	-	-	-	114	3	117	118	1
2,040	984	3,024	3,917	893	106,274	2,928	109,202	113,563	4,361

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSPORTATION					
Departmental:					
Parking Management					
Salaries and Wages	$ 4,179	$ -	$ 4,179	$ 4,179	$ -
Non-Personnel	3,569	94	3,663	3,663	-
Total Parking Management	7,748	94	7,842	7,842	-
Transportation Design					
Salaries and Wages	4,474	-	4,474	4,525	51
Non-Personnel	2,406	81	2,487	2,494	7
Total Transportation Design	6,880	81	6,961	7,019	58
Traffic Engineering					
Salaries and Wages	3,453	-	3,453	3,453	-
Non-Personnel	2,908	230	3,138	3,264	126
Total Traffic Engineering	6,361	230	6,591	6,717	126
Total Departmental	20,989	405	21,394	21,578	184
Citywide Program:					
Transportation					
Non-Personnel	209	150	359	364	5
TOTAL TRANSPORTATION	21,198	555	21,753	21,942	189
SANITATION AND HEALTH					
Departmental:					
Collection Services					
Salaries and Wages	7,004	-	7,004	7,062	58
Non-Personnel	25,871	329	26,200	26,548	348
Total Collection Services	32,875	329	33,204	33,610	406
Environmental Protection					
Salaries and Wages	269	-	269	324	55
Non-Personnel	309	-	309	337	28
Total Environmental Protection	578	-	578	661	83
Resource Management					
Salaries and Wages	199	-	199	203	4
Non-Personnel	96	-	96	100	4
Total Resource Management	295	-	295	303	8
Mt. Hope Cemetery					
Salaries and Wages	490	-	490	499	9
Non-Personnel	896	17	913	913	-
Total Mt. Hope Cemetery	1,386	17	1,403	1,412	9
Total Departmental	35,134	346	35,480	35,986	506

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 4,179	$ -	$ 4,179	$ 4,179	$ -
(27)	306	279	279	-	3,542	400	3,942	3,942	-
(27)	306	279	279	-	7,721	400	8,121	8,121	-
-	-	-	-	-	4,474	-	4,474	4,525	51
29	13	42	41	(1)	2,435	94	2,529	2,535	6
29	13	42	41	(1)	6,909	94	7,003	7,060	57
-	-	-	-	-	3,453	-	3,453	3,453	-
178	32	210	210	-	3,086	262	3,348	3,474	126
178	32	210	210	-	6,539	262	6,801	6,927	126
180	351	531	530	(1)	21,169	756	21,925	22,108	183
70	-	70	70	-	279	150	429	434	5
250	351	601	600	(1)	21,448	906	22,354	22,542	188
-	-	-	-	-	7,004	-	7,004	7,062	58
197	131	328	452	124	26,068	460	26,528	27,000	472
197	131	328	452	124	33,072	460	33,532	34,062	530
-	-	-	-	-	269	-	269	324	55
-	-	-	-	-	309	-	309	337	28
-	-	-	-	-	578	-	578	661	83
-	-	-	-	-	199	-	199	203	4
-	-	-	-	-	96	-	96	100	4
-	-	-	-	-	295	-	295	303	8
-	-	-	-	-	490	-	490	499	9
25	1	26	26	-	921	18	939	939	-
25	1	26	26	-	1,411	18	1,429	1,438	9
222	132	354	478	124	35,356	478	35,834	36,464	630

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Citywide Program:					
Animal Regulation					
Non-Personnel	$ 5,406	$ (137)	$ 5,269	$ 5,269	$ -
Health Services Furnished by County					
Non-Personnel	98	-	98	98	-
Refuse Container Fund					
Non-Personnel	118	1	119	120	1
Total Citywide Program	5,622	(136)	5,486	5,487	1
TOTAL SANITATION AND HEALTH	40,756	210	40,966	41,473	507
NEIGHBORHOOD SERVICES:					
Departmental:					
Community and Economic Development					
Salaries and Wages	5,393	-	5,393	5,393	-
Non-Personnel	5,699	458	6,157	6,190	33
Total Community and Economic Development	11,092	458	11,550	11,583	33
Development Services					
Salaries and Wages	-	-	-	-	-
Non-Personnel	178	48	226	235	9
Total Development Services	178	48	226	235	9
Neighborhood Code Compliance					
Salaries and Wages	3,945	-	3,945	3,946	1
Non-Personnel	2,405	1	2,406	2,407	1
Total Neighborhood Code Compliance	6,350	1	6,351	6,353	2
Planning					
Salaries and Wages	4,657	-	4,657	4,657	-
Non-Personnel	2,628	62	2,690	2,744	54
Total Planning	7,285	62	7,347	7,401	54
Total Departmental	24,905	569	25,474	25,572	98
Citywide Program:					
Community and Economic Development Special Projects					
Non-Personnel	-	-	-	11	11
Total Community and Economic Development Special Projects	-	-	-	11	11
Nuisance Abatement					
Non-Personnel	-	-	-	3	3
Total Citywide Program	-	-	-	14	14
TOTAL NEIGHBORHOOD SERVICES	24,905	569	25,474	25,586	112
DEBT SERVICE:					
Principal	2,381	-	2,381	2,381	-
Interest	1,811	-	1,811	5,363	3,552
TOTAL DEBT SERVICE	4,192	-	4,192	7,744	3,552
TOTAL EXPENDITURES	833,938	6,130	840,068	855,905	15,837

Prior Year					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)
$ 46	$ 244	$ 290	$ 290	$ -	$ 5,452	$ 107	$ 5,559	$ 5,559	$ -
-	-	-	-	-	98	-	98	98	-
-	-	-	-	-	118	1	119	120	1
46	244	290	290	-	5,668	108	5,776	5,777	1
268	376	644	768	124	41,024	586	41,610	42,241	631
-	-	-	-	-	5,393	-	5,393	5,393	-
153	328	481	531	50	5,852	786	6,638	6,721	83
153	328	481	531	50	11,245	786	12,031	12,114	83
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	178	48	226	235	9
-	-	-	-	-	178	48	226	235	9
-	-	-	-	-	3,945	-	3,945	3,946	1
4	19	23	53	30	2,409	20	2,429	2,460	31
4	19	23	53	30	6,354	20	6,374	6,406	32
-	-	-	-	-	4,657	-	4,657	4,657	-
75	214	289	314	25	2,703	276	2,979	3,058	79
75	214	289	314	25	7,360	276	7,636	7,715	79
232	561	793	898	105	25,137	1,130	26,267	26,470	203
-	-	-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-	3	3
-	-	-	-	-	-	-	-	14	14
232	561	793	898	105	25,137	1,130	26,267	26,484	217
-	-	-	-	-	2,381	-	2,381	2,381	-
-	-	-	-	-	1,811	-	1,811	5,363	3,552
-	-	-	-	-	4,192	-	4,192	7,744	3,552
7,328	4,902	12,230	14,838	2,608	841,266	11,032	852,298	870,743	18,445

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2005
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSFERS TO PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Planning and Development Review	$ 497	$ -	$ 497	$ 497	$ -
Total Enterprise Funds	497	-	497	497	-
Internal Service Funds:					
City of San Diego:					
Central Garage and Machine Shop	478	-	478	478	-
Self Insurance	-	-	-	-	-
Miscellaneous Internal Service	210	-	210	210	-
Total Internal Service Funds	688	-	688	688	-
TOTAL TRANSFERS TO PROPRIETARY FUNDS	1,185	-	1,185	1,185	-
TRANSFERS TO OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement and Operation	668	-	668	669	1
Other Special Revenue - Budgeted	1,351	-	1,351	1,351	-
Grants	324	-	324	324	-
Other Special Revenue - Unbudgeted	10,248	-	10,248	10,248	-
Total Special Revenue Funds	12,591	-	12,591	12,592	1
Capital Projects Funds:					
City of San Diego:					
Capital Outlay	118	-	118	118	-
Other Construction	1,520	-	1,520	1,520	-
Total Capital Projects Funds	1,638	-	1,638	1,638	-
TOTAL TRANSFERS TO OTHER FUNDS	14,229	-	14,229	14,230	1
TOTAL EXPENDITURES AND TRANSFERS	$ 849,352	$ 6,130	$ 855,482	$ 871,320	$ 15,838

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 497	$ -	$ 497	$ 497	$ -
-	-	-	-	-	497	-	497	497	-
-	-	-	-	-	478	-	478	478	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	210	-	210	210	-
-	-	-	-	-	688	-	688	688	-
-	-	-	-	-	1,185	-	1,185	1,185	-
17	-	17	17	-	685	-	685	686	1
-	-	-	-	-	1,351	-	1,351	1,351	-
-	-	-	-	-	324	-	324	324	-
-	-	-	-	-	10,248	-	10,248	10,248	-
17	-	17	17	-	12,608	-	12,608	12,609	1
-	-	-	-	-	118	-	118	118	-
30	-	30	30	-	1,550	-	1,550	1,550	-
30	-	30	30	-	1,668	-	1,668	1,668	-
47	-	47	47	-	14,276	-	14,276	14,277	1
$ 7,375	$ 4,902	$ 12,277	$ 14,885	$ 2,608	$ 856,727	$ 11,032	$ 867,759	$ 886,205	$ 18,446

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Non-major Governmental Funds

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2005
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 458,906	$ -	$ 351,413	$ 1,056	$ 811,375
Receivables:					
Taxes - Net	12,860	42	3,901	-	16,803
Accounts - Net of Allowance for Uncollectibles (Special Revenue $808)	7,876	-	187	15	8,078
Claims - Net	135	-	-	-	135
Special Assessments - Net	521	732	17	-	1,270
Notes	32,256	-	6,021	-	38,277
Accrued Interest	2,333	123	2,356	20	4,832
Grants	23,501	-	23,951	-	47,452
From Other Funds	2	93	87,897	-	87,992
Restricted Cash and Investments	-	106,906	-	13,885	120,791
Advances to Other Funds	3,170	-	300	-	3,470
Advances to Other Agencies	2,527	-	-	-	2,527
Land Held for Resale	16,426	-	33,125	-	49,551
Prepaid Items	1,758	44	-	-	1,802
TOTAL ASSETS	$ 562,271	$ 107,940	$ 509,168	$ 14,976	$ 1,194,355
LIABILITIES					
Accounts Payable	$ 26,497	$ -	$ 33,168	$ 3	$ 59,668
Accrued Wages and Benefits	2,531	-	-	-	2,531
Other Accrued Liabilities	26	-	-	-	26
Due to Other Funds	97,131	-	10,300	-	107,431
Due to Other Agencies	284	-	265	-	549
Unearned Revenue	10,657	-	5,928		16,585
Deferred Revenue	28,705	476	24,965	-	54,146
Interfund Interest Payable	-	-	668		668
Interfund Loan Payable	-	-	5,873		5,873
Advances from Other Funds	2,550	-	1,220	-	3,770
Sundry Trust Liabilities	95	-	4,447	-	4,542
TOTAL LIABILITES	168,476	476	86,834	3	255,789
FUND EQUITY:					
Fund Balances:					
Reserved for Land Held for Resale	16,426	-	31,798	-	48,224
Reserved for Encumbrances	63,295	-	110,370	2	173,667
Reserved for Advances and Deposits	5,623	-	300	-	5,923
Reserved for Low and Moderate Income Housing	23,633	-	-	-	23,633
Reserved for Permanent Endowments	-	-	-	13,908	13,908
Reserved for Debt Service	-	107,451	-	-	107,451
Unreserved:					
Designated for Unrealized Gains	718	13	-	1,056	1,787
Designated for Debt Service	84,849	-	-	-	84,849
Designated for Subsequent Years' Expenditures	49,614	-	192,364	3	241,981
Undesignated	149,637	-	87,502	4	237,143
TOTAL FUND EQUITY	393,795	107,464	422,334	14,973	938,566
TOTAL LIABILITIES AND FUND EQUITY	$ 562,271	$ 107,940	$ 509,168	$ 14,976	$ 1,194,355

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	$ 53,261	$ 31,948	$ 17,148	$ -	$ 102,357
Special Assessments	13,820	15,655	788	-	30,263
Sales Taxes	70,521	-	31,301	-	101,822
Transient Occupancy Taxes	57,702	-	-	-	57,702
Other Local Taxes	79,120	-	-	-	79,120
Licenses and Permits	2,019	-	10,246	-	12,265
Fines, Forfeitures and Penalties	2,049	-	-	-	2,049
Revenue from Use of Money and Property	31,212	2,132	10,368	787	44,499
Revenue from Federal Agencies	45,763	-	13,632	-	59,395
Revenue from Other Agencies	28,287	20,435	20,346	-	69,068
Revenue from Private Sources	34,863	-	55,218	1,273	91,354
Charges for Current Services	33,426	-	-	75	33,501
Other Revenue	1,199	-	7,541	-	8,740
TOTAL REVENUES	453,242	70,170	166,588	2,135	692,135
EXPENDITURES					
Current:					
General Government and Support	46,776	2,530	22,508	-	71,814
Public Safety - Police	27,571	-	157	-	27,728
Public Safety - Fire and Life Safety	18,860	-	1,025	-	19,885
Parks, Recreation, Culture and Leisure	71,004	-	2,982	67	74,053
Transportation	117,396	-	1,760	-	119,156
Sanitation and Health	2,920	-	383	-	3,303
Neighborhood Services	49,838	-	27,260	-	77,098
Capital Projects	31,088	-	144,405	-	175,493
Debt Service:					
Principal Retirement	3,730	63,518	8,323	-	75,571
Interest	2,424	63,078	888	-	66,390
TOTAL EXPENDITURES	371,607	129,126	209,691	67	710,491
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	81,635	(58,956)	(43,103)	2,068	(18,356)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	3,491	-	104	-	3,595
Transfers from Other Funds	88,143	105,455	104,438	313	298,349
Transfers to Proprietary Funds	(633)	-	(548)	-	(1,181)
Transfers to Other Funds	(298,379)	(6,531)	(37,564)	(512)	(342,986)
Transfers to Escrow Agent	-	(32,011)	-	-	(32,011)
Notes Payable Issued	-	-	2,100	-	2,100
Loans Payable Issued	-	-	3,335	-	3,335
Tax Allocation Bonds Issued	147,725	-	-	-	147,725
Discount on Bonds Issued	(11)	-	-	-	(11)
Premium on Bonds Issued	4,342	-	-	-	4,342
TOTAL OTHER FINANCING SOURCES (USES)	(55,322)	66,913	71,865	(199)	83,257
NET CHANGE IN FUND BALANCES	26,313	7,957	28,762	1,869	64,901
Fund Balances at Beginning of Year	367,482	99,507	393,572	13,104	873,665
FUND BALANCES AT END OF YEAR	$ 393,795	$ 107,464	$ 422,334	$ 14,973	$ 938,566

Non-major Governmental Funds - Special Revenue

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SPECIAL REVENUE FUNDS

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

POLICE DECENTRALIZATION

This Fund accounts for monies allocated for Police department decentralization expenditures for temporary facilities and to devise future capital improvement projects. Revenues are derived from sales tax allocations.

PUBLIC TRANSPORTATION

This Fund was established to account for funds set aside as reserves to be used for transportation-related purposes. Fund transfers and interest derived there from are the main sources of revenue.

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

CENTRE CITY DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Centre City Development Corporation ("CCDC"). CCDC is a non-profit corporation that administers certain redevelopment projects in downtown San Diego and provides redevelopment advisory services to the Redevelopment Agency (the "Agency") of the City of San Diego. CCDC is primarily funded by the Agency and by the City of San Diego.

PUBLIC FACILITIES FINANCING AUTHORITY

This Fund was established to account for the activities of the Public Facilities Financing Authority (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing, acquisition and construction of public capital facility improvements of the Agency or the City. The Authority's special revenue account is generally used to account for revenues from the Reassessment District Bond Fund and investment income used to pay for costs of issuance and administrative expenses related to debt redemption.

REDEVELOPMENT AGENCY

This Fund was established to account for the activities of the Redevelopment Agency of the City of San Diego (the "Agency"). The Agency was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The Agency's 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.

SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This Fund was established to account for revenues and expenditures of the San Diego Industrial Development Authority (the "Authority"). The Authority 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 the Redevelopment Agency of the City of San Diego (the "Agency"). SEDC is primarily funded by the Agency 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.

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2005
(In Thousands)

	City of San Diego	Centre City Development Corporation
ASSETS		
Cash and Investments	$ 211,001	$ 43
Receivables:		
Taxes - Net	8,736	-
Accounts - Net of Allowance for Uncollectibles (City of San Diego $808)	7,076	659
Claims - Net	135	-
Special Assessments - Net	521	-
Notes	1,376	-
Accrued Interest	1,179	-
Grants	23,501	-
From Other Funds	2	-
Advances to Other Funds	3,170	-
Advances to Other Agencies	2,527	-
Land Held for Resale	-	-
Prepaid Items	1,756	2
TOTAL ASSETS	$ 260,980	$ 704
LIABILITIES		
Accounts Payable	$ 24,212	$ 33
Accrued Wages and Benefits	2,531	-
Other Accrued Liabilities	-	26
Due to Other Funds	19,439	-
Due to Other Agencies	284	-
Unearned Revenue	10,657	-
Deferred Revenue	26,519	-
Advances from Other Funds	300	-
Sundry Trust Liabilities	-	-
TOTAL LIABILITIES	83,942	59
FUND EQUITY:		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Encumbrances	23,729	-
Reserved for Advances and Deposits	5,623	-
Reserved for Low and Moderate Income Housing	-	-
Unreserved:		
Designated for Unrealized Gains	73	-
Designated for Debt Service	-	-
Designated for Subsequent Years' Expenditures	46,562	-
Undesignated	101,051	645
TOTAL FUND EQUITY	177,038	645
TOTAL LIABILITIES AND FUND EQUITY	$ 260,980	$ 704

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Total
$ 199	$ 247,559	$ 53	$ 51	$ 458,906
-	4,124	-	-	12,860
-	-	-	141	7,876
-	-	-	-	135
-	-	-	-	521
-	30,880	-	-	32,256
-	1,153	1	-	2,333
-	-	-	-	23,501
-	-	-	-	2
-	-	-	-	3,170
-	-	-	-	2,527
-	16,426	-	-	16,426
-	-	-	-	1,758
$ 199	$ 300,142	$ 54	$ 192	$ 562,271
$ -	$ 2,247	$ -	$ 5	$ 26,497
-	-	-	-	2,531
-	-	-	-	26
2	77,690	-	-	97,131
-	-	-	-	284
-	-	-	-	10,657
-	2,186	-	-	28,705
-	2,250	-	-	2,550
-	95	-	-	95
2	84,468	-	5	168,476
-	16,426	-	-	16,426
1	39,565	-	-	63,295
-	-	-	-	5,623
-	23,633	-	-	23,633
-	645	-	-	718
-	84,849	-	-	84,849
196	2,841	15	-	49,614
-	47,715	39	187	149,637
197	215,674	54	187	393,795
$ 199	$ 300,142	$ 54	$ 192	$ 562,271

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
(In Thousands)

	City of San Diego	Centre City Development Corporation
REVENUES		
Property Taxes	$ 6,893	$ -
Special Assessments	13,820	-
Sales Taxes	70,521	-
Transient Occupancy Taxes	57,702	-
Other Local Taxes	79,120	-
Licenses and Permits	2,019	-
Fines, Forfeitures and Penalties	2,049	-
Revenue from Use of Money and Property	25,141	-
Revenue from Federal Agencies	45,763	-
Revenue from Other Agencies	20,632	5,925
Revenue from Private Sources	34,863	-
Charges for Current Services	33,426	-
Other Revenue	1,024	25
TOTAL REVENUES	392,973	5,950
EXPENDITURES		
Current:		
General Government and Support	21,925	5,950
Public Safety - Police	27,571	-
Public Safety - Fire and Life Safety	18,860	-
Parks, Recreation, Culture and Leisure	71,004	-
Transportation	117,396	-
Sanitation and Health	2,920	-
Neighborhood Services	45,484	-
Capital Projects	31,088	-
Debt Service:		
Principal Retirement	3,730	-
Interest	2,424	-
TOTAL EXPENDITURES	342,402	5,950
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	50,571	-
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	3,491	-
Transfers from Other Funds	66,150	645
Transfers to Proprietary Funds	(633)	-
Transfers to Other Funds	(143,396)	-
Tax Allocation Bonds Issued	-	-
Discount on Bonds Issued	-	-
Premium on Bonds Issued	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(74,388)	645
NET CHANGE IN FUND BALANCES	(23,817)	645
Fund Balances at Beginning of Year	200,855	-
FUND BALANCES AT END OF YEAR	$ 177,038	$ 645

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Total
$ -	$ 46,368	$ -	$ -	$ 53,261
-	-	-	-	13,820
-	-	-	-	70,521
-	-	-	-	57,702
-	-	-	-	79,120
-	-	-	-	2,019
-	-	-	-	2,049
1	6,069	1	-	31,212
-	-	-	-	45,763
-	-	-	1,730	28,287
-	-	-	-	34,863
-	-	-	-	33,426
-	123	-	27	1,199
1	52,560	1	1,757	453,242
172	17,005	-	1,724	46,776
-	-	-	-	27,571
-	-	-	-	18,860
-	-	-	-	71,004
-	-	-	-	117,396
-	-	-	-	2,920
-	4,354	-	-	49,838
-	-	-	-	31,088
-	-	-	-	3,730
-	-	-	-	2,424
172	21,359	-	1,724	371,607
(171)	31,201	1	33	81,635
-	-	-	-	3,491
329	20,860	-	159	88,143
-	-	-	-	(633)
-	(154,983)	-	-	(298,379)
-	147,725	-	-	147,725
-	(11)	-	-	(11)
-	4,342	-	-	4,342
329	17,933	-	159	(55,322)
158	49,134	1	192	26,313
39	166,540	53	(5)	367,482
$ 197	$ 215,674	$ 54	$ 187	$ 393,795

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2005
(In Thousands)

	City of San Diego	
	Actual on Budgetary Basis	Final Budget
REVENUES		
Property Taxes	$ 6,813	$ 6,365
Special Assessments	13,789	14,175
Sales Taxes	65,949	66,895
Transient Occupance Taxes	57,702	57,074
Other Local Taxes	79,120	81,336
Licenses and Permits	1,236	1,724
Fines, Forfeitures and Penalties	1,223	1,165
Revenue from Use of Money and Property	12,863	15,397
Revenue from Federal Agencies	10	-
Revenue from Other Agencies	9,361	10,093
Revenue from Private Sources	603	411
Charges for Current Services	32,181	31,551
Other Revenue	429	976
Excess Revenue Appropriated	-	222
TOTAL REVENUES	281,279	287,384
EXPENDITURES		
Current:		
General Government and Support	13,306	14,978
Public Safety - Police	11,982	12,263
Public Safety - Fire and Life Safety	9,752	10,720
Parks, Recreation, Culture and Leisure	68,978	87,774
Transportation	93,895	99,942
Sanitation and Health	2,525	2,800
Neighborhood Services	5,980	7,112
Capital Projects	21,817	34,902
Debt Service:		
Principal Retirement	577	706
Interest	90	90
TOTAL EXPENDITURES	228,902	271,287
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52,377	16,097
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	1,017	920
Transfers from Other Funds	47,564	80,446
Transfers to Proprietary Funds	(84)	(84)
Transfers to Other Funds	(129,988)	(164,029)
TOTAL OTHER FINANCING SOURCES (USES)	(81,491)	(82,747)
NET CHANGE IN FUND BALANCES	(29,114)	(66,650)
Fund Balances Undesignated at July 1, 2004	82,589	82,589
Reserved for Encumbrances at July 1, 2004	13,171	13,171
Reserved for Debt Service at July 1, 2004	128	128
Designated for Subsequent Years' Expenditures at July 1, 2004	22,205	22,205
Designated for Subsequent Years' Expenditures at June 30, 2005	(10,710)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2005	$ 78,269	$ 51,443

Centre City Development Corporation		Southeastern Economic Development Corporation		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ 6,813	$ 6,365	$ 448
-	-	-	-	13,789	14,175	(386)
-	-	-	-	65,949	66,895	(946)
-	-	-	-	57,702	57,074	628
-	-	-	-	79,120	81,336	(2,216)
-	-	-	-	1,236	1,724	(488)
-	-	-	-	1,223	1,165	58
-	5	-	-	12,863	15,402	(2,539)
-	-	-	-	10	-	10
5,925	6,394	1,730	1,843	17,016	18,330	(1,314)
-	-	-	-	603	411	192
-	-	-	-	32,181	31,551	630
25	-	27	-	481	976	(495)
-	-	-	-	-	222	(222)
5,950	6,399	1,757	1,843	288,986	295,626	(6,640)
5,950	6,399	1,724	1,843	20,980	23,220	2,240
-	-	-	-	11,982	12,263	281
-	-	-	-	9,752	10,720	968
-	-	-	-	68,978	87,774	18,796
-	-	-	-	93,895	99,942	6,047
-	-	-	-	2,525	2,800	275
-	-	-	-	5,980	7,112	1,132
-	-	-	-	21,817	34,902	13,085
-	-	-	-	577	706	129
-	-	-	-	90	90	-
5,950	6,399	1,724	1,843	236,576	279,529	42,953
-	-	33	-	52,410	16,097	36,313
-	-	-	-	1,017	920	97
-	-	-	-	47,564	80,446	(32,882)
-	-	-	-	(84)	(84)	-
-	-	-	-	(129,988)	(164,029)	34,041
-	-	-	-	(81,491)	(82,747)	1,256
-	-	33	-	(29,081)	(66,650)	37,569
645	645	154	154	83,388	83,388	-
-	-	-	-	13,171	13,171	-
-	-	-	-	128	128	-
-	-	-	-	22,205	22,205	-
-	-	-	-	(10,710)	-	(10,710)
$ 645	$ 645	$ 187	$ 154	$ 79,101	$ 52,242	$ 26,859

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2005
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
ASSETS					
Cash and Investments	$ 14,239	$ 1,604	$ 1,030	$ 2,125	$ 4,101
Receivables:					
Taxes - Net	-	2,852	-	-	-
Accounts - Net of Allowance for Uncollectibles (Transient Occupancy Tax $424, Unbudgeted Other Special Revenue $384)	748	-	-	-	404
Claims - Net	38	-	-	-	-
Special Assessments - Net	347	-	-	-	-
Notes	-	-	-	-	-
Accrued Interest	98	22	-	15	24
Grants	-	-	-	-	-
From Other Funds	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Advances to Other Agencies	259	-	-	-	-
Prepaid Items	-	-	-	-	5
TOTAL ASSETS	$ 15,729	$ 4,478	$ 1,030	$ 2,140	$ 4,534
LIABILITIES					
Accounts Payable	$ 843	$ 9	$ 813	$ 3	$ 321
Accrued Wages and Benefits	109	-	-	-	143
Due to Other Funds	-	-	-	-	-
Due to Other Agencies	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Deferred Revenue	1,066	-	-	-	144
Advances from Other Funds	-	-	-	-	-
TOTAL LIABILITIES	2,018	9	813	3	608
FUND EQUITY:					
Fund Balances:					
Reserved for Encumbrances	604	179	-	4	375
Reserved for Advances and Deposits	259	-	-	-	-
Unreserved:					
Designated for Unrealized Gains	-	-	-	-	-
Designated for Subsequent Years' Expenditures	983	512	-	-	323
Undesignated	11,865	3,778	217	2,133	3,228
TOTAL FUND EQUITY	13,711	4,469	217	2,137	3,926
TOTAL LIABILITIES AND FUND EQUITY	$ 15,729	$ 4,478	$ 1,030	$ 2,140	$ 4,534

Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted Grants	Unbudgeted Other Special Revenue	Total
$ 2,281	$ 7,168	$ 40,733	$ 25,436	$ 120	$ 11,341	$ 8	$ 100,815	$ 211,001
-	-	5,778	-	106	-	-	-	8,736
2,151	476	173	-	-	1,961	-	1,163	7,076
2	95	-	-	-	-	-	-	135
-	-	-	-	-	-	-	174	521
-	-	-	-	-	-	-	1,376	1,376
75	2	238	172	-	61	(3)	475	1,179
-	-	-	-	-	-	23,501	-	23,501
-	-	-	-	-	-	-	2	2
-	-	-	-	-	-	-	3,170	3,170
-	-	1,996	-	-	-	109	163	2,527
-	-	1,261	-	-	209	7	274	1,756
$ 4,509	$ 7,741	$ 50,179	$ 25,608	$ 226	$ 13,572	$ 23,622	$ 107,612	$ 260,980
$ 7	$ 1,033	$ 2,929	$ 13,473	$ -	$ 499	$ 3,364	$ 918	$ 24,212
3	1,339	38	43	-	796	53	7	2,531
-	-	-	-	-	-	16,275	3,164	19,439
-	-	-	-	-	-	283	1	284
-	-	-	-	-	-	-	10,657	10,657
36	571	173	-	-	41	21,872	2,616	26,519
-	-	-	-	-	-	-	300	300
46	2,943	3,140	13,516	-	1,336	41,847	17,663	83,942
40	2,530	5,645	2,764	-	1,939	3	9,646	23,729
-	-	1,996	-	-	-	36	3,332	5,623
-	-	-	-	-	-	-	73	73
52	858	2,866	4,892	-	224	-	35,852	46,562
4,371	1,410	36,532	4,436	226	10,073	(18,264)	41,046	101,051
4,463	4,798	47,039	12,092	226	12,236	(18,225)	89,949	177,038
$ 4,509	$ 7,741	$ 50,179	$ 25,608	$ 226	$ 13,572	$ 23,622	$ 107,612	$ 260,980

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	13,789	-	-	-	-
Sales Taxes	924	-	9,446	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	11,918	-	-	-
Licenses and Permits	1,236	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	289	82	35	53	9,405
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	167	-	-	-	-
Charges for Current Services	2,869	-	-	-	-
Other Revenue	158	-	-	-	44
TOTAL REVENUES	19,432	12,000	9,481	53	9,449
EXPENDITURES					
Current:					
General Government and Support	1,898	-	-	-	-
Public Safety - Police	-	-	8,583	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	10,921	1,807	-	-	7,591
Transportation	-	-	-	56	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	6,292	-	-	-	-
Capital Projects	437	12	-	-	3
Debt Service:					
Principal Retirement	-	-	-	-	159
Interest	-	-	-	-	59
TOTAL EXPENDITURES	19,548	1,819	8,583	56	7,812
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(116)	10,181	898	(3)	1,637
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	5	3	-	-	-
Transfers from Other Funds	1,706	-	-	3,810	6,005
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(21)	(12,300)	(2,431)	(3,754)	(5,591)
Section 108 Loans Issued	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,690	(12,297)	(2,431)	56	414
NET CHANGE IN FUND BALANCES	1,574	(2,116)	(1,533)	53	2,051
Fund Balances at Beginning of Year	12,137	6,585	1,750	2,084	1,875
FUND BALANCES AT END OF YEAR	$ 13,711	$ 4,469	$ 217	$ 2,137	$ 3,926

Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted Grants	Unbudgeted Other Special Revenue	Total
$ -	$ -	$ -	$ -	$ 6,813	$ -	$ -	$ 80	$ 6,893
-	-	-	-	-	-	-	31	13,820
-	13,777	39,005	-	-	2,797	-	4,572	70,521
-	-	57,702	-	-	-	-	-	57,702
24,093	-	-	43,109	-	-	-	-	79,120
-	-	-	-	-	-	-	783	2,019
-	-	-	-	-	1,223	-	826	2,049
294	31	1,788	620	25	241	(329)	12,607	25,141
-	-	-	-	-	10	45,030	723	45,763
-	471	6,802	-	-	2,088	10,872	399	20,632
3	356	77	-	-	-	-	34,260	34,863
18	4,557	21	-	-	24,716	3	1,242	33,426
-	7	89	-	-	108	471	147	1,024
24,408	19,199	105,484	43,729	6,838	31,183	56,047	55,670	392,973
212	-	540	695	-	9,734	745	8,101	21,925
-	-	-	-	-	2,097	16,352	539	27,571
-	-	-	-	-	9,582	7,044	2,234	18,860
-	-	34,761	-	10,016	139	3,297	2,472	71,004
18	47,088	-	44,286	-	-	23	25,925	117,396
-	-	46	-	-	2,111	499	264	2,920
-	-	-	-	-	-	27,546	11,646	45,484
34	132	12,951	2,872	-	-	5,491	9,156	31,088
-	418	-	-	-	-	1,525	1,628	3,730
-	31	-	-	-	-	1,715	619	2,424
264	47,669	48,298	47,853	10,016	23,663	64,237	62,584	342,402
24,144	(28,470)	57,186	(4,124)	(3,178)	7,520	(8,190)	(6,914)	50,571
66	23	-	-	-	920	-	2,474	3,491
-	29,836	4,657	-	-	1,550	1,672	16,914	66,150
-	(84)	-	-	-	-	-	(549)	(633)
(23,564)	(173)	(71,377)	-	(25)	(10,752)	(2,342)	(11,066)	(143,396)
-	-	-	-	-	-	-	-	-
(23,498)	29,602	(66,720)	-	(25)	(8,282)	(670)	7,773	(74,388)
646	1,132	(9,534)	(4,124)	(3,203)	(762)	(8,860)	859	(23,817)
3,817	3,666	56,573	16,216	3,429	12,998	(9,365)	89,090	200,855
$ 4,463	$ 4,798	$ 47,039	$ 12,092	$ 226	$ 12,236	$ (18,225)	$ 89,949	$ 177,038

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2005
(In Thousands)

	Acquisition, Improvement and Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	13,789	-	13,789	14,175	(386)
Sales Taxes	924	-	924	923	1
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	1,236	-	1,236	1,724	(488)
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	289	-	289	276	13
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	167	-	167	363	(196)
Charges for Current Services	2,869	-	2,869	2,924	(55)
Other Revenue	158	-	158	131	27
Excess Revenue Appropriated	-	-	-	-	-
TOTAL REVENUES	19,432	-	19,432	20,516	(1,084)
EXPENDITURES					
Current:					
General Government and Support	1,898	28	1,926	2,374	448
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	10,921	470	11,391	20,786	9,395
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	6,292	(312)	5,980	7,112	1,132
Capital Projects	437	41	478	1,385	907
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	19,548	227	19,775	31,657	11,882
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(116)	(227)	(343)	(11,141)	10,798
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	5	-	5	-	5
Transfers from Other Funds	1,706	-	1,706	3,584	(1,878)
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(21)	-	(21)	(34)	13
TOTAL OTHER FINANCING SOURCES (USES)	1,690	-	1,690	3,550	(1,860)
NET CHANGE IN FUND BALANCES	$ 1,574	$ (227)	1,347	(7,591)	8,938
Fund Balances Undesignated at July 1, 2004			9,871	9,871	-
Reserved for Encumbrances at July 1, 2004			1,169	1,169	-
Reserved for Debt Service at July 1, 2004			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2004			461	461	-
Designated for Subsequent Years' Expenditures at June 30, 2005			(983)	-	(983)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2005			$ 11,865	$ 3,910	$ 7,955

Environmental Growth					Police Decentralization				
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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	9,446	-	9,446	9,446	-
-	-	-	-	-	-	-	-	-	-
11,918	-	11,918	11,216	702	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
82	-	82	107	(25)	35	-	35	35	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
12,000	-	12,000	11,323	677	9,481	-	9,481	9,481	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,583	-	8,583	8,733	150
-	-	-	-	-	-	-	-	-	-
1,807	-	1,807	2,362	555	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
12	179	191	228	37	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,819	179	1,998	2,590	592	8,583	-	8,583	8,733	150
10,181	(179)	10,002	8,733	1,269	898	-	898	748	150
3	-	3	-	3	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(12,300)	-	(12,300)	(12,300)	-	(2,431)	-	(2,431)	(2,431)	-
(12,297)	-	(12,297)	(12,300)	3	(2,431)	-	(2,431)	(2,431)	-
$ (2,116)	$ (179)	(2,295)	(3,567)	1,272	$ (1,533)	$ -	(1,533)	(1,683)	150
		6,069	6,069	-			1,750	1,750	-
		293	293	-			-	-	-
		-	-	-			-	-	-
		223	223	-			-	-	-
		(512)	-	(512)			-	-	-
		$ 3,778	$ 3,018	$ 760			$ 217	$ 67	$ 150

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2005
(In Thousands)

	Public Transportation				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	53	-	53	-	53
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
Excess Revenue Appropriated	-	-	-	-	-
TOTAL REVENUES	53	-	53	-	53
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	4	4	27	23
Transportation	56	-	56	-	(56)
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	56	4	60	27	(33)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3)	(4)	(7)	(27)	20
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	3,810	-	3,810	3,810	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(3,754)	-	(3,754)	(3,810)	56
TOTAL OTHER FINANCING SOURCES (USES)	56	-	56	-	56
NET CHANGE IN FUND BALANCES	$ 53	$ (4)	49	(27)	76
Fund Balances Undesignated at July 1, 2004			2,084	2,084	-
Reserved for Encumbrances at July 1, 2004			-	-	-
Reserved for Debt Service at July 1, 2004			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2004			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2005			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2005			$ 2,133	$ 2,057	$ 76

Qualcomm Stadium Operations					Special Gas Tax Street Improvement				
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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	24,093	-	24,093	23,532	561
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
9,405	-	9,405	13,221	(3,816)	294	-	294	337	(43)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	3	-	3	-	3
-	-	-	-	-	18	-	18	-	18
44	-	44	10	34	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
9,449	-	9,449	13,231	(3,782)	24,408	-	24,408	23,869	539
-	-	-	-	-	212	-	212	212	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
7,591	375	7,966	14,228	6,262	-	-	-	-	-
-	-	-	-	-	18	-	18	18	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3	-	3	3	-	34	40	74	80	6
159	-	159	159	-	-	-	-	-	-
59	-	59	59	-	-	-	-	-	-
7,812	375	8,187	14,449	6,262	264	40	304	310	6
1,637	(375)	1,262	(1,218)	2,480	24,144	(40)	24,104	23,559	545
-	-	-	-	-	66	-	66	-	66
6,005	-	6,005	6,000	5	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(5,591)	-	(5,591)	(5,591)	-	(23,564)	-	(23,564)	(23,608)	44
414	-	414	409	5	(23,498)	-	(23,498)	(23,608)	110
$ 2,051	$ (375)	1,676	(809)	2,485	$ 646	$ (40)	606	(49)	655
		1,632	1,632	-			3,591	3,591	-
		199	199	-			80	80	-
		-	-	-			-	-	-
		44	44	-			146	146	-
		(323)	-	(323)			(52)	-	(52)
		$ 3,228	$ 1,066	$ 2,162			$ 4,371	$ 3,768	$ 603

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2005
(In Thousands)

	Street Division Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Sales Taxes	13,777	-	13,777	13,777	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	31	-	31	-	31
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	471	-	471	45	426
Revenue from Private Sources	356	-	356	48	308
Charges for Current Services	4,557	-	4,557	3,126	1,431
Other Revenue	7	23	30	-	30
Excess Revenue Appropriated	-	-	-	-	-
TOTAL REVENUES	19,199	23	19,222	16,996	2,226
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	47,088	2,447	49,535	48,150	(1,385)
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	132	34	166	1,384	1,218
Debt Service:					
Principal Retirement	418	-	418	547	129
Interest	31	-	31	31	-
TOTAL EXPENDITURES	47,669	2,481	50,150	50,112	(38)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(28,470)	(2,458)	(30,928)	(33,116)	2,188
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	23	-	23	-	23
Transfers from Other Funds	29,836	-	29,836	29,750	86
Transfers to Proprietary Funds	(84)	-	(84)	(84)	-
Transfers to Other Funds	(173)	-	(173)	(144)	(29)
TOTAL OTHER FINANCING SOURCES (USES)	29,602	-	29,602	29,522	80
NET CHANGE IN FUND BALANCES	$ 1,132	$ (2,458)	(1,326)	(3,594)	2,268
Fund Balances Undesignated at July 1, 2004			-	-	-
Reserved for Encumbrances at July 1, 2004			3,410	3,410	-
Reserved for Debt Service at July 1, 2004			128	128	-
Designated for Subsequent Years' Expenditures at July 1, 2004			56	56	-
Designated for Subsequent Years' Expenditures at June 30, 2005			(858)	-	(858)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2005			$ 1,410	$ -	$ 1,410

Transient Occupancy Tax					Underground Surcharge				
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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
39,005	-	39,005	39,952	(947)	-	-	-	-	-
57,702	-	57,702	57,074	628	-	-	-	-	-
-	-	-	-	-	43,109	-	43,109	46,588	(3,479)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,788	-	1,788	1,344	444	620	-	620	-	620
-	-	-	-	-	-	-	-	-	-
6,802	-	6,802	9,156	(2,354)	-	-	-	-	-
77	-	77	-	77	-	-	-	-	-
21	-	21	-	21	-	-	-	-	-
89	-	89	140	(51)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
105,484	-	105,484	107,666	(2,182)	43,729	-	43,729	46,588	(2,859)
540	13	553	1,044	491	695	88	783	1,391	608
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
34,761	2,893	37,654	40,159	2,505	-	-	-	-	-
-	-	-	-	-	44,286	-	44,286	51,774	7,488
46	-	46	152	106	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
12,951	2,406	15,357	19,142	3,785	2,872	2,676	5,548	12,680	7,132
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
48,298	5,312	53,610	60,497	6,887	47,853	2,764	50,617	65,845	15,228
57,186	(5,312)	51,874	47,169	4,705	(4,124)	(2,764)	(6,888)	(19,257)	12,369
-	-	-	-	-	-	-	-	-	-
4,657	-	4,657	35,830	(31,173)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(71,377)	-	(71,377)	(105,177)	33,800	-	-	-	-	-
(66,720)	-	(66,720)	(69,347)	2,627	-	-	-	-	-
$ (9,534)	$ (5,312)	(14,846)	(22,178)	7,332	$ (4,124)	$ (2,764)	(6,888)	(19,257)	12,369
		37,227	37,227	-			6,685	6,685	-
		6,390	6,390	-			813	813	-
		-	-	-			-	-	-
		10,627	10,627	-			8,718	8,718	-
		(2,866)	-	(2,866)			(4,892)	-	(4,892)
		$ 36,532	$ 32,066	$ 4,466			$ 4,436	$ (3,041)	$ 7,477

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2005
(In Thousands)

	Zoological Exhibits				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ 6,813	$ -	$ 6,813	$ 6,365	$ 448
Special Assessments	-	-	-	-	-
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	25	-	25	25	-
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
Excess Revenue Appropriated	-	-	-	222	(222)
TOTAL REVENUES	6,838	-	6,838	6,612	226
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	10,016	-	10,016	10,016	-
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	10,016	-	10,016	10,016	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,178)	-	(3,178)	(3,404)	226
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(25)	-	(25)	(25)	-
TOTAL OTHER FINANCING SOURCES (USES)	(25)	-	(25)	(25)	-
NET CHANGE IN FUND BALANCES	$ (3,203)	$ -	(3,203)	(3,429)	226
Fund Balances Undesignated at July 1, 2004			3,429	3,429	-
Reserved for Encumbrances at July 1, 2004			-	-	-
Reserved for Debt Service at July 1, 2004			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2004			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2005			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2005			$ 226	$ -	$ 226

Other Special Revenue					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)
$ -	$ -	$ -	$ -	$ -	$ 6,813	$ -	$ 6,813	$ 6,365	$ 448
-	-	-	-	-	13,789	-	13,789	14,175	(386)
2,797	-	2,797	2,797	-	65,949	-	65,949	66,895	(946)
-	-	-	-	-	57,702	-	57,702	57,074	628
-	-	-	-	-	79,120	-	79,120	81,336	(2,216)
-	-	-	-	-	1,236	-	1,236	1,724	(488)
1,223	-	1,223	1,165	58	1,223	-	1,223	1,165	58
241	-	241	52	189	12,863	-	12,863	15,397	(2,534)
10	-	10	-	10	10	-	10	-	10
2,088	-	2,088	892	1,196	9,361	-	9,361	10,093	(732)
-	-	-	-	-	603	-	603	411	192
24,716	-	24,716	25,501	(785)	32,181	-	32,181	31,551	630
108	-	108	695	(587)	406	23	429	976	(547)
-	-	-	-	-	-	-	-	222	(222)
31,183	-	31,183	31,102	81	281,256	23	281,279	287,384	(6,105)
9,734	98	9,832	9,957	125	13,079	227	13,306	14,978	1,672
2,097	1,302	3,399	3,530	131	10,680	1,302	11,982	12,263	281
9,582	170	9,752	10,720	968	9,582	170	9,752	10,720	968
139	1	140	196	56	65,235	3,743	68,978	87,774	18,796
-	-	-	-	-	91,448	2,447	93,895	99,942	6,047
2,111	368	2,479	2,649	170	2,157	368	2,525	2,801	276
-	-	-	-	-	6,292	(312)	5,980	7,112	1,132
-	-	-	-	-	16,441	5,376	21,817	34,902	13,085
-	-	-	-	-	577	-	577	706	129
-	-	-	-	-	90	-	90	90	-
23,663	1,939	25,602	27,052	1,450	215,581	13,321	228,902	271,288	42,386
7,520	(1,939)	5,581	4,050	1,531	65,675	(13,298)	52,377	16,096	36,281
920	-	920	920	-	1,017	-	1,017	920	97
1,550	-	1,550	1,472	78	47,564	-	47,564	80,446	(32,882)
-	-	-	-	-	(84)	-	(84)	(84)	-
(10,752)	-	(10,752)	(10,909)	157	(129,988)	-	(129,988)	(164,029)	34,041
(8,282)	-	(8,282)	(8,517)	235	(81,491)	-	(81,491)	(82,747)	1,256
$ (762)	$ (1,939)	(2,701)	(4,467)	1,766	$ (15,816)	$ (13,298)	(29,114)	(66,651)	37,537
		10,251	10,251	-			82,589	82,589	-
		817	817	-			13,171	13,171	-
		-	-	-			128	128	-
		1,930	1,930	-			22,205	22,205	-
		(224)	-	(224)			(10,710)	-	(10,710)
		$ 10,073	$ 8,531	$ 1,540			$ 78,269	$ 51,442	$ 26,827

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING BALANCE SHEET
JUNE 30, 2005
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 916	$ 688	$ 1,604
Receivables:			
Taxes - Net	1,901	951	2,852
Accrued Interest	10	12	22
TOTAL ASSETS	$ 2,827	$ 1,651	$ 4,478
LIABILITIES			
Accounts Payable	$ -	$ 9	$ 9
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	-	179	179
Unreserved:			
Designated for Subsequent Years' Expenditures	-	512	512
Undesignated	2,827	951	3,778
TOTAL FUND EQUITY	2,827	1,642	4,469
TOTAL LIABILITIES AND FUND EQUITY	$ 2,827	$ 1,651	$ 4,478

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
REVENUES			
Other Local Taxes	$ 7,945	$ 3,973	$ 11,918
Revenue from Use of Money and Property	46	36	82
TOTAL REVENUES	7,991	4,009	12,000
EXPENDITURES			
Current:			
Parks, Recreation, Culture and Leisure	-	1,807	1,807
Capital Projects	-	12	12
TOTAL EXPENDITURES	-	1,819	1,819
EXCESS OF REVENUES OVER EXPENDITURES	7,991	2,190	10,181
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	-	3	3
Transfers to Other Funds	(9,813)	(2,487)	(12,300)
NET CHANGE IN FUND BALANCES	(1,822)	(294)	(2,116)
Fund Balances at Beginning of Year	4,649	1,936	6,585
FUND BALANCES AT END OF YEAR	$ 2,827	$ 1,642	$ 4,469

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2005
(In Thousands)

	Two-Thirds Requirement				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Other Local Taxes	$ 7,945	$ -	$ 7,945	$ 7,477	$ 468
Revenue from Use of Money and Property	46	-	46	54	(8)
TOTAL REVENUES	7,991	-	7,991	7,531	460
EXPENDITURES					
Current:					
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Capital Projects	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	7,991	-	7,991	7,531	460
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(9,813)	-	(9,813)	(9,813)	-
NET CHANGE IN FUND BALANCES	$ (1,822)	$ -	(1,822)	(2,282)	460
Fund Balances Undesignated at July 1, 2004			4,649	4,649	-
Reserved for Encumbrances at July 1, 2004			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2004			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2005			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2005			$ 2,827	$ 2,367	$ 460

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)
$ 3,973	$ -	$ 3,973	$ 3,739	$ 234	$ 11,918	$ -	$ 11,918	$ 11,216	$ 702
36	-	36	53	(17)	82	-	82	107	(25)
4,009	-	4,009	3,792	217	12,000	-	12,000	11,323	677
1,807	179	1,986	2,362	376	1,807	179	1,986	2,362	376
12	-	12	228	216	12	-	12	228	216
1,819	179	1,998	2,590	592	1,819	179	1,998	2,590	592
2,190	(179)	2,011	1,202	809	10,181	(179)	10,002	8,733	1,269
3	-	3	-	3	3	-	3	-	3
(2,487)	-	(2,487)	(2,487)	-	(12,300)	-	(12,300)	(12,300)	-
$ (297)	$ (179)	(473)	(1,285)	812	$ (2,116)	$ (179)	(2,295)	(3,567)	1,272
		1,420	1,420	-			6,069	6,069	-
		293	293	-			293	293	-
		223	223	-			223	223	-
		(512)	-	(512)			(512)	-	(512)
		$ 951	$ 651	$ 300			$ 3,778	$ 3,018	$ 760

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Non-major Governmental Funds - Debt Service

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DEBT SERVICE FUNDS

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

OTHER SPECIAL ASSESSMENTS

This fund was established to account for the payment of principal and interest for bonds issued under the Improvement Bond Act of 1915 and the Mello-Roos Community Facilities Act of 1982. These bonds are serviced by assessments and special taxes levied on property owners within each district.

BLENDED COMPONENT UNITS

CITY OF SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY

This fund was established to account for the debt service activities of the City of San Diego Metropolitan Transit Development Board Authority (the "Authority"). The Authority was created to acquire and construct mass public transit guideways, systems and related facilities. The Authority'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 (the "Authority"). The Authority, created by the City of San Diego and the San Diego Unified Port District, facilitates the financing, acquisition and construction of an expansion to the existing convention center. The Authority'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 (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing, acquisition and construction of public capital facility improvements of the Agency or the City. The Authority'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 (the "Agency"). The Agency 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.

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 (the "Corporation"). The Corporation 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.

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1

This fund was established for the purpose of acquiring open space properties to implement the Open Space element of the City of San Diego General Plan. This fund was established to account for financial resources accumulated for the payment of long-term debt principal and interest. This fund is serviced by City contributions and investment income.

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2005
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority	Public Facilities Financing Authority
ASSETS				
Cash and Investments	$ -	$ -	$ -	$ -
Receivables:				
Taxes	42	-	-	-
Special Assessments	732	-	-	-
Accrued Interest	75	5	-	29
From Other Funds	-	-	-	-
Restricted Cash and Investments	25,287	8,227	7	16,940
Prepaid and Reimbursable Items and Deposits	-	-	-	-
TOTAL ASSETS	$ 26,136	$ 8,232	$ 7	$ 16,969
LIABILITIES				
Deferred Revenue	$ 476	$ -	$ -	$ -
TOTAL LIABILITIES	476	-	-	-
FUND EQUITY				
Fund Balances:				
Reserved for Debt Service	25,660	8,232	7	16,956
Unreserved:				
Designated for Unrealized Gains	-	-	-	13
TOTAL FUND EQUITY	25,660	8,232	7	16,969
TOTAL LIABILITIES AND FUND EQUITY	$ 26,136	$ 8,232	$ 7	$ 16,969

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005
(In Thousands)

REVENUES				
Property Taxes	$ 2,441	$ -	$ -	$ -
Special Assessments	15,655	-	-	-
Revenue from Use of Money and Property	507	213	16	394
Revenue from Other Agencies	-	-	-	-
TOTAL REVENUES	18,603	213	16	394
EXPENDITURES				
Current:				
General Government and Support	970	-	-	2
Neighborhood Services	-	-	-	-
Capital Projects	-	-	-	-
Debt Service:				
Principal Retirement	4,620	7,230	4,500	3,725
Interest	8,617	1,538	9,201	19,817
TOTAL EXPENDITURES	14,207	8,768	13,701	23,544
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,396	(8,555)	(13,685)	(23,150)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	118	6,150	13,611	18,358
Transfers to Other Funds	(4,739)	-	-	(677)
Transfers to Escrow Agent	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(4,621)	6,150	13,611	17,681
NET CHANGE IN FUND BALANCES	(225)	(2,405)	(74)	(5,469)
Fund Balances at Beginning of Year	25,885	10,637	81	22,438
FUND BALANCES AT END OF YEAR	$ 25,660	$ 8,232	$ 7	$ 16,969

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	San Diego Open Space Park Facilities District #1	Total
$ -	$ -	$ -	$ -
-	-	-	42
-	-	-	732
3	-	11	123
93	-	-	93
56,413	3	29	106,906
-	-	44	44
$ 56,509	$ 3	$ 84	$ 107,940
$ -	$ -	$ -	$ 476
-	-	-	476
56,509	3	84	107,451
-	-	-	13
56,509	3	84	107,464
$ 56,509	$ 3	$ 84	$ 107,940

$ 29,507	$ -	$ -	$ 31,948
-	-	-	15,655
895	1	106	2,132
-	-	20,435	20,435
30,402	1	20,541	70,170
1,541	-	17	2,530
-	-	-	-
-	-	-	-
9,523	4,055	29,865	63,518
19,605	2,063	2,237	63,078
30,669	6,118	32,119	129,126
(267)	(6,117)	(11,578)	(58,956)
51,286	6,119	9,813	105,455
(1,115)	-	-	(6,531)
(32,011)	-	-	(32,011)
18,160	6,119	9,813	66,913
17,893	2	(1,765)	7,957
38,616	1	1,849	99,507
$ 56,509	$ 3	$ 84	$ 107,464

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2005
(In Thousands)

	Budgeted	Unbudgeted	
	Public Safety Communications Project	Other Special Assessments	Total
ASSETS			
Receivables:			
Taxes	$ 42	$ -	$ 42
Special Assessments	-	732	732
Accrued Interest	13	62	75
Restricted Cash and Investments	2,237	23,050	25,287
TOTAL ASSETS	$ 2,292	$ 23,844	$ 26,136
LIABILITIES			
Deferred Revenue	$ -	$ 476	$ 476
TOTAL LIABILITIES	-	476	476
FUND EQUITY			
Fund Balances:			
Reserved for Debt Service	2,292	23,368	25,660
TOTAL FUND EQUITY	2,292	23,368	25,660
TOTAL LIABILITIES AND FUND EQUITY	$ 2,292	$ 23,844	$ 26,136

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005
(In Thousands)

REVENUES			
Property Taxes	$ 2,441	$ -	$ 2,441
Special Assessments	-	15,655	15,655
Revenue from Use of Money and Property	176	331	507
TOTAL REVENUES	2,617	15,986	18,603
EXPENDITURES			
Current:			
General Government and Support	1	969	970
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	1,380	3,240	4,620
Interest	953	7,664	8,617
TOTAL EXPENDITURES	2,334	11,873	14,207
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	283	4,113	4,396
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	118	118
Transfers to Other Funds	(143)	(4,596)	(4,739)
TOTAL OTHER FINANCING SOURCES (USES)	(143)	(4,478)	(4,621)
NET CHANGE IN FUND BALANCES	140	(365)	(225)
Fund Balances at Beginning of Year	2,152	23,733	25,885
FUND BALANCES AT END OF YEAR	$ 2,292	$ 23,368	$ 25,660

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
June 30, 2005
(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	$ 2,441	$ -	$ 2,441	$ 2,441	$ -
Revenue from Use of Money and Property	176	-	176	176	-
TOTAL REVENUES	2,617	-	2,617	2,617	-
EXPENDITURES					
Current:					
General Government and Support	1	-	1	1	-
Debt Service:					
Principal Retirement	1,380	-	1,380	1,380	-
Interest	953	-	953	953	-
TOTAL EXPENDITURES	2,334	-	2,334	2,334	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	283	-	283	283	-
OTHER FINANCING SOURCES (USES)					
Transfers to Other Funds	(143)	-	(143)	(143)	-
NET CHANGE IN FUND BALANCES	$ 283	$ -	140	140	-
Reserved for Debt Service at July 1, 2004			2,152	2,152	-
Reserved for Debt Service at June 30, 2005			(2,292)	(2,292)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2005			$ -	$ -	$ -

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Non-major Governmental Funds - Capital Projects

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CAPITAL PROJECTS FUNDS

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

CITY OF SAN DIEGO

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.

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.

BLENDED 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 (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing and construction of public capital improvements of the City or the Agency. 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 (the "Agency"). The Agency 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.

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the capital improvement activities of the San Diego Facilities and Equipment Leasing Corporation (the "Corporation"). The Corporation 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. This fund accounts for proceeds from the issuance of Certificates of Participation used to finance construction projects in Balboa and Mission Bay parks.

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2005
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
ASSETS		
Cash and Investments	$ 289,380	$ 9,352
Receivables:		
Taxes Net	3,812	-
Accounts	183	-
Special Assesments	17	
Notes	-	-
Accrued Interest	1,989	3
Grants	23,951	-
From Other Funds	10,300	-
Advances to Other Funds	300	-
Land Held for Resale	1,327	-
TOTAL ASSETS	$ 331,259	$ 9,355
LIABILITIES		
Accounts Payable	$ 23,376	$ 1,235
Due to Other Funds	10,300	-
Due to Other Agencies	265	-
Unearned Revenue	5,928	-
Deferred Revenue	21,690	-
Interfund Interest Payable	668	-
Interfund Payable	5,873	-
Advances from Other Funds	300	-
Sundry Trust Liabilities	-	-
TOTAL LIABILITIES	68,400	1,235
FUND EQUITY		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Encumbrances	73,780	3,598
Reserved for Advances and Deposits	300	-
Unreserved:		
Designated for Subsequent Years' Expenditures	109,953	3,014
Undesignated	78,826	1,508
TOTAL FUND EQUITY	262,859	8,120
TOTAL LIABILITIES AND FUND EQUITY	$ 331,259	$ 9,355

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ 52,677	$ 4	$ 351,413
89	-	3,901
4	-	187
-		17
6,021	-	6,021
364	-	2,356
-	-	23,951
77,597	-	87,897
-	-	300
31,798	-	33,125
$ 168,550	$ 4	$ 509,168
$ 8,557	$ -	$ 33,168
-	-	10,300
-	-	265
-	-	5,928
3,275	-	24,965
-	-	668
-	-	5,873
920	-	1,220
4,447	-	4,447
17,199	-	86,834
31,798	-	31,798
32,992	-	110,370
-	-	300
79,393	4	192,364
7,168	-	87,502
151,351	4	422,334
$ 168,550	$ 4	$ 509,168

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
REVENUES		
Property Taxes	$ -	$ -
Special Assessments	788	-
Sales Taxes	31,301	-
Licenses and Permits	10,246	-
Revenue from Use of Money and Property	7,849	392
Revenue from Federal Agencies	13,632	-
Revenue from Other Agencies	20,346	-
Revenue from Private Sources	40,993	-
Other Revenue	458	-
TOTAL REVENUES	125,613	392
EXPENDITURES		
Current:		
General Government and Support	3,374	282
Public Safety - Police	157	-
Public Safety - Fire & Life Safety	37	988
Parks, Recreation, Culture and Leisure	2,982	-
Transportation	1,760	-
Sanitation and Health	383	-
Neighborhood Services	-	-
Capital Projects	110,701	15,732
Debt Service:		
Principal Retirement	5,323	-
Interest	747	-
TOTAL EXPENDITURES	125,464	17,002
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	149	(16,610)
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	104	-
Transfers from Other Funds	4,943	656
Transfers to Proprietary Funds	(548)	-
Transfers to Other Funds	(15,216)	(2,641)
Notes Payable Issued	-	-
Loans Payable Issued	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(10,717)	(1,985)
NET CHANGE IN FUND BALANCES	(10,568)	(18,595)
Fund Balances at Beginning of Year	273,427	26,715
FUND BALANCES AT END OF YEAR	$ 262,859	$ 8,120

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ 17,148	$ -	$ 17,148
-	-	788
-	-	31,301
-	-	10,246
2,127	-	10,368
-	-	13,632
-	-	20,346
14,225	-	55,218
7,083	-	7,541
40,583	-	166,588
18,852	-	22,508
-	-	157
-	-	1,025
-	-	2,982
-	-	1,760
-	-	383
27,260	-	27,260
17,972	-	144,405
3,000	-	8,323
141	-	888
67,225	-	209,691
(26,642)	-	(43,103)
-	-	104
98,839	-	104,438
-	-	(548)
(19,705)	(2)	(37,564)
2,100	-	2,100
3,335	-	3,335
84,569	(2)	71,865
57,927	(2)	28,762
93,424	6	393,572
$ 151,351	$ 4	$ 422,334

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2005
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments
ASSETS			
Cash and Investments	$ 67	$ 7,721	$ 178,256
Receivables:			
Taxes Net	-	-	-
Accounts	-	-	-
Special Assesments	-	-	-
Accrued Interest	(3)	55	1,308
Grants	22,875	-	-
From Other Funds	-	-	-
Advances to Other Funds	300	-	-
Land Held for Resale	1,327	-	-
TOTAL ASSETS	$ 24,566	$ 7,776	$ 179,564
LIABILITIES			
Accounts Payable	$ 2,124	$ 18	$ 10,855
Due to Other Funds	10,300	-	-
Due to Other Agencies	143	-	-
Unearned Revenue	4,605	-	-
Deferred Revenue	18,473	1	-
Interfund Interest Payable	668	-	-
Interfund Payable	2,386	-	3,487
Advances from Other Funds	-	-	-
TOTAL LIABILITIES	38,699	19	14,342
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	600	91	54,163
Reserved for Advances and Deposits	300		
Unreserved:			
Designated for Subsequent Years' Expenditures	2,452	2,985	69,577
Undesignated	(17,485)	4,681	41,482
TOTAL FUND EQUITY	(14,133)	7,757	165,222
TOTAL LIABILITIES AND FUND EQUITY	$ 24,566	$ 7,776	$ 179,564

Impact Fees	Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ 32,962	$ 17,288	$ 5,499	$ 47,587	$ 289,380
-	-	3,812	-	3,812
-	-	7	176	183
-	17			17
237	57	125	210	1,989
-	-	-	1,076	23,951
-	-	10,300	-	10,300
-	-	-	-	300
-	-	-	-	1,327
$ 33,199	$ 17,362	$ 19,743	$ 49,049	$ 331,259
$ 910	$ 22	$ 3,766	$ 5,681	$ 23,376
-	-	-	-	10,300
-	-	-	122	265
-	-	1,323	-	5,928
-	6	-	3,210	21,690
-	-	-	-	668
-	-	-	-	5,873
-	-	-	300	300
910	28	5,089	9,313	68,400
4,686	228	6,911	7,101	73,780
-	-	-	-	300
5,703	72	7,743	21,421	109,953
21,900	17,034	-	11,214	78,826
32,289	17,334	14,654	39,736	262,859
$ 33,199	$ 17,362	$ 19,743	$ 49,049	$ 331,259

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments	Impact Fees
REVENUES				
Special Assessments	$ -	$ -	$ -	$ -
Sales Taxes	1,125	-	-	-
Licenses and Permits	-	-	-	10,188
Revenue from Use of Money and Property	621	191	4,436	742
Revenue from Federal Agencies	13,632	-	-	-
Revenue from Other Agencies	14,265	-	-	-
Revenue from Private Sources	-	795	30,399	-
Other Revenue	14	-	397	-
TOTAL REVENUES	29,657	986	35,232	10,930
EXPENDITURES				
Current:				
General Government and Support	554	-	1,287	477
Public Safety - Police	-	-	-	-
Public Safety - Fire & Life Safety	37	-	-	-
Parks, Recreation, Culture and Leisure	2,551	-	-	-
Transportation	-	-	-	-
Sanitation and Health	-	-	-	
Capital Projects	27,137	632	38,084	4,016
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	30,279	632	39,371	4,493
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(622)	354	(4,139)	6,437
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	-	-	-	-
Transfers from Other Funds	706	-	-	-
Transfers to Proprietary Funds	-	-	-	-
Transfers to Other Funds	-	-	(1,286)	-
TOTAL OTHER FINANCING SOURCES (USES)	706	-	(1,286)	-
NET CHANGE IN FUND BALANCES	84	354	(5,425)	6,437
Fund Balances at Beginning of Year	(14,217)	7,403	170,647	25,852
FUND BALANCES AT END OF YEAR	$ (14,133)	$ 7,757	$ 165,222	$ 32,289

Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ 788	$ -	$ -	$ 788
-	30,093	83	31,301
-	-	58	10,246
354	424	1,081	7,849
-	-	-	13,632
-	-	6,081	20,346
278	-	9,521	40,993
-	-	47	458
1,420	30,517	16,871	125,613
736	311	9	3,374
-	-	157	157
-	-	-	37
-	153	278	2,982
-	1,524	236	1,760
-	357	26	383
8,673	12,400	19,759	110,701
-	5,323	-	5,323
-	747	-	747
9,409	20,815	20,465	125,464
(7,989)	9,702	(3,594)	149
-	-	104	104
1,348	1,288	1,601	4,943
-	(548)	-	(548)
(118)	(13,523)	(289)	(15,216)
1,230	(12,783)	1,416	(10,717)
(6,759)	(3,081)	(2,178)	(10,568)
24,093	17,735	41,914	273,427
$ 17,334	$ 14,654	$ 39,736	$ 262,859

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Non-major Governmental Funds - Permanent

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PERMANENT FUNDS

Permanent funds are used to report resources that are legally 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 CAMERONE STATE

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.

MONTEZUMA ROAD MEDIAN MAINTENANCE

This fund was established to account for an endowment from San Diego State University. Investment earnings derived there from are used to finance the maintenance of medians along Montezuma Road.

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.

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CITY OF SAN DIEGO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
JUNE 30, 2005
(In Thousands)

	Carmel Valley Sewer Maintenance	Cemetery Perpetuity	Effie Sergeant
ASSETS			
Cash and Investments	$ -	$ 660	$ 52
Receivables:			
Accounts	-	15	-
Accrued Interest	1	15	-
Restricted Cash and Investments	41	8,828	418
TOTAL ASSETS	$ 42	$ 9,518	$ 470
LIABILITIES			
Accounts Payable	$ -	$ -	$ -
FUND EQUITY:			
Fund Balances:			
Reserved for Encumbrances	-	-	-
Reserved for Permanent Endowments	42	8,858	418
Unreserved:			
Designated for Unrealized Gains	-	660	52
Designated for Subsequent Years' Expenditures	-	-	-
Undesignated	-	-	-
TOTAL FUND EQUITY	42	9,518	470
TOTAL LIABILITIES AND FUND EQUITY	$ 42	$ 9,518	$ 470

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005
(In Thousands)

REVENUES			
Revenue from Use of Money and Property	$ 1	$ 499	$ 37
Revenue from Private Sources	-	-	-
Charges for Current Services	-	75	-
TOTAL REVENUES	1	574	37
EXPENDITURES			
Current:			
Parks, Recreation, Culture and Leisure	-	-	36
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1	574	1
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	(349)	-
NET CHANGE IN FUND BALANCES	1	225	1
Fund Balances at Beginning of Year	41	9,293	469
FUND BALANCES AT END OF YEAR	$ 42	$ 9,518	$ 470

Figg Estate Endowment	Gladys Edna Peters	Jane Cameron Estate	Los Penasquitos Canyon	Montezuma Road Median Maintenance	Southcrest Park Estates II	Sycamore Estates	Zoological Society - Mission Trails	Total
$ -	$ 28	$ -	$ 316	$ -	$ -	$ -	$ -	$ 1,056
-	-	-	-	-	-	-	-	15
-	-	3	-	1	-	-	-	20
317	317	1,219	2,307	108	11	250	69	13,885
$ 317	$ 345	$ 1,222	$ 2,623	$ 109	$ 11	$ 250	$ 69	$ 14,976
$ -	$ 2	$ -	$ 1	$ -	$ -	$ -	$ -	$ 3
-	-	-	-	2	-	-	-	2
317	315	1,222	2,306	100	11	250	69	13,908
-	28	-	316	-	-	-	-	1,056
-	-	-	-	3	-	-	-	3
-	-	-	-	4	-	-	-	4
317	343	1,222	2,622	109	11	250	69	14,973
$ 317	$ 345	$ 1,222	$ 2,623	$ 109	$ 11	$ 250	$ 69	$ 14,976
$ 4	$ 26	$ -	$ 217	$ 3	$ -	$ -	$ -	$ 787
-	-	1,273	-	-	-	-	-	1,273
-	-	-	-	-	-	-	-	75
4	26	1,273	217	3	-	-	-	2,135
-	21	1	6	3	-	-	-	67
4	5	1,272	211	-	-	-	-	2,068
313	-	-	-	-	-	-	-	313
-	-	(50)	(113)	-	-	-	-	(512)
317	5	1,222	98	-	-	-	-	1,869
-	338	-	2,524	109	11	250	69	13,104
$ 317	$ 343	$ 1,222	$ 2,622	$ 109	$ 11	$ 250	$ 69	$ 14,973

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Non-major Business-Type Funds - Enterprise

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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.

CITY STORE

This fund was established to account for activities of the City's entrepreneurial program. This program operates retail store outlets for the purpose of selling surplus city materials and other items promoting the City of San Diego.

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 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, 2005
(In Thousands)

	Airports	City Store
ASSETS		
Cash and Investments	$ 4,864	$ 106
Receivables:		
Accounts	639	-
Accrued Interest	34	-
Grants	10	-
From Other Funds	-	-
Inventories	-	85
Prepaid Expenses	-	-
Restricted Cash and Investments	-	-
Capital Assets - Non-Depreciable	3,545	-
Capital Assets - Depreciable	7,124	9
TOTAL ASSETS	16,216	200
LIABILITIES		
Accounts Payable	80	38
Accrued Wages and Benefits	60	-
Other Accrued Liabilities	60	-
Interest Accrued on Long-Term Debt	-	-
Long Term Debt Due Within One Year	37	-
Due to Other Agencies	-	-
Unearned Revenue	-	-
Contract Deposits	-	-
Deposits/Advances from Others	-	-
Compensated Absences	48	-
Capital Lease Obligations	-	-
Estimated Landfill Closure and Postclosure Care	-	-
Net Pension Obligation	214	-
TOTAL LIABILITIES	499	38
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	10,669	9
Restricted for Closure/Postclosure maintenance	-	-
Unrestricted	5,048	153
TOTAL NET ASSETS	$ 15,717	$ 162

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 20,921	$ 38,071	$ 13,450	$ 7,088	$ 84,500
33	2,331	211	422	3,636
239	503	100	71	947
-	-	-	76	86
3,164	-	-	-	3,164
-	-	1	-	86
3	-	1	29	33
-	29,207	-	-	29,207
177	18,779	860	-	23,361
1,791	47,312	8,401	5,696	70,333
26,328	136,203	23,024	13,382	215,353
592	1,427	215	117	2,469
3,042	956	230	644	4,932
-	-	-	-	60
-	-	-	37	37
1,489	583	151	1,745	4,005
-	-	-	17	17
4,675	17	-	136	4,828
-	109	-	15	124
-	30	105	-	135
1,918	752	195	355	3,268
-	-	-	2,051	2,051
-	13,665	-	-	13,665
6,588	2,214	634	1,430	11,080
18,304	19,753	1,530	6,547	46,671
1,968	66,091	9,261	2,176	90,174
-	29,412	-	-	29,412
6,056	20,947	12,233	4,659	49,096
$ 8,024	$ 116,450	$ 21,494	$ 6,835	$ 168,682

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended June 30, 2005
(In Thousands)

	Airports	City Store
OPERATING REVENUES		
Charges for Services	$ -	$ 807
Usage Fees	4,065	-
Other	86	-
TOTAL OPERATING REVENUES	4,151	807
OPERATING EXPENSES		
Maintenance and Operations	1,835	367
Cost of Materials Issued	-	346
Administration	810	94
Depreciation	551	1
TOTAL OPERATING EXPENSES	3,196	808
OPERATING INCOME (LOSS)	955	(1)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	149	1
Federal Grant Assistance	-	-
Other Agency Grant Assistance	-	-
Gain (Loss) on Sale/Retirement of Capital Assets	-	-
Debt Service Interest Expense	-	-
Other	-	11
TOTAL NONOPERATING REVENUES (EXPENSES)	149	12
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,104	11
Capital Contributions	450	-
Transfers from Other Funds	1	-
Transfers from Governmental Funds	14	-
Transfers to Other Funds	-	-
Transfers to Governmental Funds	(12)	-
CHANGE IN NET ASSETS	1,557	11
Net Assets at Beginning of Year	14,160	151
NET ASSETS AT END OF YEAR	$ 15,717	$ 162

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 61,091	$ 1,170	$ 11,444	$ 4,153	$ 78,665
-	40,494	1,014	14,678	60,251
208	280	167	1,052	1,793
61,299	41,944	12,625	19,883	140,709
32,700	30,716	7,159	18,917	91,694
-	-	-	-	346
26,847	5,147	723	1,668	35,289
372	6,496	664	1,093	9,177
59,919	42,359	8,546	21,678	136,506
1,380	(415)	4,079	(1,795)	4,203
516	1,608	316	217	2,807
-	4	-	134	138
-	100	-	453	553
-	(1,315)	(13)	-	(1,328)
(2)	(4)	-	(175)	(181)
-	1,302	-	68	1,381
514	1,695	303	697	3,370
1,894	1,280	4,382	(1,098)	7,573
-	-	-	-	450
88	87	14	62	252
1,238	44	-	28	1,324
(157)	(207)	(10)	(26)	(400)
(257)	(283)	(1,724)	(76)	(2,352)
2,806	921	2,662	(1,110)	6,847
5,218	115,529	18,832	7,945	161,835
$ 8,024	$ 116,450	$ 21,494	$ 6,835	$ 168,682

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2005
(In Thousands)

	Airports	City Store
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	$ 4,000	$ 813
Receipts from Interfund Services Provided	39	5
Payments to Suppliers	(4,452)	(783)
Payments to Employees	(1,253)	-
Payments for Interfund Services Used	(412)	(5)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(2,078)	30
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In	1	-
Transfers from Governmental Funds	14	-
Transfers Out	-	-
Transfers to Governmental Funds	(12)	-
Operating Grants Received	417	-
Proceeds from Advances and Deposits	-	-
Payments for Advances and Deposits	-	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	420	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Contributed Capital	450	-
Acquisition of Capital Assets	(538)	-
Principal Payments on Capital Leases	-	-
Interest Paid on Long-Term Debt	-	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(88)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments	131	1
NET CASH PROVIDED BY INVESTING ACTIVITIES	131	1
Net Increase (Decrease) in Cash and Cash Equivalents	(1,615)	31
Cash and Cash Equivalents at Beginning of Year	6,479	75
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,864	$ 106
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Operating Income (Loss)	$ 955	$ (1)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	551	1
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net	(112)	-
Claims - Net	-	-
From Other Funds	-	-
(Increase) Decrease in Inventories	-	5
(Increase) Decrease in in Prepaid Expenses	2	-
Increase (Decrease) in Accounts Payable	7	14
Increase (Decrease) in Accrued Wages and Benefits	(1)	-
Increase (Decrease) in Other Accrued Liabilities	(3,510)	-
Increase (Decrease) in Compensated Absences	(3)	-
Increase (Decrease) in Due to Other Funds	-	-
Increase (Decrease) in Due to Other Agencies	-	-
Increase (Decrease) in Unearned Revenue	-	-
Increase (Decrease) in Contract Deposits	-	-
Increase (Decrease) in Net Pension Obligation	33	-
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care	-	-
Other Nonoperating Revenue	-	11
Total Adjustments	(3,033)	31
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (2,078)	$ 30

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 38,522	$ 40,220	$ 12,557	$ 18,326	$ 114,438
23,402	2,412	-	1,040	26,898
(10,202)	(16,132)	(2,830)	(8,597)	(42,996)
(45,505)	(14,104)	(4,323)	(9,499)	(74,684)
(1,511)	(3,584)	(425)	(2,574)	(8,511)
4,706	8,812	4,979	(1,304)	15,145
88	87	14	62	252
1,238	44	-	28	1,324
(157)	(207)	(10)	(26)	(400)
(247)	(257)	(1,724)	(60)	(2,300)
13	104	-	632	1,166
106	4	105	-	215
-	-	-	-	-
1,041	(225)	(1,615)	636	257
-	-	-	-	450
(112)	(1,926)	(1,159)	(21)	(3,756)
-	(97)	-	(1,390)	(1,487)
(2)	(4)	-	(146)	(152)
(114)	(2,027)	(1,159)	(1,557)	(4,945)
324	1,259	240	178	2,133
324	1,259	240	178	2,133
5,957	7,819	2,445	(2,047)	12,590
14,964	59,459	11,005	9,135	101,117
$ 20,921	$ 67,278	$ 13,450	$ 7,088	$ 113,707
$ 1,380	$ (415)	$ 4,079	$ (1,795)	$ 4,203
372	6,496	664	1,093	9,177
(21)	(697)	(68)	(355)	(1,253)
-	-	-	-	-
(538)	69	-	-	(469)
-	-	(1)	-	4
-	-	-	(29)	(27)
393	481	106	(524)	477
460	122	22	79	682
-	-	-	-	(3,510)
253	14	19	90	373
(69)	-	-	-	(69)
-	-	-	7	7
1,184	-	-	(212)	972
-	14	-	(18)	(4)
1,292	440	158	292	2,215
-	986	-	-	986
-	1,302	-	68	1,381
3,326	9,227	900	491	10,942
$ 4,706	$ 8,812	$ 4,979	$ (1,304)	$ 15,145

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Internal Service Funds

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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

CENTRAL GARAGE AND MACHINE SHOP

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment (excluding fire and police vehicles).

CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

PRINT SHOP

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.

SPECIAL ENGINEERING

This fund was established to provide project planning, design, engineering systems management and support, and construction management and inspection services for water and wastewater capital improvements.

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 the Corporation. The Corporation 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, 2005
(In Thousands)

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
ASSETS		
Cash and Investments	$ 43,525	$ 1,569
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Self Insurance $664)	92	1,099
Claims - Net	2	-
Contributions	-	-
Accrued Interest	-	-
Inventories	-	2,602
Prepaid Expenses	402	-
Restricted Cash and Investments	-	-
Capital Assets - Non-Depreciable	-	-
Capital Assets - Depreciable	71,679	141
TOTAL ASSETS	115,700	5,411
LIABILITIES		
Accounts Payable	1,767	1,445
Accrued Wages and Benefits	816	80
Unearned Revenue	-	-
Interest Accrued on Long-Term Debt	145	-
Long-Term Debt Due Within One Year	6,292	26
Compensated Absences	589	35
Liability Claims	-	-
Capital Lease Obligations	10,932	-
Net Pension Obligation	1,883	226
TOTAL LIABILITIES	22,424	1,812
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	54,882	141
Unrestricted	38,394	3,458
TOTAL NET ASSETS	$ 93,276	$ 3,599

Print Shop	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 468	$ 34,328	$ 6,094	$ 8,801	$ 830	$ 95,615
28	181	-	5	3,058	4,463
-	9	-	-	-	11
-	-	-	250	-	250
-	-	21	39	-	60
-	-	-	-	20	2,622
-	-	-	-	1,137	1,539
-	-	-	-	128	128
-	-	-	-	1,984	1,984
783	-	329	-	10,575	83,507
1,279	34,518	6,444	9,095	17,732	190,179
394	2,492	226	176	5,252	11,752
91	140	1,156	2,820	919	6,022
-	-	-	-	47	47
-	-	-	-	-	145
62	43,724	507	1,768	984	53,363
85	-	654	2,438	129	3,930
-	174,642	-	-	-	174,642
-	-	-	-	-	10,932
301	-	2,750	1,008	-	6,168
933	220,998	5,293	8,210	7,331	267,001
783	-	329	-	12,559	68,694
(437)	(186,480)	822	885	(2,158)	(145,516)
$ 346	$ (186,480)	$ 1,151	$ 885	$ 10,401	$ (76,822)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2005
(In Thousands)

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
OPERATING REVENUES		
Charges for Services	$ 2,545	$ 27,877
Usage Fees	43,609	-
Other	443	184
TOTAL OPERATING REVENUES	46,597	28,061
OPERATING EXPENSES		
Benefit and Claim Expenses	-	-
Maintenance and Operations	28,095	1,415
Cost of Materials Issued	-	26,547
Administration	1,457	176
Depreciation	13,652	33
TOTAL OPERATING EXPENSES	43,204	28,171
OPERATING INCOME (LOSS)	3,393	(110)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	604	9
Gain (Loss) on Sale/Retirement of Capital Assets	1,059	-
Debt Service Interest Expense	(643)	-
Other	175	-
TOTAL NONOPERATING REVENUES (EXPENSES)	1,195	9
INCOME (LOSS) BEFORE TRANSFERS	4,588	(101)
Transfers from Other Funds	1,134	-
Transfers from Governmental Funds	629	25
Transfers to Other Funds	(3,386)	-
Transfers to Governmental Funds	(4,334)	(48)
CHANGE IN NET ASSETS	(1,369)	(124)
Net Assets at Beginning of Year	94,645	3,723
NET ASSETS AT END OF YEAR	$ 93,276	$ 3,599

Print Shop	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 5,060	$ 51,065	$ 26,244	$ 21,923	$ 39,414	$ 174,128
-	-	-	-	-	43,609
3	3,854	-	2	1,182	5,668
5,063	54,919	26,244	21,925	40,596	223,405
-	60,653	-	13,795	-	74,448
5,058	-	16,070	-	-	50,638
-	-	-	-	-	26,547
426	-	9,676	8,821	37,116	57,672
219	-	218	-	4,143	18,265
5,703	60,653	25,964	22,616	41,259	227,570
(640)	(5,734)	280	(691)	(663)	(4,165)
4	279	52	157	37	1,142
-	-	-	-	(375)	684
-	-	-	-	(6)	(649)
-	-	8	-	-	183
4	279	60	157	(344)	1,360
(636)	(5,455)	340	(534)	(1,007)	(2,805)
-	-	101	178	-	1,413
14	-	30	318	-	1,016
-	-	(30)	-	(813)	(4,229)
(21)	(279)	(113)	(242)	(987)	(6,024)
(643)	(5,734)	328	(280)	(2,807)	(10,629)
989	(180,746)	823	1,165	13,208	(66,193)
$ 346	$ (186,480)	$ 1,151	$ 885	$ 10,401	$ (76,822)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(In Thousands)

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	$ 43,844	$ 27,397
Receipts from Interfund Services Provided	2,922	30
Payments to Suppliers	(14,843)	(26,257)
Payments to Employees	(12,539)	(1,567)
Payments for Interfund Services Used	(680)	(169)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	18,704	(566)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In	1,134	-
Transfers from Governmental Funds	629	25
Transfers Out	(3,386)	-
Transfers to Governmental Funds	(4,334)	(48)
Proceeds from Advances and Deposits	35	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(5,922)	(23)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(6,445)	-
Proceeds from the Sale of Capital Assets	1,361	-
Principal Payments on Capital Leases	(6,405)	-
Interest Paid on Long-Term Debt	(667)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(12,156)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments	604	9
NET CASH PROVIDED BY INVESTING ACTIVITIES	604	9
Net Increase (Decrease) in Cash and Cash Equivalents	1,230	(580)
Cash and Cash Equivalents at Beginning of Year	42,295	2,149
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 43,525	$ 1,569
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Operating Income (Loss)	$ 3,393	$ (110)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	13,652	33
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net	(11)	(634)
Claims - Net	5	-
(Increase) Decrease in Inventories	-	(24)
(Increase) Decrease in Prepaid Expenses	45	-
Increase (Decrease) in Accounts Payable	873	122
Increase (Decrease) in Advances	-	-
Increase (Decrease) in Accrued Wages and Benefits	127	5
Increase (Decrease) in Unearned Revenue	-	-
Increase (Decrease) in Liability Claims	-	-
Increase (Decrease) in Compensated Absences	85	(1)
Increase (Decrease) in Net Pension Obligation	360	43
Other Nonoperating Revenue	175	-
Total Adjustments	15,311	(456)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 18,704	$ (566)
Noncash Investing, Capital, and Financing Activites:		
Capital Leases	$ 7,228	$ -

Print Shop	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 4,993	$ 55,320	$ 4,853	$ 21,615	$ 39,713	$ 197,735
69	-	21,399	430	-	24,850
(3,459)	(17,116)	(6,988)	(2,207)	(12,930)	(83,800)
(1,836)	(26,905)	(17,276)	(18,809)	(23,879)	(102,811)
(95)	(4)	(717)	(454)	-	(2,119)
(328)	11,295	1,271	575	2,904	33,855
-	-	101	178	-	1,413
14	-	30	318	-	1,016
-	-	-	-	(813)	(4,199)
(21)	(279)	(86)	(242)	(987)	(5,997)
-	-	34	-	-	69
(7)	(279)	79	254	(1,800)	(7,698)
-	-	(9)	-	(1,722)	(8,176)
-	-	-	-	138	1,499
-	-	-	-	-	(6,405)
-	-	-	-	(6)	(673)
-	-	(9)	-	(1,590)	(13,755)
4	279	34	132	37	1,099
4	279	34	132	37	1,099
(331)	11,295	1,375	961	(449)	13,501
799	23,033	4,719	7,840	1,407	82,242
$ 468	$ 34,328	$ 6,094	$ 8,801	$ 958	$ 95,743
$ (640)	$ (5,734)	$ 280	$ (691)	$ (663)	$ (4,165)
219	-	218	-	4,143	18,265
(1)	376	-	11	(867)	(1,126)
-	24	-	-	-	29
-	-	-	109	20	105
-	-	-	-	50	95
38	1,149	111	(21)	373	2,645
-	-	-	24	-	24
(2)	28	101	973	(136)	1,096
-	-	-	-	(16)	(16)
-	15,452	-	-	-	15,452
8		16	(11)	-	97
50	-	537	181	-	1,171
-	-	8	-	-	183
312	17,029	991	1,266	3,567	38,020
$ (328)	$ 11,295	$ 1,271	$ 575	$ 2,904	$ 33,855
$ -	$ -	$ -	$ -	$ -	$ 7,228

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Fiduciary Funds

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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.

PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

CITY EMPLOYEES' RETIREMENT SYSTEM

The City Employees' Retirement System ("CERS") fund is under the control of the Retirement Board of Administration. It is a defined benefit plan, whereby funds are accumulated from contributions from both the City and employees, plus earnings from fund investments. Disbursements are made for retirements, disability and death benefit payments, and refunds.

RETIREE HEALTH INSURANCE TRUST FUND

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(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, and employee benefit plans.

FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005
(In Thousands)

	City Employees' Retirement System	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401 (k) Plan	Total
ASSETS					
Cash or Equity in Pooled Cash and Investments	$ 2,174	$ -	$ 5	$ 469	$ 2,648
Cash with Custodian/Fiscal Agent	438,782	-	-	-	438,782
Investments at Fair Value:					
Short Term Investments	148,312	-	-	-	148,312
Domestic Fixed Income Securities (Bonds)	650,394	-	-	-	650,394
International Fixed Income Securities (Bonds)	166,572	-	-	-	166,572
Domestic Equity Securities (Stocks)	1,408,072	-	-	-	1,408,072
International Equity Securities (Stocks)	580,215	-	-	-	580,215
Mortgages	9	-	-	-	9
Real Estate Equity and Real Estate Securities	317,941	-	-	-	317,941
Defined Contribution Investments (Collective Funds & Mutual Funds)	-	-	422,060	161,957	584,017
Receivables:					
Contributions	36,533	-	2,823	-	39,356
Accrued Interest	12,478	-	-	-	12,478
Loans	-	-	18,357	6,739	25,096
Securities Sold	85,819	-	-	-	85,819
Securities Lending Collateral	434,364	-	-	-	434,364
Capital Assets - Depreciable	141	-	-	-	141
TOTAL ASSETS	4,281,806	-	443,245	169,165	4,894,216
LIABILITIES					
Accounts Payable	4,308	-	-	-	4,308
Accrued Wages and Benefits	703	-	-	-	703
DROP Liabilities	228,511	-	-	-	228,511
Net Pension Obligation	600	-	-	-	600
Securities Lending Obligations	434,364	-	-	-	434,364
Securities Purchased	161,568	-	-	-	161,568
TOTAL LIABILITIES	830,054	-	-	-	830,054
NET ASSETS					
Held in Trust for Pension Benefits and Other Purposes	$ 3,451,752	$ -	$ 443,245	$ 169,165	$ 4,064,162

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2005
(In Thousands)

ADDITIONS					
Employer Contributions	$ 179,227	$ 6,949	$ 24,794	$ -	$ 210,970
Employee Contributions	68,199	-	24,688	27,452	120,339
Retiree Contributions	-	5,978	-	-	5,978
Earnings on Investments:					
Investment Income	367,225	-	22,740	9,185	399,150
Investment Expense	(16,331)	-	-	-	(16,331)
Net Investment Income	350,894	-	22,740	9,185	382,819
Securities Lending:					
Gross Earnings	8,045	-	-	-	8,045
Borrow Rebates	(6,815)	-	-	-	(6,815)
Administrative Expenses (Lending Agent)	(332)	-	-	-	(332)
Net Securities Lending Income	898	-	-	-	898
TOTAL OPERATING ADDITIONS	599,218	12,927	72,222	36,637	721,004
DEDUCTIONS					
DROP Interest Expense	16,520	-	-	-	16,520
Benefit and Claim Payments	203,822	20,837	52,940	19,783	297,382
Administration	11,960	-	-	-	11,960
Depreciation	-	-	-	-	-
TOTAL OPERATING DEDUCTIONS	232,302	20,837	52,940	19,783	325,862
CHANGE IN NET ASSETS	366,916	(7,910)	19,282	16,854	395,142
Transfer of Plan Net Assets	1,173	(1,173)	-	-	-
Net Assets at Beginning of Year	3,083,663	9,083	423,963	152,311	3,669,020
NET ASSETS AT END OF YEAR	$ 3,451,752	$ -	$ 443,245	$ 169,165	$ 4,064,162

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2005
(In Thousands)

	Employee Benefits	Other Miscellaneous Agency	Total
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 8,072	$ 21,655	$ 29,727
Receivables:			
Accounts - Net	70	2	72
Accrued Interest	4	6	10
Accrued Taxes - Net	-	3	3
Restricted Cash and Investments	-	24,752	24,752
TOTAL ASSETS	$ 8,146	$ 46,418	$ 54,564
LIABILITIES			
Due to Component Unit	$ -	$ 2,869	$ 2,869
Deposits/Advances from Others	-	15,628	15,628
Sundry Trust Liabilities	8,146	27,921	36,067
TOTAL LIABILITIES	$ 8,146	$ 46,418	$ 54,564

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2005
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Employee Benefits				
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 7,283	$ 85,102	$ 84,313	$ 8,072
Receivables:				
Accounts - Net	58	768	756	70
Accrued Interest	3	63	62	4
TOTAL ASSETS	$ 7,344	$ 85,933	$ 85,131	$ 8,146
LIABILITIES				
Advances from Other Funds	$ 2,085	$ -	$ 2,085	$ -
Sundry Trust Liabilities	5,259	98,351	95,464	8,146
TOTAL LIABILITIES	$ 7,344	$ 98,351	$ 97,549	$ 8,146
Other Miscellaneous Agency				
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 12,963	$ 205,346	$ 196,654	$ 21,655
Receivables:				
Accounts - Net	2	1	1	2
Accrued Interest	2	44	40	6
Accrued Taxes - Net	-	3	-	3
Restricted Cash and Investments	17,271	8,822	1,341	24,752
TOTAL ASSETS	$ 30,238	$ 214,216	$ 198,036	$ 46,418
LIABILITIES				
Due to Component Unit	$ 371	$ 7,004	$ 4,506	$ 2,869
Deposits/Advances from Others	9,823	8,702	2,897	15,628
Sundry Trust Liabilities	20,044	153,155	145,278	27,921
TOTAL LIABILITIES	$ 30,238	$ 168,861	$ 152,681	$ 46,418
TOTAL AGENCY FUNDS				
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 20,246	$ 290,448	$ 280,967	$ 29,727
Receivables:				
Accounts - Net	60	769	757	72
Accrued Interest	5	107	102	10
Accrued Taxes - Net	-	3	-	3
Restricted Cash and Investments	17,271	8,822	1,341	24,752
TOTAL ASSETS	$ 37,582	$ 300,149	$ 283,167	$ 54,564
LIABILITIES				
Due to Component Unit	371	7,004	4,506	2,869
Advances from Other Funds	2,085	-	2,085	-
Deposits/Advances from Others	9,823	8,702	2,897	15,628
Sundry Trust Liabilities	25,303	251,506	240,742	36,067
TOTAL LIABILITIES	$ 37,582	$ 267,212	$ 250,230	$ 54,564

Statistical Section [Not Audited]

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Table 1

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS (UNAUDITED)
(In Thousands)

Fiscal Year Ended June 30	General Government and Support	Public Safety	Public Safety - Police	Public Safety - Fire and Life Safety	Parks, Recreation, Culture, and Leisure
1996	$ 83,791	$ 275,678	$ -	$ -	$ 103,943
1997	71,379	298,982	-	-	105,222
1998	73,424	317,858	-	-	111,834
1999	77,906	362,367	-	-	123,818
2000	83,351	396,009	-	-	132,656
2001	95,992	406,590	-	-	147,859
2002 *	189,128	-	288,809	131,974	174,485
2003	193,980	-	301,839	141,967	177,584
2004	198,826	-	313,387	152,073	170,163
2005	236,706	-	347,359	178,553	180,327

* Expenditure functions were reclassified in 2002:
General Government and Support includes Engineering & Capital Projects and other support functions previously classified as Public Works. Other now includes Transportation, Neighborhood Services, and Sanitation and Health.

Table 2

GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS (UNAUDITED)
(In Thousands)

Fiscal Year Ended June 30	Property Taxes	Special Assessments	Sales Taxes	Other Local Taxes	Licenses and Permits
1996	$ 137,997	$ 20,367	$ 114,218	$ 150,684	$ 29,806
1997	139,404	23,142	132,628	156,684	26,553
1998	150,409	17,573	174,615	155,587	30,735
1999	160,658	19,630	179,037	161,928	34,854
2000	179,048	18,457	198,622	171,141	30,381
2001	201,801	18,775	221,724	193,177	34,803
2002	223,100	22,491	221,383	202,364	25,194
2003	248,276	25,748	223,023	203,493	29,268
2004	279,090	26,816	238,430	253,225	30,592
2005	325,857	30,263	245,418	274,188	40,724

Both tables include General, Special Revenue, Debt Service, Capital Projects, and Permanent funds.

Table 1

Public Works	Community Development, Transportation and Social Services	Other	Debt Service	Capital Projects	Total
$ 106,864	$ 25,248	$ 2,517	$ 84,514	$ 326,797	$ 1,009,352
110,961	34,347	12,959	92,160	381,991	1,108,001
124,580	28,667	2,838	123,528	289,299	1,072,028
136,474	28,542	12,891	130,187	440,153	1,312,338
152,444	37,599	2,274	170,647	413,216	1,388,196
152,558	49,914	5,425	179,563	473,373	1,511,274
-	-	200,684	88,971	208,083	1,282,134
-	-	225,734	115,074	229,496	1,385,674
-	-	264,008	118,339	174,346	1,391,142
-	-	287,166	146,153	175,493	1,551,757

Table 2

Fines and Forfeitures	Revenue from Use of Money and Property	Revenue from Agencies and Private Sources	Charges for Current Services	Other	Total
$ 17,498	$ 77,748	$ 169,220	$ 76,787	$ 9,968	$ 804,293
18,370	77,189	187,705	78,324	18,046	858,045
17,953	82,234	207,817	76,432	23,640	936,995
25,541	103,211	267,069	85,498	10,544	1,047,970
31,141	121,268	357,058	95,000	15,462	1,217,578
32,902	109,067	340,799	101,781	11,544	1,266,373
25,854	97,213	355,157	110,418	10,074	1,293,248
26,679	86,789	275,620	123,461	10,594	1,252,951
33,870	63,268	267,195	129,350	10,462	1,332,298
33,906	77,514	301,276	138,794	11,518	1,479,458

ASSESSED VALUATION OF ALL TAXABLE PROPERTY - EXCLUDING REDEVELOPMENT AREAS
100% OF FULL VALUE IN THOUSANDS OF DOLLARS (UNAUDITED)
Fiscal Years 1996 to 2005

	2005	2004	2003
GROSS			
Secured - Locally Assessed	$128,492,917	$114,984,353	$105,438,590
Utilities - State Assessed	119,023	132,419	164,303
Total Secured Valuation	128,611,940	115,116,772	105,602,893
Unsecured - Locally Assessed	7,191,819	6,842,254	7,230,861
Total Gross Valuation	$135,803,759	$121,959,026	$112,833,754
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	$3,810,092	$3,664,513	$3,419,708
Unsecured - Locally Assessed	687,992	606,690	586,538
Total Exemptions	$4,498,084	$4,271,203	$4,006,246
NET ASSESSED VALUATION FOR TAX RATE			
Secured - Locally Assessed	$124,682,825	$111,319,840	$102,018,882
Utilities - State Assessed	119,023	132,419	164,303
Net Secured	124,801,848	111,452,259	102,183,185
Unsecured - Locally Assessed	6,503,827	6,235,564	6,644,323
Net Assessed Valuation for Tax Rate	$131,305,675	$117,687,823	$108,827,508
Percentage Increase (Decrease) Over Base Year	11.571%	8.142%	8.497%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$1,463,337	$1,413,595	$1,403,496
Unsecured - Locally Assessed	5,803	5,856	5,793
Total Homeowners' Exemptions	$1,469,140	$1,419,451	$1,409,289
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	$123,219,488	$109,906,245	$100,615,386
Utilities - State Assessed	119,023	132,419	164,303
Net Secured	123,338,511	110,038,664	100,779,689
Unsecured - Locally Assessed	6,498,024	6,229,708	6,638,530
Net Assessed Valuation	$129,836,535	$116,268,372	$107,418,219

* Effective July 1, 1988, Assembly Bill 454, Chapter 921 eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Table 3

2002	2001	2000	1999	1998	1997	1996
$96,470,488	$89,204,182	$82,140,464	$75,735,993	$68,569,476	$63,490,451	$61,816,965
64,164	55,135	54,775	52,758	79,133	72,137	76,937
96,534,652	89,259,317	82,195,239	75,788,751	68,648,609	63,562,588	61,893,902
6,959,602	6,838,926	6,347,101	5,852,822	5,337,916	4,988,950	4,353,543
$103,494,254	$96,098,243	$88,542,340	$81,641,573	$73,986,525	$68,551,538	$66,247,445
$2,920,273	$2,979,594	$2,718,748	$2,661,739	$2,681,423	$2,526,872	$2,261,774
269,491	592,594	530,732	325,881	313,391	383,881	93,400
$3,189,764	$3,572,188	$3,249,480	$2,987,620	$2,994,814	$2,910,753	$2,355,174
$93,550,215	$86,224,588	$79,421,716	$73,074,254	$65,888,053	$60,963,579	$59,555,191
64,164	55,135	54,775	52,758	79,133	72,137	76,937
93,614,379	86,279,723	79,476,491	73,127,012	65,967,186	61,035,716	59,632,128
6,690,111	6,246,332	5,816,369	5,526,941	5,024,525	4,605,069	4,260,143
$100,304,490	$92,526,055	$85,292,860	$78,653,953	$70,991,711	$65,640,785	$63,892,271
8.407%	8.480%	8.441%	10.793%	8.152%	2.737%	1.573%
$1,384,958	$1,381,021	$1,354,076	$1,338,820	$1,276,862	$1,277,934	$1,261,478
2,347	2,215	2,491	2,491	2,211	2,106	1,863
$1,387,305	$1,383,236	$1,356,567	$1,341,311	$1,279,073	$1,280,040	$1,263,341
$92,165,257	$84,843,567	$78,067,640	$71,735,434	$64,611,191	$59,685,645	$58,293,713
64,164	55,135	54,775	52,758	79,133	72,137	76,937
92,229,421	84,898,702	78,122,415	71,788,192	64,690,324	59,757,782	58,370,650
6,687,764	6,244,117	5,813,878	5,524,450	5,022,314	4,602,963	4,258,280
$98,917,185	$91,142,819	$83,936,293	$77,312,642	$69,712,638	$64,360,745	$62,628,930

Table 4

ASSESSED VALUATION OF ALL TAXABLE PROPERTY - REDEVELOPMENT AREAS ONLY
100% OF FULL VALUE IN THOUSANDS (UNAUDITED)
Fiscal Years 1996 to 2005

	2005	2004	2003
GROSS			
Secured - Locally Assessed	$10,208,478	$9,543,879	$9,648,576
Utilities - State Assessed	14,166	14,166	14,030
Total Secured Valuation	10,222,644	9,558,045	9,662,606
Unsecured - Locally Assessed	505,380	483,522	593,738
Total Gross Valuation	$10,728,024	$10,041,567	$10,256,344
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	$493,191	$452,062	$402,900
Unsecured - Locally Assessed	31,445	30,463	31,801
Total Exemptions	$524,636	$482,525	$434,701
NET ASSESSED VALUATION FOR TAX RATE			
Secured - Locally Assessed	$9,715,287	$9,091,817	$9,245,676
Utilities - State Assessed	14,166	14,166	14,030
Net Secured	9,729,453	9,105,983	9,259,706
Unsecured - Locally Assessed	473,935	453,059	561,937
Net Assessed Valuation for Tax Rate	$10,203,388	$9,559,042	$9,821,643
Percentage Increase (Decrease) Over Base Year	6.741%	-2.674%	16.905%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$48,925	$48,933	$45,754
Unsecured - Locally Assessed	-	-	-
Total Homeowners' Exemptions	$48,925	$48,933	$45,754
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	$9,666,362	$9,042,884	$9,199,922
Utilities - State Assessed	14,166	14,166	14,030
Net Secured	9,680,528	9,057,050	9,213,952
Unsecured - Locally Assessed	473,935	453,059	561,937
Net Assessed Valuation	$10,154,463	$9,510,109	$9,775,889

* Effective July 1, 1988 Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Table 4

2002	2001	2000	1999	1998	1997	1996
$8,273,576	$7,412,026	$6,622,511	$6,049,675	$4,419,599	$4,134,677	$4,025,263
14,248	8,874	15,384	15,096	6,522	4,761	4,738
8,287,824	7,420,900	6,637,895	6,064,771	4,426,121	4,139,438	4,030,001
526,423	482,155	466,314	435,459	283,966	210,919	207,457
$8,814,247	$7,903,055	$7,104,209	$6,500,230	$4,710,087	$4,350,357	$4,237,458
$398,524	$314,511	$330,932	$288,034	$252,455	$209,544	$183,474
14,345	38,228	30,508	17,663	9,660	2,182	812
$412,869	$352,739	$361,440	$305,697	$262,115	$211,726	$184,286
$7,875,052	$7,097,515	$6,291,579	$5,761,641	$4,167,144	$3,925,133	$3,841,789
14,248	8,874	15,384	15,096	6,522	4,761	4,738
7,889,300	7,106,389	6,306,963	5,776,737	4,173,666	3,929,894	3,846,527
512,078	443,927	435,806	417,796	274,306	208,737	206,645
$8,401,378	$7,550,316	$6,742,769	$6,194,533	$4,447,972	$4,138,631	$4,053,172
11.272%	11.976%	8.850%	39.266%	7.474%	2.108%	-2.795%
$44,073	$41,421	$41,420	$41,066	$31,658	$31,086	$29,752
0	212	212	-	0	95	95
$44,073	$41,633	$41,632	$41,066	$31,658	$31,181	$29,847
$7,830,979	$7,056,094	$6,250,159	$5,720,575	$4,135,486	$3,894,047	$3,812,037
14,248	8,874	15,172	15,096	6,522	4,761	4,738
7,845,227	7,064,968	6,265,331	5,735,671	4,142,008	3,898,808	3,816,775
512,078	443,715	435,806	417,796	274,306	208,642	206,550
$8,357,305	$7,508,683	$6,701,137	$6,153,467	$4,416,314	$4,107,450	$4,023,325

Table 5

TAX RATES PER $100 OF ASSESSED VALUATION
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30	Zoological Exhibits Fund	Bond Interest & Redemption Fund	Total City	Schools	One Percent Property Tax Allocation (A)	Grand Total (B)
1996	0.005	0.0033	0.0083	0.1002	1.00	1.1085
1997	0.005	0.0034	0.0084	0.0993	1.00	1.1077
1998	0.005	0.0034	0.0084	0.0993	1.00	1.1077
1999	0.005	0.0029	0.0079	0.0963	1.00	1.1042
2000	0.005	0.0026	0.0076	0.0958	1.00	1.1034
2001	0.005	0.0024	0.0074	0.0958	1.00	1.1032
2002	0.005	0.0023	0.0073	0.0958	1.00	1.1031
2003	0.005	0.0021	0.0071	0.0958	1.00	1.1029
2004	0.005	0.0018	0.0068	0.0000	1.00	1.0068
2005	0.005	0.0017	0.0067	0.0000	1.00	1.0067

(A) Under existing provisions of the California Constitution, the maximum ad valorum property tax rate which may be imposed on real property may not exceed $4.00 except to pay the interest and redemption charges on any indebtedness approved by the voters prior to July 1, 1978. The City shares this tax rate in proportion to other local agencies based on an average of property tax received in the three fiscal years prior to 1978-79.

(B) Effective January 1, 1981, a change in state law required the County Assessor to assess all taxable property at 100% full value as opposed to the prior practice of assessing property at 25% of full value. As a result, taxing agencies were required to fix tax rates based on full value instead of the prior practice of fixing tax rates based on 25% of full value.

Table 6

SCHEDULE OF LEGAL DEBT MARGIN (UNAUDITED)
June 30, 2005
(In Thousands)

	General Obligation Bonds*		
	For Water Purposes	For Other Purposes	Total
Assessed Valuation: July 1, 2005 - $ 131,305,675 **			
Debt Limits***	$19,695,851	$13,130,568	$32,826,419
Outstanding General Obligation Bonds	-	13,010	13,010
Less: Cash Reserve for Matured and Unpaid Bonds	-	-	-
Outstanding General Obligation Bonds Applicable to Debt Limit	-	13,010	13,010
LEGAL DEBT MARGIN	$19,695,851	$13,117,558	$32,813,409
Percentage of Outstanding Debt to Legal Debt Margin	0.00%	0.10%	0.04%

* All City of San Diego General Obligation Bonds are serially numbered and redeemable from special tax levy.

** From Statistical Table 3 - Assessed Valuation of All Taxable Property - Excluding Redevelopment Areas

*** 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.

Table 7

LEVIES AND TAXES RECEIVED BY CITY - SECURED PROPERTY
LAST TEN FISCAL YEARS (UNAUDITED)
(In Thousands)

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percentage of Current Tax Collected	Delinquent Tax Collections	Total Tax Collected	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1996	$ 111,281	$ 108,137	97.17	$ 2,376	$ 110,513	99.31	$ 9,203	8.27 %
1997	111,719	108,676	97.28	1,887	110,563	98.97	8,523	7.63
1998	116,912	114,311	97.78	3,118	117,429	100.44	7,639	6.53
1999	127,846	124,267	97.20	2,656	126,923	99.28	6,593	5.16
2000	141,963	137,859	97.11	2,366	140,225	98.78	6,736	4.74
2001	155,060	150,900	97.32	2,506	153,406	98.93	6,346	4.09
2002	167,077	163,357	97.77	2,089	165,446	99.02	5,641	3.38
2003	181,687	175,943	96.84	2,398	178,341	98.16	6,061	3.34
2004	199,630	191,224	95.79	3,175	194,399	97.38	6,866	3.44
2005	227,422	213,173	93.73	3,152	216,325	95.12	11,021	4.85

Table 8

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS (UNAUDITED)
(In Thousands)

Fiscal Year Ended June 30	Estimated Population	Assessed Valuation *	Gross Bonded Debt **	Debt Service Monies Available *	Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (%)	Net Bonded Debt Per Capita
1996	$ 1,197,676	$ 63,607,451	$ 89,090	$ 3,861	$ -	$ 85,229	0.134%	$ 0.07
1997	1,197,077	63,892,271	82,625	2,142	-	80,483	0.126%	$ 0.07
1998	1,224,848	65,640,785	78,600	2,515	-	76,085	0.116%	$ 0.06
1999	1,254,281	78,653,953	74,255	2,723	-	71,532	0.091%	$ 0.06
2000	1,277,168	85,292,860	68,700	2,941	-	65,759	0.077%	$ 0.05
2001	1,250,700	92,526,055	63,595	3,266	-	60,329	0.065%	$ 0.05
2002	1,255,742	100,304,490	58,095	3,576	-	54,519	0.054%	$ 0.04
2003	1,275,112	108,827,508	52,165	3,932	-	48,233	0.044%	$ 0.04
2004	1,294,000	117,687,823	45,755	4,001	-	41,754	0.035%	$ 0.03
2005	1,306,000	131,305,675	14,530	2,376	-	12,154	0.009%	$ 0.01

* Excludes Redevelopment.
** Represents all General Obligation Debt.

Table 9

REVENUE BOND COVERAGE - WATER BONDS
LAST TEN FISCAL YEARS (UNAUDITED)
(IN THOUSANDS)

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Less: Interest Earnings on Reserve Fund - Parity Obligations	Adjusted Net System Revenue	Adjusted Debt Service Requirements - Parity Obligations					Adjusted Debt Service Coverage - Parity Obligations
						Principal	Interest	Total	Less: Parity Interest Earnings	Adjusted Debt Service	
1999	$ 210,490	$ 195,407	$ 15,083	$ (884)	$ 14,199	$ -	$ 9,365	$ 9,365	$ (884)	$ 8,481	1.67
2000	255,736	213,358	42,378	-	42,378	-	18,730	18,730	-	18,730	2.26
2001	255,974	214,056	41,918	(54)	41,864	-	18,730	18,730	(54)	18,676	2.24
2002	261,333	222,104	39,229	(3,444)	35,785	6,780	18,594	25,374	(3,444)	21,930	1.63
2003	256,968	226,058	30,910	(1,305)	29,605	7,055	16,308	23,363	(1,305)	22,058	1.34
2004	267,649	232,193	35,456	(1,296)	34,160	7,345	14,010	21,355	(1,296)	20,059	1.70
2005	294,904	234,392	60,512	(1,262)	59,250	7,645	13,710	21,355	(1,262)	20,093	2.95

Note: The Water Utility had no bonded debt for years 1994 through 1998.

Table 10

REVENUE BOND COVERAGE - SEWER BONDS
LAST TEN FISCAL YEARS (UNAUDITED)
(IN THOUSANDS)

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Total Debt Service Requirements			Debt Service Coverage
				Principal	Interest	Total	
1996	$ 246,937	$ 134,845	$ 112,092	$ 4,500	$ 19,929	$ 24,429	4.59
1997	310,352	188,704	121,648	4,660	32,781	37,441	3.25
1998	279,463	162,404	117,059	14,865	41,672	56,537	2.07
1999	256,163	138,880	117,283	15,430	41,108	56,538	2.07
2000	291,238	137,007	154,231	18,300	58,755	77,055	2.00
2001	283,228	168,853	114,375	22,150	54,905	77,055	1.48
2002	310,392	170,022	140,370	23,045	54,009	77,054	1.82
2003	334,551	241,822	92,729	24,000	53,046	77,046	1.20
2004	295,881	196,823	99,058	25,030	52,020	77,050	1.29
2005	322,716	204,163	118,553	26,120	50,935	77,055	1.54

Table 11

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)
June 30, 2005
(In Thousands)

Jurisdiction	Debt Outstanding June 30, 2005		Percentage Applicable to City of San Diego	Amount Applicable to City of San Diego
City of San Diego	$13,010	*	100.0%	$ 13,010
City of San Diego Certificates of Participation	43,300	*	100.0%	43,300
City of San Diego 1915 Act Bonds	14,245		100.0%	14,245
City of San Diego Mello-Roos Bonds	123,060		100.0%	123,060
City of San Diego Redevelopment Agency Tax Allocation Bonds	423,241	*	100.0%	423,241
City of San Diego Redevelopment Agency Parking Revenue Bonds	31,055	*	100.0%	31,055
City of San Diego Metropoilitan Transit Development Board (MTDB)	29,555	*	100.0%	29,555
Convention Center Expansion Authority	187,980	*	100.0%	187,980
Metropolitan Water District	419,389		8.9%	37,183
North City West School Community Facilities District	88,078		100.0%	88,078
Poway Unified School Community Facilities District #1	155,066		100.0%	155,066
Poway Unified School Community Improvement District No. 2002-1	68,601		68.0%	46,634
Public Facilities Financing Authority	279,395	*	100.0%	279,395
San Diego Community College District	77,960		99.9%	77,868
San Diego Community College District General Fund Obligations	-		0.0%	-
San Diego County General Fund Obligations	463,876		46.6%	216,180
San Diego County Pension Obligations	1,252,243		46.6%	583,583
San Diego County Water Authority	-		0.0%	-
San Diego Open Space Park Facilities District # 1	1,520		100.0%	1,520
San Diego Unified School District District	1,287,567		various	1,287,567
Other School and Community College Districts	145,951		various	145,951
Other Special Districts	70,866		various	70,866
Other High School and School Districts	83,590		various	83,590
Otay Municipal Water District Certificates of Participation	25,674		6.6%	1,695
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT				$3,940,622 **
Less:				
100% Self-Supporting				
Otay Mesa Water District				$ 1,695
San Diego Open Space Park Facilities District #1				1,520
TOTAL BONDED DEBT SUPPORTED BY OTHER THAN PROPERTY TAX				3,215
NET DIRECT AND OVERLAPPING BONDED DEBT				$3,937,407

2004-05 Assessed Valuation (100% of Full Value):

$ 141,509,063

Ratios to Assessed Valuation

* City of San Diego Gross Direct Debt ($983,781)	0.71%
City of San Diego Net Direct Debt (excludes Redevelopment Agency) ($529,485)	0.39%
City of San Diego and Open Space District Gross Direct Debt ($1,009,661)	0.71%
City of San Diego and Open Space District Net Direct Debt ($555,365)	0.39%
TOTAL GROSS DEBT	2.78%
TOTAL NET DEBT	2.78%

** Excludes revenue and tax anticipation notes.

Sources: Responsible Agencies
California Municipal Statistics, Inc.

Table 12

RATIO OF ANNUAL DEBT SERVICE
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS (UNAUDITED)
(In Thousands)

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to General Expenditures
1996	$ 35,496	$ 49,018	$ 84,514	$ 1,009,352	8.37%
1997	29,311	62,849	92,160	1,108,001	8.32%
1998	42,512	81,016	123,528	1,072,028	11.52%
1999	38,310	84,507	122,817	1,312,338	9.36%
2000	41,727	120,891	162,618	1,388,196	11.71%
2001	52,758	119,094	171,852	1,511,274	11.37%
2002	33,958	45,946	79,904	1,282,134	6.23%
2003	40,559	59,795	100,354	1,385,674	7.24%
2004	37,765	59,737	97,502	1,391,142	7.01%
2005	63,518	63,078	126,596	1,551,757	8.16%

Table 13

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)
(In Thousands)

Fiscal Year Ended June 30	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Amount Due (%)	Total Outstanding Assessments*
1996	$ 12,564	$ 11,692	93.06	$ 125,650
1997	12,394	11,515	92.91	120,900
1998	11,929	11,359	95.22	113,105
1999	10,843	10,576	97.54	110,835
2000	11,041	10,783	97.66	108,180
2001	9,353	9,143	97.75	164,101
2002	10,145	10,024	98.81	158,772
2003	13,197	13,061	98.97	153,414
2004	14,530	14,360	98.83	168,724
2005	16,475	16,155	98.06	163,426

* Total Outstanding Assessments represents the total outstanding bond principal which includes the City of San Diego Reassessment district 1999-1 Limited Obligation Bonds which are levied with a debt service coverage ratio above the amount of principal outstanding on the Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999A and B.

Table 14

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30	Estimated Population (1)	Public School Enrollment (K-12) (2)	Continuing Education Enrollment* (2)	Civilian Labor Force (3)	Unemployment Rate (3)
1996	$ 1,183,102	$ 156,461	$ 161,105	$ 1,227,952	6.0%
1997	1,197,077	173,344	159,673	1,243,258	4.8%
1998	1,224,848	179,197	164,438	1,289,383	3.8%
1999	1,254,281	182,590	173,002	1,334,167	3.5%
2000	1,277,168	187,462	173,209	1,373,017	3.2%
2001	1,250,700	184,842	186,461	1,417,767	2.3%
2002	1,255,742	186,232	193,548	1,448,125	3.7%
2003	1,275,112	189,910	189,452	1,480,933	4.4%
2004	1,294,000	187,607	178,010	1,480,417	5.0%
2005	1,306,000	173,235	178,115	1,496,325	4.5%

*Composed of College, Community College and Adult Schools (Includes part-time).

Sources:
(1) Table 8 or 17
(2) Table 17
(3) Employment Development Department

Table 15

PRINCIPAL TAXPAYERS IN CITY OF SAN DIEGO (UNAUDITED)
June 30, 2005
(In Thousands)

Taxpayers	Type of Business	Assessed Valuation	Percentage of Net Assessed Valuation (1)	Approximate Tax Paid
Kilroy Realy LP	Real Estate	$ 799,911	0.62%	$ 8,348
Qualcomm Inc	Electronics	617,429	0.48%	6,771
Pfizer Inc	Pharmaceuticals	640,043	0.49%	6,461
San Diego Ballpark Funding LLC	Developer	603,072	0.46%	4,947
Irvine Co	Real Estate	491,865	0.38%	4,773
Fashion Valley Mall LLC	Shopping Center	428,018	0.33%	4,764
San Diego Family Housing LLC	Real Estate	407,281	0.31%	4,531
Sea World Inc	Entertainment	358,828	0.28%	3,992
Manchester Resorts LP	Hotel	341,093	0.26%	3,795
Arden Realty LP	Real Estate	325,361	0.25%	3,664
		$ 5,012,900	3.86%	

(1) Total Net Assessed Valuation of $112,009,658 per Table 3

Note: This table excludes public utilities, including San Diego Gas & Electric Company, Pacific Bell and American Telephone and Telegraph (AT&T), because valuations within the City of San Diego cannot be readily determined.

Source: County of San Diego Assessor's Office.

Table 16

COMPARISON OF CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUES
LAST TEN FISCAL YEARS (UNAUDITED)
(In Thousands)

	Construction (1)			Property Values (2)			Deposits (3)			
Fiscal Year Ended June 30	Residential Construction Permits	Non-Residential Construction Permits	Total Valuation	Commercial/ Industrial	Residential	Other	Commercial Banks	Savings & Loans	Credit Unions	Total
1996	$ 5,243	$ 4,551	$ 846,982	$ 14,804,114	$ 44,513,532	$ 2,278,247	$ 9,306,278	$ 2,847,576	$ 3,545,202	$ 15,699,056
1997	5,907	4,813	1,020,330	15,306,561	45,589,632	2,414,340	10,595,219	3,370,761	3,724,548	17,690,528
1998	7,545	5,804	1,466,646	17,318,763	48,341,937	2,151,401	N/A	N/A	N/A	N/A
1999	7,080	5,186	1,640,853	19,850,778	53,121,440	2,788,667	N/A	N/A	N/A	N/A
2000	6,603	5,766	2,146,478	21,853,386	57,932,679	3,040,634	N/A	N/A	N/A	N/A
2001*	8,227	3,517	1,875,072	24,084,993	63,663,266	3,155,499	N/A	N/A	N/A	N/A
2002	9,840	2,615	2,099,748	26,157,468	69,834,055	3,421,104	N/A	N/A	N/A	N/A
2003	9,997	2,591	1,907,029	28,135,314	78,128,254	3,548,325	N/A	N/A	N/A	N/A
2004	9,255	2,543	1,949,373	30,431,509	87,269,304	3,759,894	N/A	N/A	N/A	N/A
2005	8,159	2,516	1,963,383	33,344,313	100,071,145	4,213,613	N/A	N/A	N/A	N/A

N/A = Not available.
* Beginning in FY 2001, Development Services Department implemented a change in permit classifications.

Source:
(1) City of San Diego Development Services Department
(2) County of San Diego, Office of Assessor

TABLE 17

MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2005

GEOGRAPHICAL LOCATION	Southern Coast of California contiguous to the Mexican Border
ALTITUDE OF CITY	Sea Level to 1,591 Feet
AREA OF CITY (SQUARE MILES)	Land - 330 Water - 73 Total - 403
DATE OF INCORPORATION	March 27, 1850

POPULATION

(Official U. S. Census)		Increase
1900 -	17,700	
1910 -	39,578	124%
1920 -	74,361	88%
1930 -	147,995	99%
1940 -	203,341	37%
1950 -	334,387	64%
1960 -	573,244	71%
1970 -	697,027	22%
1980 -	875,504	26%
1990 -	1,110,549	27%
2000 -	1,223,400	10%

Estimate at January 1, 2005 - 1,306,000

Population per Square Mile (Land) - 3,958

FORM OF GOVERNMENT	Council / Manager
CITY CHARTER ADOPTED	April 7, 1931
FISCAL YEAR BEGINS	July 1
TOTAL NUMBER OF CITY EMPLOYEES	Salaried - 10,540 Hourly - 1,557 Limited - N/A Total - 12,097
RAINFALL:	
2004-2005 SEASON	22.51 Inches
AVERAGE SEASONAL RAINFALL DURING LAST 20 YEARS	9.99 Inches
AVERAGE TEMPERATURE, 2004-2005	Daytime - 69.8 F Nighttime - 58.9 F Mean - 64.3 F
AVERAGE ANNUAL TEMPERATURE OF FORTY YEAR PERIOD, 1964-2004	64.1 F
RECREATION:	
PARKS, SQUARES, AND RECREATION CENTERS	Number - 441 Acres - 38,890

SPECIAL FACILITIES

Municipal Golf Courses:	
City Operated:	
18-Hole Courses	4
9-Hole Courses	1
Pitch and Putt Courses	0
Leased:	
18-Hole Courses	2
Par 3 Course	1
Pitch and Putt Courses	2
Municipal Swimming Pools	13
Municipal Tennis Courts	25
Ocean Fishing Piers	2

TABLE 17 (Cont'd.)

MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2005

FIRE PROTECTION	Number of Stations - 45 Number of Employees - 1,272		
POLICE PROTECTION	Number of Stations - 10 Number of Employees - 2,745 (includes hourly)		
MILES OF STREETS / SIDEWALKS	2,800 / 5,000		
MILES OF SEWERS	3,030		
SEWER SERVICE LATERALS	271,284		
MUNICIPAL WATER PLANT	Number of Water Meters in Service - 271,204 Average Daily Consumption - 198.5 Million Gallons Average Daily Consumption per Capita - 152.02 Miles of Water Distribution Mains - 3,318.98 Number of Fire Hydrants - 24,600		
MUNICIPAL AIRPORTS	Number - 2 Number of Acres - 1,448 Length of Main Runways - 7,999 Feet and 4,577 Feet		
UNIFIED PORT DISTRICT:			
WHARVES	Number - 4 Length - 14,095 (Lineal Feet or Berthing) Number of Craft in Port (Excluding Military) - 680 Commercial Tonnage Handled through the Port during the Year - 2,825,169 metric tons		
TIDELANDS	Number of Acres - 5,483		
AIRPORTS	Number - 0 Number of Acres - 0 Length of Main Runways - 0 Feet		
EDUCATION:			
COLLEGES	Number	6	
	Number of Teachers	7,881	(Includes Part-Time)
	Number of Students	93,462	(Includes Part-Time)
COMMUNITY COLLEGES AND ADULT SCHOOLS	Number	10	
	Number of Teachers	2,170	(Includes Part-Time)
	Number of Students	84,653	(Includes Part-Time)
HIGH SCHOOLS	Number	40	
	Number of Teachers	2,726	
	Number of Students	41,943	
JUNIOR HIGH SCHOOLS / MIDDLE SCHOOLS	Number	29	
	Number of Teachers	2,278	
	Number of Students	30,292	
ELEMENTARY SCHOOLS	Number	160	
	Number of Teachers	6,655	
	Number of Students	101,000	

Source: Various Agencies

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BACK COVER OF BOOK

City of San Diego
State of California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

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CITY OF SAN DIEGO
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2006

Prepared Under the Supervision of
Gregory Levin, CPA
Comptroller

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Introductory Section

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JERRY SANDERS
MAYOR

March 21, 2008

Honorable City Council Members and the Citizens of the
City of San Diego, California

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 ("City") for the fiscal year ended June 30, 2006, 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. Our 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 construct and improve a comprehensive internal control framework in order to ensure acceptable management of taxpayer funds.

To the best of our knowledge and belief, the data as presented, is accurate in all material respects; it is presented in a manner designed to present fairly the financial position and results of operations 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; and 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.

The City wishes to bring to the attention of the reader for careful consideration Notes 12, 13, and 18 to the Financial Statements, which address, among other matters, (1) the cease-and-desist order imposed on the City by the Securities and Exchange Commission for violations of the federal securities laws that occurred in 2002 and 2003, (2) related investigative reports of Vinson & Elkins LLP, Kroll Inc. and the law offices of Willkie, Farr and Gallagher LLP, serving as the audit committee for the City of San Diego (Kroll Report), Navigant Consulting, Inc. (as it relates to San Diego City Employees Retirement System (SDCERS)), and the City Attorney of the City of San Diego, and (3) the unfunded actuarial accrued liabilities of the City's pension and retiree health obligations. These 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.

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.

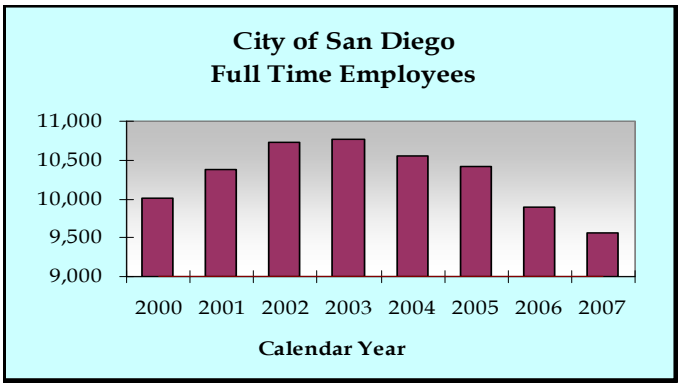
- The financial section is prepared in accordance with Governmental Accounting Standards. It includes the MD&A, the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information, and supporting statements and schedules.

- 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.

PROFILE OF THE GOVERNMENT

City Profile

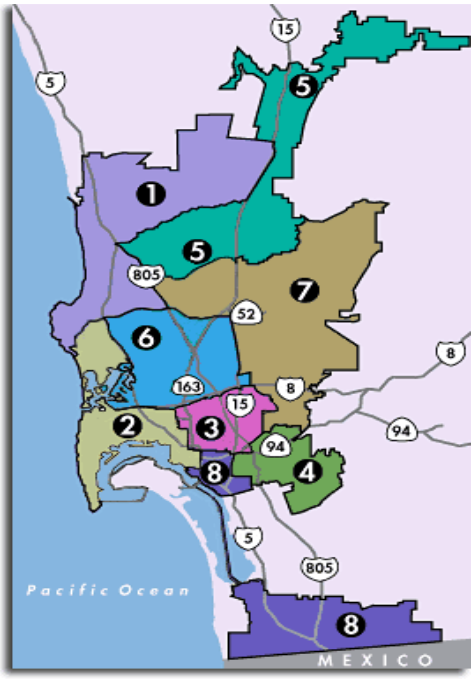
The City of San Diego was incorporated in 1850. The City is comprised of 403 square miles and, as of January 1, 2007, the California Department of Finance estimates the population to be 1,316,837. The City, with approximately 9,600 full-time employees, provides a full range of governmental services which include 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 and is governed by the laws of the State of California and its own Charter which was adopted by the electorate in 1931 and has been subject to periodic amendments since adoption. The City is currently operating under a strong-mayor form of government. The departure from the City's previous Council-Manager form of government was approved by a vote of the public and became effective January 1, 2006. The Mayor is elected at large to serve a four-year term.

City of San Diego Council District Map



The charter amendment adopting the strong-mayor form of government is in effect for five years, and pending a voter approved extension or modification, sunsets on December 31, 2010. 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), and City Attorney's departments. The Office of the Independent Budget Analyst was established by the City Council to assist the Council in the conduct of budgetary analysis and in the making of budgetary, financial, and policy decisions. The City Council also established a Budget and Finance Committee to aid in the review of the annual budget, capital improvement programs, financial reports, taxes, fees, assessments, and IBA reports. Additionally, the City Council established an Audit Committee to provide independent, legislative oversight of the City's accounting and financial reporting processes, financial internal controls, internal financial audit function, and audits of the City's financial statements.

Under this form of government, the Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the Council. The Mayor presides over Council in closed session meetings of the Council. The Council retains its legislative authority; however, all council resolutions, except for appropriations ordinances, are subject to a veto of the Mayor. The City Council may override a Mayoral veto with five votes. In addition, the City has an elected City Attorney who is the chief legal advisor of and attorney for the City and all departments. The City Attorney serves a four-year term.

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

Mayor Jerry Sanders

District 1
Council President Scott Peters

District 2
Councilmember Kevin Faulconer

District 3
Councilmember Toni Atkins

District 4
Council President Pro Tem
Tony Young

District 5
Councilmember Brian Maienschein

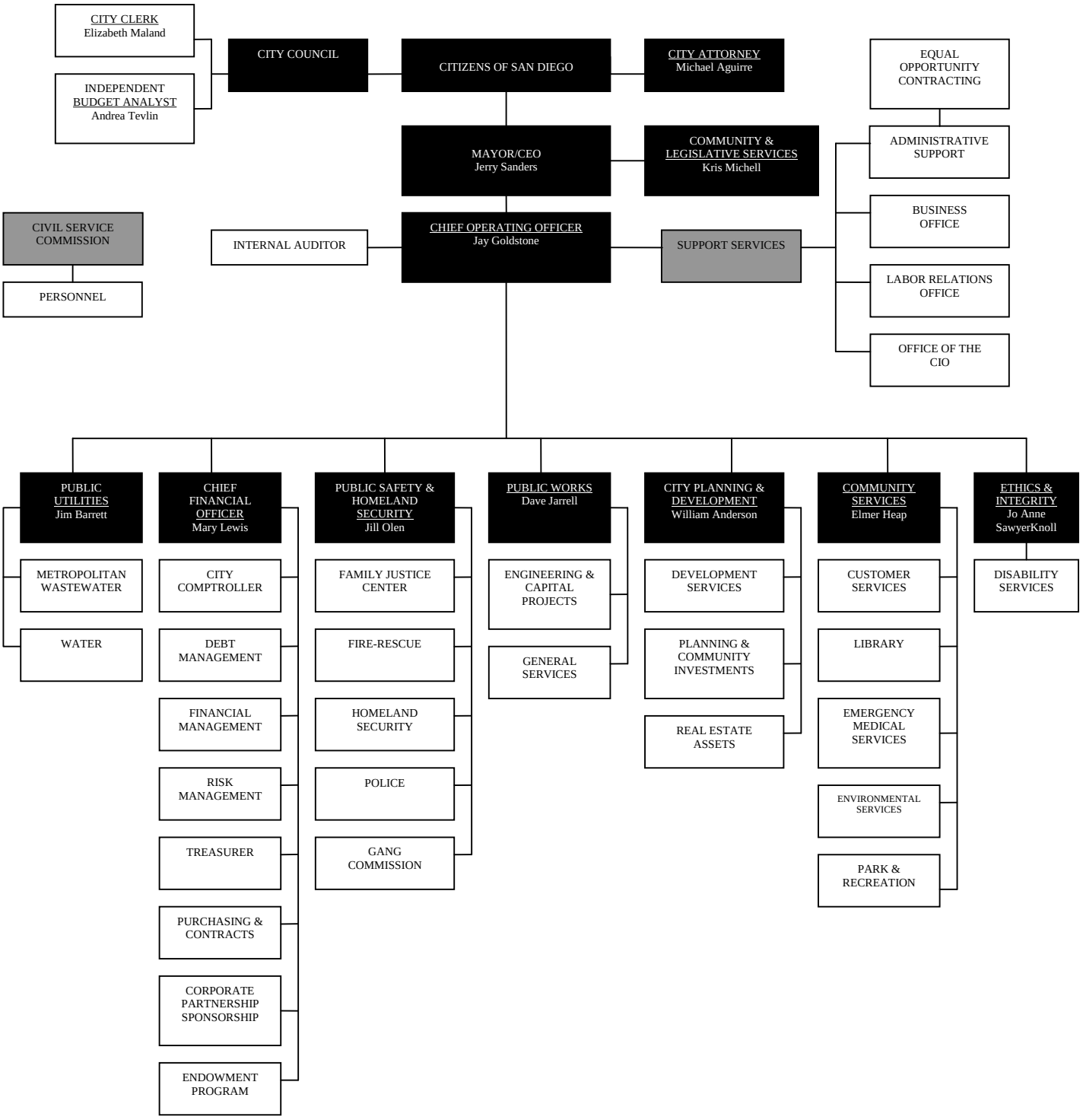
District 6
Councilmember Donna Frye

District 7
Councilmember Jim Madaffer

District 8
Councilmember Ben Hueso

City Attorney
Michael Aguirre

City of San Diego Organization Chart
(As of issuance of this report)



Financial Reporting Entity

In accordance with Governmental Accounting Standards Board Statement 14, the following component units are incorporated into the accompanying financial statements:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Housing Commission (SDHC)
- San Diego Open Space Park Facilities District #1
- Community Facility and Other Special Assessment Districts
- Convention Center Expansion Financing Authority (CCEFA)
- San Diego City Employees' Retirement System (SDCERS)
- Public Facilities Financing Authority (PFFA)
- San Diego Convention Center Corporation (SDCCC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Southeastern Economic Development Corporation (SEDC)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

Additionally, the City participates in a joint venture operation with a private company to provide for emergency medical and medical transportation services. This joint venture is a limited liability company named San Diego Medical Services Enterprise. The financial impact of the joint venture is displayed in the governmental funds balance sheet.

Budgetary Process

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 council for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the fund, department, and object class level. Object classes are defined as salaries and non–personnel expense (including employee benefits). Copies of the City's Budgets are available at the Financial Management Office located at 202 C Street, MS8A, San Diego, CA 92101.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts are reported as reservations of fund balances since the commitments are expected to be honored in subsequent periods.

FACTORS AFFECTING FINANCIAL CONDITION

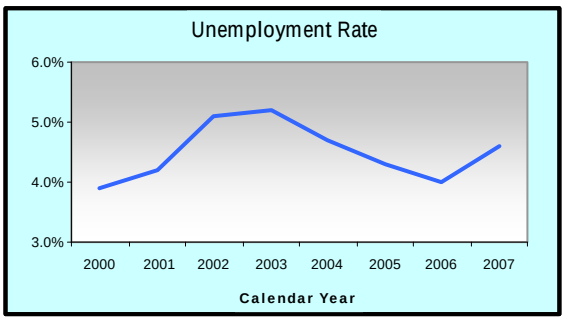
Economic Factors

Income

In January 2007, the San Diego Association of Governments (SANDAG) reported that between 2000 and 2006, the median household income in the San Diego region rose by 42.4%, from $45,826 to $65,238.

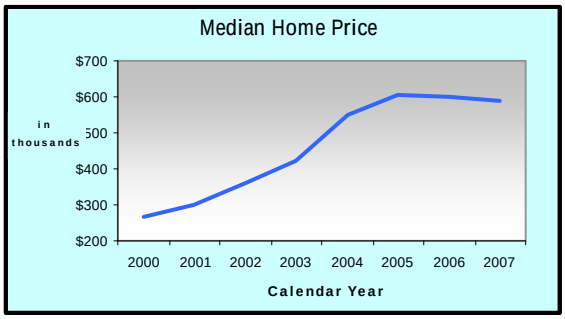
Unemployment

The unemployment rate is a critical indicator of the relative strength in the local economy. According to the State of California Employment Development Department, the City of San Diego's unemployment rate was 4.6% for the calendar year 2007. This reflects a .6% decrease from a 10 year high of 5.2% in the calendar year 2003, and a .6% increase from calendar year 2006. The City of San Diego's unemployment rate is even with the national average and .8% below the average for the State of California for the calendar year 2007.



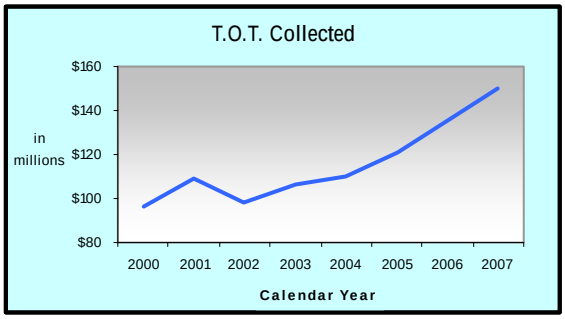
Housing and Construction

According to a report by the National Association of Realtors, the median residential home price in the San Diego area dropped 2% from calendar year 2006 to 2007 and dropped 9.8% from the 4th quarter of 2006 to the 4th quarter of 2007. However, median residential home prices in the San Diego area increased 125% from calendar years 2000 to 2005. Home sales during this growth in median home prices have resulted in stronger than average property tax returns for the City and have fueled increased activity in the construction sector. However, there has recently been a slowing in the housing market and a softening in housing prices, and therefore, the recent growth in property tax revenues may not continue and may in fact decline.



Tourism

The City of San Diego has continued to experience a growth in tourism during calendar year 2007, resulting in a 10.7% increase in Transient Occupancy Tax (TOT) collections from calendar year 2006, and a 38.2% increase from calendar year 2001. According to the San Diego Convention & Visitors Bureau, average occupancy rates of hotels located in the San Diego area declined during calendar year 2007 by approximately 0.2%; however, average daily room rates increased by approximately 6.0%, resulting in a net increase in TOT collections. Additionally, a total of 29.2 million visitors spent approximately $7.3 billion at local businesses in the San Diego area during calendar year 2007.



Water Supply

The City of San Diego is located in a semi-arid coastal climate environment and receives an average annual rainfall of 10.21 inches. San Diego has a population of approximately 1.3 million and the population is projected to increase by 26% in the next 25 years. This growth is projected to increase demand for potable water by 21%. For the Fiscal Year ended June 30, 2007, the City's average daily water use, including deliveries to the City of Del Mar and California American Water Company (Cal-Am) was approximately 221 Million Gallons per Day (MGD), with peak day demands as high as 291 MGD. The overwhelming majority of the City's water supply is imported.

The City currently receives its water supply from two sources: (1) water imported by the San Diego County Water Authority (CWA) and (2) local runoff. For the Fiscal Year ended June 30, 2007, local run off accounted for less than 10% of the City's water supply. This source is dependent upon rainfall and is seasonal and variable in nature. The balance of the City's water supply is imported from Northern California and the Colorado River and provided to the City by the CWA, of which the City of San Diego is a member agency. CWA in turn, purchases the majority of its water from the Metropolitan Water District of Southern California (MWD), which is comprised of 26 public water agencies. CWA also has rights to purchase additional supplies of water from the Imperial Irrigation District (IID), and water supplies dedicated to CWA from water-conserving canal lining projects on the All-American and Coachella Canals. The City is the largest purchaser of water from CWA. During the Fiscal Year ended June 30, 2007, the Water Department purchased approximately 229,682 AF of water from the CWA at a cost of $113.3 million. The City's water purchases from CWA represented approximately 34% of CWA's total water deliveries and approximately 91.7% of the water produced by the City was purchased from CWA, with the balance coming from runoff collected in the City's reservoirs.

As of December 17, 2007, MWD indicated that it had sufficient water supplies in storage to sustain a supply/demand scenario similar to 2007 through calendar year 2008 with enhanced conservation efforts beginning immediately. The majority of MWD's current water supplies comes from the State Water Project (SWP) and originates from the Sacramento–

San Joaquin Bay-Delta before being pumped into the California Aqueduct for transportation to Southern California. On August 31, 2007, a federal court ordered state and federal water managers to reduce pumping out of the Delta during certain times of the year in order to protect the Delta Smelt, an endangered fish species. It is unknown how long these restrictions will be in place but they are expected to last at least one year.

MWD estimates that the court order will reduce the amount of SWP water available to MWD by up to 30% in 2008. MWD and CWA are actively pursuing spot water transfer options to offset these reductions. Colorado River deliveries to MWD and CWA remain firm in the near future, minimizing the water supply reliability impacts of the SWP reductions on San Diego. The Mayor, in coordination with CWA, has urged residents and businesses of San Diego to adopt water conservation practices at home and at their place of work. The City has also taken a leadership position in advocating a more deliberate response to water conveyance around the Delta, thereby avoiding the current judicial restrictions on the pumps. The Mayor hosted a meeting of Southern California City Mayors in San Diego as well as a "Big Ten" City Mayors' meeting in Sacramento to discuss possible solutions with input from water experts. The Water Department will continue to monitor the current and near term water supply situation, in consultation with its imported water provider, to effectively manage conservation efforts.

Regulatory Actions

In November 2006, the United States Securities and Exchange Commission (SEC) entered an Order (the "Order") sanctioning the City of San Diego for committing securities fraud in connection with the 2002 and 2003 offer and sale of over $260 million in municipal bonds and for preparing and filing information pursuant to continuing disclosure agreements under Exchange Act Rule 15c2-12 with respect to $2.29 billion in outstanding City bonds and notes. The findings contained in the Order were made pursuant to the City's offer of settlement. To date, the SEC has not taken enforcement action against any City officials or employees; however, the SEC, in the Order, concluded that the City, through its officials, acted with scienter.

In the Order, the SEC found that at the time of these offerings, City officials knew that the City faced severe difficulty funding its future pension and health care obligations unless new revenues were obtained, pension and health care benefits were reduced, or City services were cut. The SEC found that the City's looming financial crisis resulted from (1) the City's intentional under-funding of its pension plan from fiscal year 1997; (2) the City's granting of additional retroactive pension benefits since fiscal year 1980; (3) the City's use of the pension fund's assets to pay for the additional pension and retiree health care benefits since fiscal year 1980; and (4) the pension plan's less than anticipated earnings on its investments in fiscal years 2001 through 2003. The SEC found that despite the magnitude of the problems the City faced in funding its future pension and retiree health care obligations, the City conducted five separate municipal bond offerings, raising more than $260 million, without disclosing these problems to the investing public. The SEC found that in each of these offerings, the City prepared disclosure documents that are used with municipal securities offerings—that is, preliminary official statements and official statements—and made presentations to rating agencies. In addition, in 2003 it prepared and filed misleading information pursuant to continuing disclosure agreements under Exchange Act Rule 15c2-12 with respect to $2.29 billion in outstanding City bonds and notes.

The SEC credited the City with having taken remedial action before the Order was issued and found that since 2005 the City has implemented several remedial measures with a view to detect and prevent securities violations. Specifically, the City has terminated certain officials in the City Manager's and Auditor and Comptroller's offices or has allowed them to resign. The City has hired full time municipal securities attorneys who are responsible for coordinating the City's public disclosure and who have conducted continuing education for the City's deputy attorneys on the City's disclosure requirements.

The SEC credited the City with hiring new outside professionals including new auditors for its fiscal year audits. The SEC also found that the City hired individuals not affiliated with the City to act as the City's audit committee to conduct an investigation of the City's prior disclosure deficiencies and make recommendations to prevent future disclosure failures. The SEC found that the City has also hired new disclosure counsel for all of its future offerings, who will have better and more continuous knowledge on the City's financial affairs. The SEC found that the disclosure counsel has conducted seminars for City employees on their responsibilities under the federal securities laws.

The SEC found that the City has also enacted ordinances designed to change the City's disclosure environment:

1. The City created a Disclosure Practices Working Group, comprised of senior City officials from across city government. The Working Group is charged with reviewing the form and content of all the City's documents and materials prepared, issued, or distributed in connection with the City's disclosure obligations relating to securities issued by the City or its related entities; and conducting a full review of the City's disclosure practices and to recommend future controls and procedures.
2. The Mayor and City Attorney must personally certify to the City Council the accuracy of the City's official statements.

3. The City Auditor & Comptroller must annually evaluate the City's internal financial controls and report the results to the City Council.

As part of the settlement with the SEC, the City agreed to cease and desist from future securities fraud violations. The City also agreed to retain an Independent Consultant acceptable to the SEC. The Independent Consultant is required to conduct annual reviews for a three-year period, following the November 2006 Order, of the City's policies, procedures, and internal controls regarding its disclosures for offerings, including disclosures made in its financial statements, pursuant to continuing disclosure agreements, and to rating agencies. The Independent Consultant is also required to review, for the three year period, the procedures and internal controls regarding the City's hiring of internal personnel and external experts for disclosure functions, and the implementation of active and ongoing training programs to educate appropriate City employees, including officials from the City Auditor and Comptroller's office, the City Attorney's office, the Mayor, and the City Council members regarding compliance with disclosure obligations.

The Independent Consultant is required to make recommendations concerning related policies, procedures, and internal controls with a view to assuring compliance with the City's disclosure obligations under the federal securities laws. The Independent Consultant is to assess, in years two and three, whether the City is complying with its policies, procedures, and internal controls, whether the City has adopted any of the Independent Consultant's recommendations from prior year(s) concerning such policies, procedures, and internal controls for disclosures for offerings, and whether the new policies, procedures, and internal controls were effective in achieving their stated purposes.

On June 7, 2007, the Initial Report of Independent Consultant to the City of San Diego (the "Independent Consultant's Report") was released. The purpose of the Independent Consultant's Report was to describe the review and assessment of the City's policies, procedures, and internal controls regarding i) its financial and other disclosures, ii) the hiring of internal personnel and external experts for disclosure functions, and iii) the implementation of active and ongoing training programs to educate appropriate City employees regarding compliance with disclosure obligations, and to provide conclusions and recommendations with respect to these matters. (See Note 18 for additional information).

Additionally, the Independent Consultant's Report recognizes the complexity of the City's issues and includes numerous actions that are planned to be addressed in the future, including:

- Ongoing analysis and observation by the Independent Consultant of the City's disclosure process, including participation in future offering disclosure processes,
- Implementation of a new Enterprise Resource Planning (ERP) system,
- Ongoing training for the City Council, City Officials, and City employees, and
- Hiring a qualified internal auditor to provide reliability of the City's internal control structure.

The Independent Consultant observed that the City had made progress with its remediation efforts, but that there is much left to be done that will require an intensive and substantial effort.

On July 23, 2007, the SEC issued a letter to the City and to the Independent Consultant recognizing the recommendations outlined in the Independent Consultant's Report and indicating its understanding that subsequent reports from the Independent Consultant would provide more complete, specific, and concrete recommendations with specific deadlines. The SEC also requested a response from the City in regards to the recommendations outlined in the Independent Consultant's Report, including an estimated timeframe for implementation of the recommendations.

On September 25, 2007, the City responded to the SEC and this response was approved by Council Resolution No. 303021. This response to the SEC is summarized as follows:

- The former CFO, along with representatives of the Audit Committee and the Independent Budget Analyst, interviewed candidates for the Internal Auditor (City Auditor). The candidate selected began work on October 22, 2007. In its 2007 Final Report dated October 4, 2007, the Charter Review Committee recommended a separation of the internal audit function from the comptroller and management duties. This revision will need to be approved by a vote of the public. (See March 3, 2008 O-19718 disclosure discussed below.)
- The City has established an Audit Committee comprised of 3 Council members and an ad hoc committee of 3 outside advisors who bring extensive technical expertise to the Committee. The ad hoc committee began serving September 10, 2007. The Charter Review Committee, in its Final Report dated October 4, 2007, has recommended a Charter change which would formally establish a five-person Audit Committee composed of two members of the City Council,

one of whom shall serve as chair, and three members of the public. (See March 3, 2008 O-19718 disclosure discussed below.)

- The City has selected a software vendor and has begun implementation of an enterprise resource system. The current schedule calls for the system to be operable, in parallel, by October 2008. Additionally, the implementation of a human resource/payroll system is expected to be completed by January 2009.
- The CFO position was established in calendar year 2006 and all financial related activities and responsibilities of the Primary Government, including Comptroller and debt issuance functions, fall under this position, with exception to the oversight of the Internal Auditor. (See March 3, 2008 O-19718 disclosure discussed below.)
- The City is evaluating the Independent Consultant's recommendation to consider moving toward a shelf-like disclosure system. The City has made many improvements to internal controls regarding the release of financial information to the public capital markets (e.g. creation of the DPWG, CFO, and Audit Committee). Accordingly, any shelf-like registration would take into consideration procedures currently in place which were designed to ensure that the City would not make misleading statements or omissions to the market place in the future.

On March 3, 2008, Council approved O-19718 for the purpose of submitting to the voters a ballot proposition amending the City Charter. The ballot measures will be proposed at a Municipal Election to be consolidated with the Statewide Primary Election on June 3, 2008, and are summarized below:

- Establish the position, roles and responsibilities of the Chief Financial Officer including the clarification that all responsibilities, authority and power conferred upon the Auditor and Comptroller in the Charter shall be transferred to, assumed and carried out by the Chief Financial Officer.
- Define the composition of the Audit Committee as an independent body consisting of five members. Two members shall be Councilmembers and are to be appointed by the Council, one of whom shall serve as Chair of the Audit Committee. The other three members shall be from the public, appointed by the Council from a pool of candidates which are recommended by a screening committee. The screening committee is comprised of a member of Council, the Chief Financial Officer, the Independent Budget Analyst and two outside financial experts appointed by the other three members of the screening committee and confirmed by the Council.
- Establish the position, roles and responsibilities of the Office of the City Auditor. The City Auditor shall be appointed by the City Manager, in consultation with the Audit Committee, and confirmed by the Council.
- Establish the position, roles and responsibilities of the Independent Budget Analyst. The Council shall appoint the Independent Budget Analyst, who shall serve at the pleasure of the Council and may be removed from office by Council at any time.
- Establish the position, roles and responsibilities of the City Treasurer. The City Treasurer shall be appointed by the City Manager, and no longer needs confirmation by a majority of the members of the Council.

Financial Information

Pension Benefits

In fiscal year 1927, the City established the San Diego City Employees' Retirement System ("SDCERS"), a public employee retirement system. The pension plan ("Plan") is a defined benefit plan and is administered by the SDCERS' Board to provide retirement, disability, death, and survivor benefits for its members. The SDCERS Board contracts with an actuary to perform an annual actuarial valuation based on the assumptions adopted by the SDCERS Board. The actuarial firm, Cheiron Inc., was hired by the SDCERS board to perform the fiscal years 2005, 2006, and 2007 actuarial valuations.

Following the most widely used actuarial cost method approved in Statement No. 25 of the Governmental Accounting Standards Board, as well as a recommendation from Cheiron, SDCERS Board of Administration voted to use the Entry Age Normal (EAN) actuarial cost method to calculate future actuarial liabilities beginning with the fiscal year 2007 valuation. The actuarial valuations performed by Cheiron, using the EAN actuarial cost method, for the fiscal years ended June 30, 2007 and June 30, 2006 reported as follows:

San Diego City Employees' Retirement System (City of San Diego)

	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006	% Change
Membership			
Total Members (active, disabled, beneficiaries and retired)	17,779	17,647	0.7%
Assets and Liabilities			
Total Actuarial Liability	$ 5,597,652,861	$ 5,191,961,325	7.8%
Market Value of Assets	4,641,340,923	3,981,931,694	16.6%
Actuarial Value of Assets	4,413,410,812	3,981,931,694	10.8%
Unfunded Actuarial Liability	$ 1,184,242,049	$ 1,210,029,631	-2.1%
Funding Ratio	78.8%	76.7%	2.1%

The actuarial valuations performed for SDCERS for the fiscal years 1992 through 2006 calculated actuarial liabilities in accordance with the Projected Unit Credit (PUC) actuarial cost method. The change from PUC to EAN has negatively impacted the unfunded actuarial liability reported in the actuarial valuation for the fiscal year ended June 30, 2007. A comparison of the two valuation methods for the fiscal year ended June 30, 2007 was included in the June 30, 2007 actuarial valuation and is provided below for informational purposes only:

Unfunded Actuarial Liability
Projected Unit Credit (PUC) vs. Entry Age Normal (EAN)
For the Fiscal Year Ended June 30, 2007

	PUC	EAN	% Change
Actuarial Value of Liability (Cheiron*)	$ 5,345,495,550	$ 5,597,652,861	4.7%
Actuarial Value of Assets (Cheiron*)	4,413,410,812	4,413,410,812	0.0%
Unfunded Actuarial Liablility	932,084,738	1,184,242,049	27.1%
Funding Ratio	82.6%	78.8%	-3.8%

*SDCERS Actuary

The implementation of the EAN method resulted in an increase in the UAAL of approximately $252.2 million and an annual required contribution of $161.7 million payable in fiscal year 2009. The following schedule shows the effect, as of June 30, 2007, of the specific components of the total change of the Unfunded Actuarial Accrued Liability between fiscal years 2006 and 2007:

SDCERS - City of San Diego
Source of Changes in Unfunded Actuarial Accrued Liability
(In Millions)

UAAL Change Due to Experience Factors	
1. Investment experience	$ (74.9)
2. Purchased service credits paid for during the year	1.5
3. Liability experience	38.2
UAAL Change Due to Contribution Factors	
4. Contributions paid in excess of expected	(20.4)
UAAL Change Due to Actuarial Method Changes	
5. Removal of liabilities in excess of IRC § 415 limits - Non Drop members	(3.7)
6. Removal of liabilities in excess of IRC § 415 limits - Drop members	(2.7)
7. Change in actuarial funding method to EAN	252.2
Total	
8. Total net overall change: sum 1 through 7	190.2
9. Expected change in UAAL	(6.7)
10. Total change in UAAL: 8 + 9	$ 183.5

The benefits awarded to some plan participants exceed the amount permitted for Internal Revenue Code (IRC) 401(a) pension plans such as SDCERS. In March 2001, the San Diego City Council established a Preservation of Benefit Plan to pay for benefits in excess of those allowed under the 401(a) plan. The Preservation of Benefit Plan is a qualified governmental excess benefit arrangement (QEBA) under IRC § 415(m), which is a vehicle created by Congress to allow the payment of promised pension benefits that exceed the IRC § 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The Preservation of Benefit Plan is administered by the SDCERS Board separately from the City's 401(a) pension plan. On February 16, 2007, the SDCERS Board adopted the Preservation of Benefit Plan and Trust to carry out the intent of SDMC § 24.1601 et seq.

As background, IRC § 415(b) imposes dollar limits on the benefits payable from a qualified pension plan that receive favorable tax treatment. The maximum dollar limit is $185,000 for calendar year 2008; however, this limit is adjusted downward based upon the payee's age at retirement in addition to other factors.

The Preservation of Benefit Plan is unfunded within the meaning of the federal tax laws. Under the Internal Revenue Code the City may not pre-fund the Preservation of Benefit Plan to cover future liabilities beyond the current year, as with the 401(a) plan. Each year, SDCERS will determine the amount necessary to fund any pension benefits payable during the calendar year in excess of IRC § 415(b). This amount will include the projected amount of all excess pension benefits payable for the calendar year to existing and projected payees, as well as the projected cost of administering the Preservation of Benefit Plan. SDCERS will provide this information to the City and the City will fund this amount on an annual basis.

The estimated actuarially accrued liability related to excess benefits for eligible active members of the system, amounting to approximately $22.8 million, has been excluded from the actuarial valuation of the 401(a) retirement plan in the fiscal year 2006 actuarial valuation. The amount related to excess benefits for eligible active members was reported to be approximately $30.4 million in the fiscal year 2007 actuarial valuation. Additionally, the actuarial liability for retired members of the Preservation of Benefit Plan, amounting to approximately $6.4 million, has been excluded from the fiscal year 2007 actuarial valuation of the 401(a) retirement plan (as shown in the table above). Accordingly, the actuarial liability related to retired members is reflected in the actuarial liabilities of the 401(a) plan in the actuarial valuation dated June 30, 2006 as well as in the ARC payable in fiscal year 2008.

In fiscal year 2006, activities related to the Preservation of Benefit Plan for both retired and active members are included in the actuarial liabilities presented in the Required Supplementary Information (RSI) for the City's core pension plan and are valued using the same set of assumptions. The City is in the process of implementing a plan to account for the QEBA with SDCERS.

In light of various concerns raised in investigative reports regarding practices of SDCERS that could have jeopardized its status as a qualified governmental defined benefit plan, SDCERS requested its outside tax counsel, Ice Miller LLP, to perform a comprehensive document compliance review, prepare submissions in accordance with the IRS Voluntary Correction Program (VCP), and work with the IRS to finalize a compliance statement to resolve SDCERS' compliance issues. A comprehensive settlement was reached between the IRS and SDCERS on December 20, 2007 (Settlement). The Settlement requires the City and SCDERS to take certain corrective actions regarding certain provisions of its retirement plan within 150 days of December 20, 2007. The Settlement does not require the City to pay any penalty payments or to make any additional contributions to the retirement system. In the event the City does not successfully implement certain plan document changes required by the IRS Compliance Statement, SDCERS and the City may face additional regulatory actions from the IRS including but not limited to, SDCERS plan disqualification and financial penalties against the City, the plan sponsor. Additionally, SDCERS received a favorable Determination Letter from the IRS, dated January 25, 2008, which confirms the system's tax qualified status. The Determination Letter is contingent, however, upon the San Diego City Coucil's adoption of an IRS-approved Technical Ordinance which would amend the Municipal Code to comply with current tax law. This ordinance must be adopted by April 25, 2008.

The VCP filings identified violations and proposed corrections regarding the City's Presidential Leave Program for presidents of certain labor organizations that represent City employees; compensation limits under IRC § 401(a)(17); minimum distribution requirements under IRC § 401(a)(9); eligible rollover distribution compliance under IRC § 401(a)(31); minimum distribution requirements from the Deferred Retirement Option Plan (DROP) program; overpayment of disability benefits; conversion of annual leave to purchased service credits; retiree healthcare benefits and health administrative expenses under IRC § 401(h); benefit and compensation limits under IRC §§ 415(b), 415(c) and 415(n); and remedial plan amendments. Readers are encouraged to review the detailed discussion of the Voluntary Compliance Program filing and the resulting settlement as contained within Note 18: Contingencies of the Basic Financial Statements.

It is the City Attorney's opinion that these excess retirement benefits require voter approval as such benefits represent a distinct

pension plan. Therefore it is also his opinion that the excess retirement benefits are illegal and that the City should discontinue payment. Other members of management believe that this issue has yet to be resolved, and as such, the City intends to continue to treat these benefits as legal obligations until instructed to do otherwise by a court. In the opinion of other management, a decision to terminate such benefits would expose the City's residents to unnecessary and costly legal fees.

Certain other methodology changes were implemented for the June 30, 2006 valuation, which are discussed in detail in the valuation report. Additional information on the City's net pension obligation and annually required contribution is discussed in Note 12 of the notes to the financial statements contained in the financial section of the CAFR and in the Required Supplementary Information section of the report.

On November 2, 2004, the public approved an amendment to Article 9, Sections 143 and 144 of the City's Charter regarding the retirement systems actuarial assumptions and the governance structure of SDCERS. Notable changes include:

- Effective fiscal year 2009, UAAL shall be amortized using a 15 year assumption (see discussion below); for the 2006 actuarial valuation, Unfunded Actuarial Accrued Liabilities were amortized over 27 years reflecting the resetting of the amortization period pursuant to the settlement of the Gleason v. City of San Diego lawsuit. (The effects of this lawsuit on the pension system are disclosed in Note 12).
- Effective fiscal year 2009, new retirement benefits shall be amortized using a schedule no longer than 5 years.
- Effective April 2005 the composition of the SDCERS Board was changed to the following:
    - 7 members appointed by the Mayor, who are not associated with the City or Retirement system as employees, union members or beneficiaries,
    - 1 member who is an active employee in the police safety group, elected by the members of that group,
    - 1 member who is an active employee in the fire safety group, elected by the members of that group,
    - 2 members who are active employees in the general member group, elected by members of that group,
    - 1 member who is a retired member of the system and is elected by the retired members of the system, and
    - 1 member who is a City management employee and serves at the pleasure of the Mayor. This member must be the Chief Operating Officer, City Treasurer, Deputy or Assistant Chief Operating Officer or a similar position that reports to the Chief Operating Officer or Mayor. As of the issuance of this report, the Deputy Chief of the Office of Ethics and Integrity is assuming the responsibility of this position.

Various concerns have been raised by City management in response to the aforementioned charter revision pertaining to the 15 year amortization assumption of the UAAL. California State Attorney General Opinion 04-710 concludes that a city charter cannot mandate a specified amortization schedule for retirement benefits or accumulated actuarial gains and losses. Furthermore, a recent legal ruling by the California Superior Court concluded that SDCERS Board has "plenary authority" over the retirement system in its administrative capacity. In March 2007, the SDCERS Board adopted a 20 year amortization assumption, with no negative amortization. The SDCERS Board did not change the amortization period to a 15 year amortization assumption for the purpose of determining the City's fiscal year 2009 Annually Required Contribution. The San Diego City Attorney's Office has opined that the voter's amendment to the Charter to establish a 15-year amortization requirement for accumulated actuarial losses simply establishes an upper boundary for the amortization of pension debt, and does not usurp or unduly interfere with the SDCERS Board's plenary authority and fiduciary responsibility in violation of the California constitution, and as a result, the 15 year amortization period is binding. Other management notes that Governmental Accounting Standards expressly state that "a plan and its employers should apply the same actuarial methods and assumptions in determining similar or related information included in their respective financial reports." However, the GASB does not assign responsibility for determining actuarial assumptions to either the plan administrator or the plan sponsor. Accordingly, the City intends to pay the full ARC as calculated by SDCERS' actuary. Given the size of the City's current Unfunded Actuarially Accrued Liability, a change to a 15-year amortization schedule could have a significant impact on future annually required contributions. In relation to the implementation of a 15-year amortization, SDCERS issued a report titled "Summary and Answers to Frequently-Asked Questions about the June 30, 2006 Actuarial Valuation for the City of San Diego." This document stated that if a 15-year amortization of the unfunded actuarial liability was implemented, the City's Annual Required Contribution for fiscal year 2008 would increase by $29.1 million over the requested contribution of $137.7 million. Thus, a 15-year amortization period would result in an Annual Required Contribution of $166.8 million. Comparatively, the City's fiscal year 2008 budget included appropriations for a contribution of $165 million to SDCERS. Additionally, SDCERS estimates that the City's ARC for fiscal year 2009 would have increased by approximately $7 million if a 15 year amortization assumption were used.

On November 7, 2006, the public approved an amendment to Article 9, §143 of the City's Charter, requiring voter approval of certain increases in retirement system benefits for public employees. Specifically, this amendment requires voter approval of any ordinance that amends the City's retirement system by increasing the benefits of any employee. However, increases in retirement benefits due to cost of living adjustments do not require voter approval.

On August 3, 2007, the General Counsel of SDCERS issued a letter to the City stating their opinion in regards to the effective date of the fiscal year 2005 agreements between the City and the labor unions. As part of the agreements, several benefits were altered or eliminated for employees hired on or after July 1, 2005, including the Deferred Retirement Option Plan (DROP), the 13th Check, and the option to purchase years of service credits ("air-time"). According to their fiduciary counsel, "SDCERS is obligated to administer benefits in accordance with its plan documents." However, the City did not enact such ordinances until January 17, 2007, which took effect on February 16, 2007. Therefore, the General Counsel of SDCERS and their outside counsel opine that the effective date of the agreements with the labor unions is February 16, 2007, the date that the benefit changes were codified into the plan document. On October 9, 2007, the City filed a petition for declaratory relief to determine the effective date of retirement benefit changes for employees hired between July 1, 2005 and February 16, 2007.

On September 21, 2007 the President of the SDCERS Board of Administration issued a press release stating that, under the direction of the Board of Administration, SDCERS' staff, actuary, and legal counsel, he had reviewed the SDCERS purchase of service credit program, and that his review concluded the following:

- With respect to SDCERS' service credit pricing structure that was in place prior to November 2003, Cheiron, SDCERS actuary, has determined that the full cost was not reflected in the price then charged to SDCERS members.
- This pricing shortfall, which totals approximately $146 million, has been included in the System's Unfunded Actuarial Liability since the inception of the service credit program.
- With respect to the SDCERS' service credit pricing in place since November 2003, Cheiron advised SDCERS that structure covers the full projected cost to the System when members purchased the service credits.

The pricing shortfall of approximately $146 million, which is included in the System's Unfunded Actuarial Liability, is reported in the RSI of these financial statements.

Additionally, as a result of the City's negotiations with employee labor unions, the MOUs for the fiscal year 2006 contain agreements to either reduce the amount of individual employees' pension contributions which are paid for by the City or to impose salary reductions. The agreements explicitly state that savings to the City must be used to pay down its Unfunded Actuarial Accrued Liability (UAAL) within the timeframe of the respective contracts. The labor contract with the American Federation of State and County Municipal Employees (AFSCME) Local 127 states that "By June 30, 2008, if the City has not dedicated a total of $600 million or more to the UAAL reduction, including the amount received by leveraging employee salary reduction and pension contribution monies, the AFSCME salary reduction monies with interest will revert to SDCERS Employee Contribution Rate Reserve for benefit of Local 127 unit members to defray employee pension contributions." The City will be excused from meeting the above obligation if the funded ratio reaches 100% by June 30, 2008.

In June 2006, the City leveraged a portion of the employee pick up savings by contributing $90.8 million from securitization of future tobacco settlement revenues, $9.2 million of current tobacco settlement revenues, and $8.3 million from the remaining balance in the employee "pick-up" amount as part of meeting its negotiated commitment. In June 2007, the City contributed approximately $7.0 million, in addition to the ARC, from the savings of the employee "pick-up" reduction. A financing option to generate $70 to $80 million in additional funding is currently being pursued. As of issuance of this report, it appears the City will not be able to meet the outstanding commitment by June 30, 2008 in its entirety. As such, the salary reduction monies, with interest, will likely revert to the employee contribution rate reserve as stated in the MOU with the Local 127 bargaining unit.

Additional information regarding the City's pension trust fund, including the City's NPO, can be found in Note 12 of the notes to the financial statements.

Other Post Employment Benefits

Retiree Health

The City provides certain healthcare insurance benefits to a variety of retired employees, as provided for in SDMC Sections 24.1201 through 24.1204 (the "Plan"). Currently, the benefits are primarily for employees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Employees who retired or terminated prior to October 6, 1980, who were eligible for retirement allowances prior to that date, are also eligible for healthcare benefits, limited to a total of $1,200 per year. Additionally, employees who were hired on or after July 1, 2005 and become eligible for retirement allowances in the future are also eligible for healthcare benefits, limited to a total of $1,200 per year.

Historically, the City paid for post employment healthcare benefits on a pay-as-you-go basis for retirees who received either City paid insurance or were reimbursed for other health insurance costs incurred. The total annualized cost of retiree health benefits included costs incurred for dependent healthcare, which were deducted from retiree allowances. In fiscal years 2006 and 2007,

the annualized cost of retiree health benefits was approximately $24.1 million and $27.1 million, respectively. The City's obligation of this cost was $17.7 million and $20.4 million, respectively.

The following schedule details payments for retirement health benefits:

Retiree Health Care Costs
(in thousands)

	2003	2004	2005	2006[1]	2007
Expenditures Paid Directly from City	$ -	$ -	$ 6,949	$ 17,696	$ 20,419
Expenditures Paid from 401(h) reserve	11,450	12,829	7,910	-	-
Expenditures Paid by Retirees	2,981	5,458	5,978	6,374	6,727
Total Retiree Health Expenditures	$ 14,431	$ 18,287	$ 20,837	$ 24,070	$ 27,146

[1] Expenditures paid directly from City in fiscal year 2006 includes approximately $265 of accrued expenses.

In July 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions" ("GASB 45"), which addresses how local governments should account for and report their costs and obligations related to other post employment benefits (OPEB). This statement is effective for the City for periods beginning after December 15, 2006 (i.e. beginning in fiscal year 2008). GASB 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial statements. In response to the requirements of GASB 45, the City Council authorized the City to enter into an agreement with CalPers to pre-fund post employment healthcare benefits on January 18, 2008. As a result, the City contributed approximately $30.1 million to CalPers, which will be reflected in the fiscal year 2008 financial statements. The City is required to annually pre-fund the plan in an amount not less than $5,000; however, the City intends to contribute an annual amount not less than 50% of the annual Required Contribution, as calculated by an actuary of the City's choice. All future contributions for post employment healthcare benefits will be placed in this fund and credited toward the City's annually required contribution for Retiree Healthcare liabilities in accordance with GASB 45.

An actuarial valuation of the City's postretirement medical benefit program as of June 30, 2007 was performed for the purpose of determining its annual cost in accordance with GASB 45. During fiscal year 2007, the City continued a "pay as you go" approach to funding retiree health costs. Specifically, for valuation purposes, the City used a 5% earnings assumption, an inflation factor of 3%, and a 30 year amortization period. The actuarial valuation for the fiscal year 2007 uses a 7.75% earnings assumption which is applicable only if the City intends to fully fund the ARC. However, the City intends to partially fund the ARC, and therefore, the actuarial valuation also uses a lower blended earnings assumption based on the City's actual contributions. The following table presents the actuarial accrued liability for all retirees, deferred retirement participants, vested terminated and active members, and the annual required contribution for fiscal year 2009 (as reported in the actuarial valuation dated June 30, 2007), using either of the assumptions discussed above, following the implementation of GASB 45:

Retiree Healthcare Liabilities

	Full Funding Method (7.75%)	Partial Funding Method (Blended)
Actuarial Accrued Liability	$ 819,900,461	$ 961,630,144
Annual Required Contribution	85,091,889	95,518,668

Defined Contribution Plan

The City has established the Supplemental Pension Savings Plan ("SPSP"), a defined contribution plan administered by Wachovia Corporation, which provides pension benefits for eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees may participate from the date of employment and contributions from employer's match vest at a rate of 20% for each year of service. The City also established a 401(k) Plan effective July 1, 1985. The plan is a defined contribution plan also administered by Wachovia Corporation, to provide pension benefits for all eligible employees. Employees participating in the 401(k) plan are immediately 100% vested.

Deferred Compensation Plan

In addition to the defined benefit and contribution plans, the City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code §457. The plan, available to all eligible City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency.

Additional information on the City of San Diego's pension activity may be found in Notes 12 and 13 of the notes to the financial statements.

Long-Term Financial Outlook

On January 11, 2008, the City released a Five-Year Financial Outlook covering fiscal years 2009 through 2013. This document is an examination of the City's long range fiscal condition and financial challenges. The City intends to update the Five-Year Outlook periodically to account for changed circumstances. In addition to other issues, the Financial Outlook concentrates on eight significant areas that must be addressed in order to restore and preserve the fiscal integrity and/or meet the legal obligations of the City. These eight significant areas are identified below:

1. Funding the City's Pension Plan.
2. Funding the City's General Fund reserves.
3. Funding deferred maintenance and capital improvement needs.
4. Funding the City's Post Employment Medical Program.
5. Funding the City's new obligations under Storm Water Runoff Permits.
6. Funding the City's Americans with Disabilities Act (ADA) obligations.
7. Funding the City's Workers' Compensation Fund.
8. Funding the City's Public Liability Fund.

The Financial Outlook relies on several assumptions, including revenue and expenditure growth estimates, to identify priorities to address in City Budgets over a five year period and assumes a significant financial commitment toward funding the aforementioned eight areas. As part of that commitment, the Outlook projected a $32 million operating deficit for the fiscal year ended June 30, 2009. For fiscal years 2010-2013, the deficit is projected to be $66 million, $85 million, $76 million, and $50 million, respectively, before including the effect of a balanced budget in fiscal year 2009.

In order to address the projected operating deficits, the outlook discusses several potential corrective actions; however, these corrective actions are contingent on future events and City Council actions, and as such, the Financial Outlook does not reflect a binding commitment of the City. The extent to which these corrective actions will mitigate future operating deficits as identified in the Financial Outlook is unknown at the time of issuance of this report. However, the City Council approved the Fiscal Year 2008 Appropriation Ordinance on July 30, 2007 implementing the fiscal year 2008 budget which included several initiatives proposed by the Mayor in the Financial Outlook. Specifically, the Appropriations Ordinance reflected a balanced budget and the City's commitment to funding pension and other post employment healthcare liabilities.

The 2008 Budget also included appropriations for the City's full Annually Required Contribution of $137.7 million to the City's Pension plan plus $27.3 million in additional contributions. Amounts contributed in addition to the Annually Required Contribution will be credited to the City's NPO and UAAL.

In addition to the funding of pension and other post employment healthcare expenses, the City's 2008 budget included:

- An additional $18 million for compliance with Storm Water Permits.
- An additional $13.6 million for deferred maintenance and $25 million for financed capital projects.
- An additional $10 million for Americans with Disabilities Act Compliance.
- An additional $5 million in funding for Public Liability Reserves.
- A budgeted reserve contribution of $3.3 million.

Funding requirements for Workers' Compensation are planned to be addressed in fiscal year 2009, as discussed in the Five Year Financial Outlook, and were not addressed in the Fiscal Year 2008 Budget. In addition to the allocation of funds in the Fiscal Year 2008 Budget, the City Charter was recently amended to enable the City to contract for certain services, allowing a "Managed Competition" plan to be undertaken by the City. Managed Competition involves undertaking a review and redesign of how City services are delivered, with a goal of increasing the efficiency of City operations. Once completed and operating

segments have achieved the efficiency gains identified in the first step of the Managed Competition plan, operating segments are competed against private sector suppliers in an effort to determine the lowest cost approach to service delivery. If private sector suppliers are the lowest bidder, the services will be outsourced. The potential savings from Managed Competition and the effect on the projected deficits cannot be determined at this time.

Due to the City's restraint in hiring in Fiscal Year 2007, the City realized significant budgetary savings for personnel expenditures of approximately $34.6 million for the year ended June 30, 2007. The Fiscal Year 2008 budget process identified and eliminated approximately 630 (629.71) budgeted positions citywide.

The City's Five-Year Financial Outlook discussed above can be obtained at the Financial Management Office, 202 C Street, MS8A, San Diego, CA 92101.

OTHER FINANCIAL INFORMATION

Independent Audits

The City Charter requires an annual audit by independent certified public accountants. The goal of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatements. An independent audit involves 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 the City; and evaluating the overall financial statement presentation. In addition, the City is required to undergo an annual Single Audit in conformity with the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations." As part of the City's Single Audit, tests are performed on internal control activities, including that portion related to federal award programs, to determine the City's compliance with applicable laws, regulations, contracts and grants.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year ended June 30, 2005, dated October 26, 2007, reported three material weaknesses to the internal control framework which require significant improvements in order to produce timely and accurate financial statements in a cost effective manner. Additionally, the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program, Internal Control Over Compliance and the Schedules of Expenditures of Federal Awards and Governor's Office of Emergency Services Grants in Accordance With OMB Circular A-133 for the fiscal year ended June 30, 2005 reported compliance, in all material respects, with the requirements that are applicable to each of its major federal programs with the exception of four specific instances. City management is currently in the process of improving the internal controls over compliance in response to these issues. Both the CAFR and the Internal Auditor's Annual Reports on Internal Controls can be obtained at the City of San Diego Comptroller's Office, 202 C Street, MS6A, San Diego, CA 92101.

Cash Management

The City Treasurer is responsible for investment of the City's cash. Eligible investments include, but are not limited to, obligations of the U.S. Treasury and U.S. Agencies, demand deposits, negotiable certificates of deposit, bankers' acceptances, medium-term corporate notes, repurchase agreements, and commercial paper in compliance with Sections 53601-53635 of the California Government Code. The City's cash is invested under a pooled money concept, with maturities planned to coincide with projected needs, and with the primary objective of preserving principal. During fiscal year 2006, the average daily pooled portfolio balance was approximately $1.26 billion, with a weighted average maturity of 502 days. Most of these monies are held in funds that have restricted uses. The largest balances, for instance, are found in the utility funds. The average earned income yield on pooled investments was 3.40%, as compared to 2.07% in the prior year.

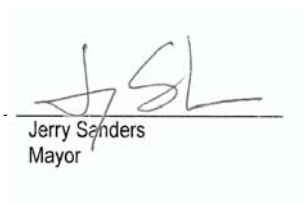
The City Treasurer's Investment Policy has an objective to minimize credit and market risks while maintaining a competitive yield on its portfolio. All non-negotiable time certificates of deposit and demand accounts in excess of the amounts insured by the Federal Deposit Insurance Corporation are required to be fully collateralized with mortgages or eligible securities in accordance with California State law. The City's investments are held by the City's custodian bank in the City's name, or the nominee name of the custodian bank, to ensure fluid and efficient processing of security trades.

Additional information on the City of San Diego's cash management activity may be found in Note 3 of the notes to the financial statements.

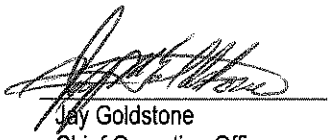
Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City has established various self-insurance programs and maintains contracts with various insurance companies to manage excessive risk. Additional information on the City of San Diego's risk activity may be found in Notes 15 and 16 of the notes to the basic financial statements.

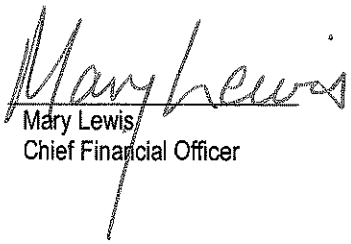
Sincerely,



Jerry Sanders
Mayor



Jay Goldstone
Chief Operating Officer



Mary Lewis
Chief Financial Officer

City of San Diego Officials
As of June 30, 2006

Mayor and Council Members

Jerry Sanders, Mayor

Scott Peters, Councilmember District 1

Kevin Faulconer, Councilmember District 2

Toni Atkins, Councilmember District 3

Tony Young, Councilmember District 4

Brian Maienschein, Councilmember District 5

Donna Frye, Councilmember District 6

Jim Madaffer, Councilmember District 7

Ben Hueso, Councilmember District 8

City Attorney

Michael J. Aguirre

City Officials

Ronne Froman*, Chief Operating Officer

Jay M. Goldstone, Chief Financial Officer

John Torell*, Auditor and Comptroller

Gail Granewich, Treasurer

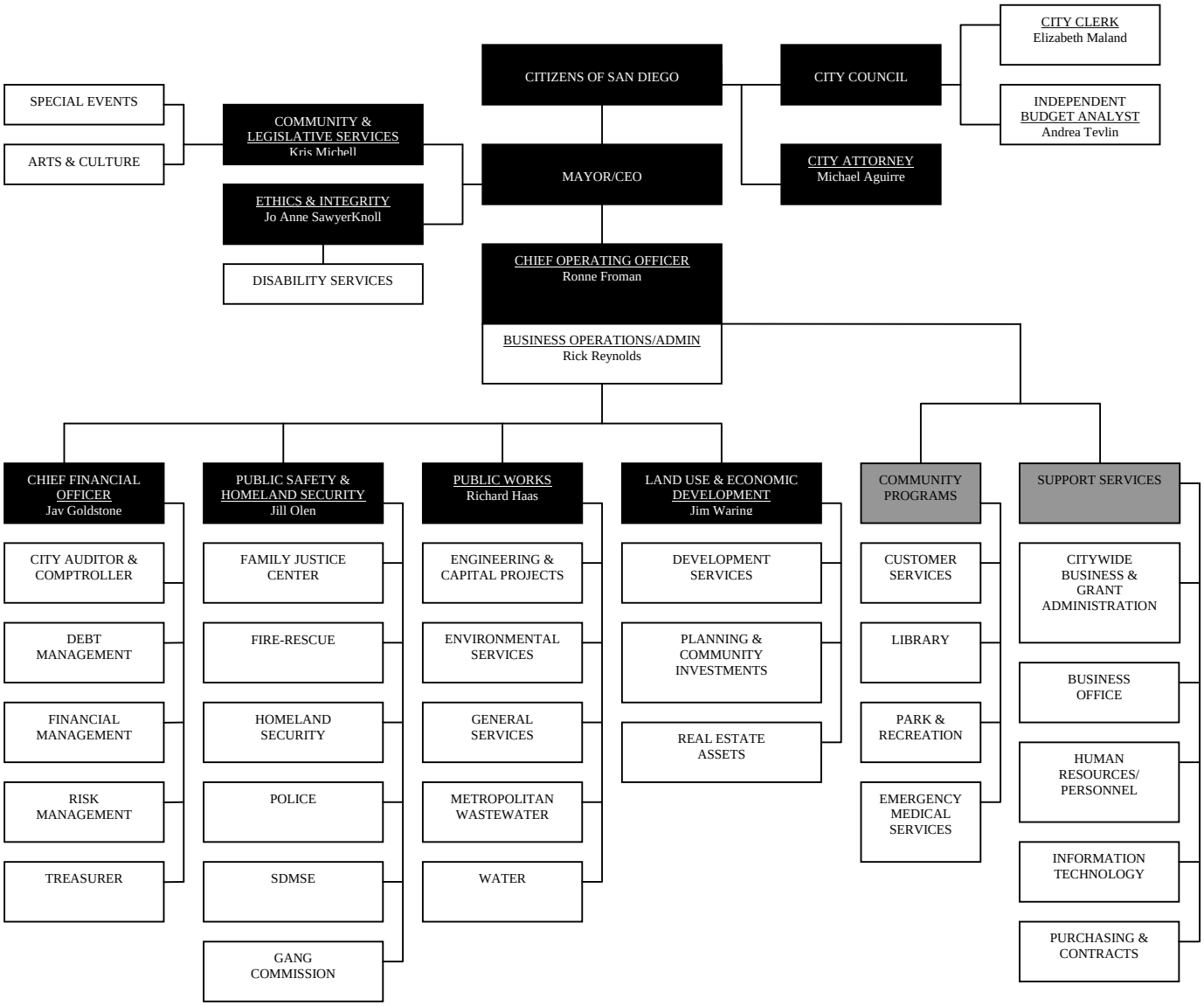
Elizabeth Maland, City Clerk

Andrea Tevlin, Independent Budget Analyst

* Individual is no longer an employee of the City.

City of San Diego Organization Chart

As of June 30, 2006



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Financial Section

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

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Sacramento, CA 95816
916.928.4600

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

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

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

Independent Auditor's Report

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

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, 2006, 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 statements reflect 89%, 95% and 84% of total assets, total net assets and total revenues, respectively, of the aggregate discretely presented component unit totals. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the San Diego Convention Center Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis, analysis of funding progress and general fund budgetary information on pages 33 through 45, 154 and 155 through 160, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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, except for the budgetary schedules on pages 206 through 213, 216 through 217 and 227, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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 on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
March 21, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(In Thousands)
June 30, 2006

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 fiscal year ended June 30, 2006.

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 themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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 2006. 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; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; and Neighborhood Services. The business-type activities of the City include: Airports; City Store; Development Services; Environmental Services; Golf Course; Recycling; Sewer Utility; and Water Utility.

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 government's operations and are combined with the primary government.

Included within the primary government as blended component units:

- Centre City Development Corporation
- City of San Diego Metropolitan Transit Development Board Authority
- Community Facility and Other Special Assessment Districts
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation

- San Diego Industrial Development Authority
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation
- City of San Diego Tobacco Settlement Revenue Funding Corporation

The government-wide financial statements can be found beginning on page 50 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 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 form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement 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 54 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. Internal Service funds, such as Central Garage and Machine Shop, Central Stores, Print Shop, and Self Insurance, are used to report activities that provide centralized supplies and services to the City. All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively Water and Sewer activities, has been included within business-type activities in the government-wide financial statements.

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 Water and Sewer funds, which are considered to be major funds of the City. Data from other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor business-type funds is provided in the form of combining statements elsewhere in this report. Internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this

report. The basic proprietary funds financial statements can be found beginning on page 58 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 statement because the resources of those funds are not available to support the City's programs. 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 61 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 63 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 benefits to its employees. Required supplementary information can be found beginning on page 154 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor business-type funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and the General Fund budgetary comparison statement. Combining and individual fund statements and schedules can be found beginning on page 187 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	
	2006	2005*	2006	2005	2006	2005*
Capital Assets	$ 4,307,640	$ 4,284,409	$ 4,536,313	$ 4,507,385	$ 8,843,953	$ 8,791,794
Other Assets	1,511,124	1,337,369	650,350	647,459	2,161,474	1,984,828
Total Assets	5,818,764	5,621,778	5,186,663	5,154,844	11,005,427	10,776,622
Net Long-Term Liabilities	1,876,763	1,797,521	1,866,411	1,870,766	3,743,174	3,668,287
Other Liabilities	160,423	192,679	109,123	116,070	269,546	308,749
Total Liabilities	2,037,186	1,990,200	1,975,534	1,986,836	4,012,720	3,977,036
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,472,531	3,478,769	2,867,469	2,863,136	6,340,000	6,341,905
Restricted	449,173	401,486	35,085	32,929	484,258	434,415
Unrestricted	(140,126)	(248,677)	308,575	271,943	168,449	23,266
Total Net Assets	$ 3,781,578	$ 3,631,578	$ 3,211,129	$ 3,168,008	$ 6,992,707	$ 6,799,586

*Certain amounts have been reclassified to conform to current year presentation

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 $6,992,707 at June 30, 2006, an increase of $193,121 over fiscal year 2005.

$6,340,000, or approximately 91%, 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally are not used to liquidate these liabilities.

$484,258, or approximately 7%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of $168,449, or approximately 2%, is available to finance ongoing services and obligations to the City's citizens and creditors.

Unrestricted Net Assets increased by $145,183, primarily due to: a decrease of approximately $46,000 in the amount of outstanding debt for governmental activities which is not capital or housing related; an increase in revenue accruals of approximately $30,000 for In-Lieu Vehicle License Fees and grants receivable of governmental activities; an increase of $23,000 in capital contributions related to land acquisition credits of the governmental activities; a decrease in liability claim accruals of approximately $21,000 resulting from claims settled in fiscal year 2005 and fiscal year 2006 and a slightly lower actuarial valuation for public liability claims; and an increase in sales of water of approximately $12,000 in the Water Utility due to rate increases.

The deficit balance of ($140,126) in Unrestricted Net Assets for Governmental Activities reflects the fact that governmental activities raise resources based on when liabilities are expected to be paid, rather than when they are incurred. Most governments normally do not have sufficient current resources on hand to cover current and long-term liabilities. This deficit in and of itself should not be considered an economic or financial difficulty; however, it does measure how far the City has committed the government's future taxing power for purposes other than capital acquisition.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues						
Charges for Current Services	$ 278,881	$ 268,977	$ 705,682	$ 697,330	$ 984,563	$ 966,307
Operating Grants and Contributions	101,723	109,268	1,909	2,028	103,632	111,296
Capital Grants and Contributions	100,564	134,702	77,602	63,830	178,166	198,532
General Revenues						
Property Taxes	459,777	381,874	-	-	459,777	381,874
Transient Occupancy Taxes	136,803	120,792	-	-	136,803	120,792
Other Local Taxes	148,001	152,577	-	-	148,001	152,577
Grants and Contributions not Restricted to Specific Programs	64,039	89,719	-	-	64,039	89,719
Sales Taxes	227,017	197,198	-	-	227,017	197,198
Investment Income	40,108	29,473	16,938	17,132	57,046	46,605
Other	75,943	52,979	6,502	8,815	82,445	61,794
Total Revenues	1,632,856	1,537,559	808,633	789,135	2,441,489	2,326,694
Expenses:						
General Government and Support	252,295	247,038	-	-	252,295	247,038
Public Safety-Police	370,990	372,230	-	-	370,990	372,230
Public Safety-Fire and Life Safety	194,074	186,203	-	-	194,074	186,203
Parks, Recreation, Culture and Leisure	237,375	218,601	-	-	237,375	218,601
Transportation	200,883	220,095	-	-	200,883	220,095
Sanitation and Health	48,774	45,088	-	-	48,774	45,088
Neighborhood Services	111,886	89,162	-	-	111,886	89,162
Interest on Long-Term Debt	71,109	73,381	-	-	71,109	73,381
Airports	-	-	4,100	3,196	4,100	3,196
City Store	-	-	810	808	810	808
Development Services	-	-	57,893	60,240	57,893	60,240
Environmental Services	-	-	44,493	43,711	44,493	43,711
Golf Course	-	-	9,563	8,585	9,563	8,585
Recycling	-	-	21,853	21,426	21,853	21,426
Sewer Utility	-	-	319,274	348,327	319,274	348,327
Water Utility	-	-	302,996	300,665	302,996	300,665
Total Expenses	1,487,386	1,451,798	760,982	786,958	2,248,368	2,238,756
Change in Net Assets Before Transfers:	145,470	85,761	47,651	2,177	193,121	87,938
Transfers	4,530	626	(4,530)	(626)	-	-
Net Change in Net Assets	150,000	86,387	43,121	1,551	193,121	87,938
Net Assets - July 1	3,631,578	3,545,191	3,168,008	3,166,457	6,799,586	6,711,648
Net Assets - June 30	$ 3,781,578	$ 3,631,578	$ 3,211,129	$ 3,168,008	$ 6,992,707	$ 6,799,586

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by $150,000 during fiscal year 2006. Variances from fiscal year 2005 of more than 10% are discussed below.

- Capital Grants and Contributions decreased by $34,138, or approximately 25%, which was caused by several factors. Donated capital assets decreased by approximately $55,000 from fiscal year 2005. $40,000 of this decrease was attributed to donated land, and the remaining decrease was primarily related to facilities benefit assessment (FBA) projects completed during fiscal year 2006. The Grants funds and Capital Outlay funds experienced decreases of approximately $4,000 and $12,000, respectively, due to departmental delays in grant billings, as well as one time grants received for property acquisitions during fiscal year 2005. These decreases were partially offset by the Redevelopment Agency's recognition of revenue that had been advanced by the San Diego Padres in prior years for the purpose of acquiring land surrounding Petco Park. The City recorded these advances as Land Acquisition Credits to be used by the developer against the sales price of the land. In fiscal year 2006, the conveyance of these parcels was completed, which increased the Capital Grants and Contributions revenue by approximately $36,000.

- Property Tax revenue increased by $77,903, or approximately 20%. Approximately $23,000 was attributed to increased assessed property valuations in the Centre City Redevelopment project area, and approximately $18,300 was due to increased In-Lieu Vehicle License Fees (VLF) received as a result of the State of California's implementation of the VLF Swaps. The remaining $36,603 increase was attributed to increases in assessed property valuations, both in the City (approximately $27,000) and other Redevelopment project areas (approximately $9,600).

- Transient Occupancy Taxes increased by $16,011, or approximately 13%, primarily due to an increase in the average daily rate charged for hotel rooms, compared to fiscal year 2005. According to the San Diego Convention & Visitors Bureau, average occupancy rates of hotels located in the San Diego area declined during calendar year 2006 by approximately 0.2%; however, average daily room rates increased by approximately 6.0%.

- Grants and Contributions not Restricted to Specific Programs decreased by $25,680, or approximately 29%, due to the following factors. The State of California did not budget for the transfer of Booking Fees in fiscal year 2006, which resulted in a decrease of approximately $5,000. There was also a decrease of $20,435, due to a one time sale of VLF receivables during fiscal year 2005, by the San Diego Open Space Park Facilities District #1, which were used for a partial refunding of Open Space bonds.

- Sales Tax revenue increased by $29,819, or approximately 15%, primarily due to $15,000 received from the State of California pursuant to Assembly Bill 2928, during fiscal year 2006. During fiscal years 2004 and 2005, the State did not make payments to the City, and instead, made a "catch-up" payment for 2004, 2005, and 2006 during fiscal year 2006. The remainder of the increase was due to growth in taxable sales.

- Investment Income increased by $10,635, or approximately 36%, primarily due to changes in market values.

- Other revenue increased by $22,964, or approximately 43%. Approximately $17,000 of this increase represents the retirement pick up amounts paid by City employees. There was also an increase of approximately $8,600 in developer contributions within the North University City Area, to be used for various improvements including the Nobel Athletic Area.

- Neighborhood Services expense increased by $22,724, or approximately 25%, primarily due to Redevelopment Agency losses of approximately $8,300 on the disposition of land held for resale, for the development of low and moderate income housing in the Barrio Logan and City Heights project areas. In addition, there were increased project improvement expenditures of approximately $5,200 related to low and moderate income housing in the Crossroads project area.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by $43,121 during fiscal year 2006. Variances from fiscal year 2005 of more than 10% are discussed below.

- Capital Grants and Contributions increased by $13,772, or approximately 22%, primarily due to increases in developer contributed infrastructure for Sewer and Water capital improvement projects.

- Other revenue decreased by $2,313, or approximately 26%, primarily due to a one time claim settlement award received during fiscal year 2005 by the Sewer Utility Fund for construction defects attributed to the Rose Canyon Trunk Sewer project.

- Golf Course expense increased by $978, or approximately 11%, primarily due to increased maintenance projects at both the Torrey Pines and Mission Bay golf courses.

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2006, the City's governmental funds reported combined ending fund balances of $1,137,239, an increase of $137,625 from fiscal year 2005. Approximately $714,932 constitutes unreserved fund balance, which is available for spending at the government's direction. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate 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. At the end of fiscal year 2006, undesignated fund balance of the General Fund was $39,884, while total fund balance was $61,641. This represents a $593 increase from the fiscal year 2005 total fund balance.

PROPRIETARY FUNDS

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

As of the end of fiscal year 2006, Unrestricted Net Assets of the Sewer Utility Fund are $115,603. Unrestricted Net Assets increased approximately $6,340, or approximately 6%, mainly due to a decrease in maintenance and operations expenses of approximately $2,900, combined with a $3,500 decrease in debt service interest expense.

As of the end of fiscal year 2006, Unrestricted Net Assets of the Water Utility Fund are $148,177. Unrestricted Net Assets increased by $25,778, or approximately 21%, primarily due to a State Revolving Loan Fund addition of $21,108, combined with an increase in the sales of water as a result of City Council approved rate increases of 6% for five years beginning July 1, 2002, through July 1, 2006.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was $28,265 lower than the final budget due to increases (decreases) in appropriations primarily attributed to the following:

- $9,010 for General Government and Support. This increase was related to several departments. Facilities Maintenance had a $2,482 budget increase, for services to other funds. The budget for Property Tax Administration was increased by $1,261. Storm Water's budget increased by $1,498 due to an increase in professional consultant services and project related costs. The City Manager's budget increased by $690 due to the transition to the Strong Mayor form of government. The departments of Personnel, Financial Management, Engineering, and Human Resources-Organizational Effectiveness Program had a combined increase of $1,914. This was due to the appropriation of over budget revenue which was generated by increased services. Council Administration had a budget increase of $486 due to the addition of the Office of the Independent Budget Analyst.

- $9,097 for Public Safety – Fire and Life Safety and Homeland Security. This increase was primarily due to personnel costs related to terminal leave payouts, specialty pay, and higher than anticipated overtime.

- $3,187 for Neighborhood Services. This increase was primarily due to additional services provided to the Redevelopment Agency and other City funds.

- ($8,864) for Transfers to Proprietary Funds. This decrease was the result of the reclassification of transfers to the Public Liability Fund as General Government and Support expenditures.

- $14,888 for Transfers to Other Funds. This increase was primarily due to City Council directed transfers to Capital Projects Funds, including $10,410 for State Route 56 right-of-way acquisition costs.

Actual revenues received for the General Fund were $19,542 more than budgeted. Property Taxes were over budget by $13,149, which was primarily due to higher than anticipated growth in assessed property valuations. Sales taxes were under budget by $40,014, and In Lieu Sales Taxes were over budget by $45,433. Both these variances were primarily a result of the State of California's implementation of the "Triple Flip." The City's 2006 budget accounted for these revenues within the Sales Tax category, however for CAFR purposes, the revenue is reported in the In Lieu Sales Tax category.

Actual expenditures for the General Fund were $13,679 less than budgeted, primarily due to the Mayor's mandatory 5% savings plan enforced upon all General Fund departments.

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	
	2006	2005	2006	2005	2006	2005
Land, Easements, Rights of Way	$ 1,711,064	$ 1,696,804	$ 89,769	$ 85,618	$ 1,800,833	$ 1,782,422
Construction-in-Progress	223,903	223,519	399,422	496,184	623,325	719,703
Structures and Improvements	785,158	765,231	1,272,150	1,217,090	2,057,308	1,982,321
Equipment	110,971	123,672	115,865	127,388	226,836	251,060
Distribution and Collection Systems	-	-	2,659,107	2,581,105	2,659,107	2,581,105
Infrastructure	1,476,544	1,475,183	-	-	1,476,544	1,475,183
Totals	$ 4,307,640	$ 4,284,409	$ 4,536,313	$ 4,507,385	$ 8,843,953	$ 8,791,794

CAPITAL ASSETS

In accordance with GASB Statement No. 34, all major infrastructure assets (such as streets, signals, bridges, and drains) 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 will continue to be reported on a modified accrual basis at the fund level. Differences between the fund and government-wide statements

reporting 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, 2006 was $8,843,953 (net of accumulated depreciation). The total increase in the City's investment in Capital Assets over fiscal year 2005 was approximately $52,159.

HIGHLIGHTS OF FISCAL YEAR 2006 CAPITAL IMPROVEMENT ACTIVITIES

Governmental Activities

- Construction began on the Northwestern Area Station. This project will provide for the land development, design, and construction of a new Police Command and Light Vehicle Maintenance Facility. The facility will serve the Northwestern area of the City in the Carmel Valley and adjacent communities. The project is fully funded by Developer Impact Fees and Facilities Benefit Assessments. The City's fiscal year 2006 capital expenditures for this project were $6,735.

- Right-of-way acquisition continues for the State Route 56 freeway. This project will provide for an east-west four-lane freeway between the Carmel Valley and Rancho Penasquitos communities. When complete, construction will include three separate interchanges, bike paths, and sound walls, as well as grading for the ultimate six-lane freeway. The City's fiscal year 2006 capital expenditures for this project were $10,435.

- Construction continues on the North Torrey Pines Road Bridge. This project will provide for transitionally widening both road approaches and improving the structural integrity, functionality, and safety of the bridge. The City's fiscal year 2006 capital expenditures for this project were $1,300.

- Construction continues on the Mira Sorrento Place project. This project will provide for widening and extending Mira Sorrento Place to a four-lane collector street. Traffic flow on Scranton Road and Vista Sorrento Parkway will improve upon project completion. The City's fiscal year 2006 capital expenditures for this project were $2,508.

- Construction continues on Judicial Drive from Golden Haven to Eastgate Mall. This project will provide a new four lane major street and under-crossing at La Jolla Village Drive. The project is funded by the North University City Facilities Benefit Assessment. The City's fiscal year 2006 capital expenditures for this project were $5,252.

- Construction began on the Nobel Athletic Area. Upon completion this project will provide an additional twenty-four acres of developed park land. Improvements will include a 10,300 square foot recreation center, sports fields, comfort stations, an off-leash dog area, play, and parking areas in the University City area. The City's fiscal year 2006 capital expenditures for this project were $4,131. The project is entirely funded by the North University City Facilities Benefit Assessment.

- Construction continues on the Carmel Mountain Road - Interstate 5 Interchange project. This project provides for a diamond interchange at Interstate 5 and Carmel Mountain Road. This interchange will accommodate the increase in vehicular traffic created by development in the communities of Carmel Valley and Sorrento Hills. The City's fiscal year 2006 capital expenditures for this project were $1,287.

- Construction continues on the Lincoln Park Fire Station #12. This project will provide for the complete reconstruction of the existing facility located at 4964 Imperial Avenue. The project is part of the Fire and Life Safety Services Facility Improvements Program. The City's fiscal year 2006 capital expenditures for this project were $964.

- Construction continues on the North University Community Branch Library. This project will provide for the construction of a 15,000 square-foot library on a City owned park site at Nobel Drive and Judicial Drive to serve the community in North University City. The City's fiscal year 2006 capital expenditures for this project were $2,320.

- Construction was completed on the Del Cerro Fire Station #31. This project provided for the complete reconstruction of the existing facility located at 6002 Camino Rico, in the Navajo/Del Cerro Community. The project is part of the Fire and Life Safety Services Facility Improvements Program. The City's fiscal year 2006 capital expenditures for this project were $1,295.

- Construction continues on the Serra Mesa/Kearny Mesa Branch Library. This project will provide for the construction of a new 15,000 square-foot library on the 8900 Block of Aero Drive. Upon completion the new facility will include additional meeting rooms, computer lab, separate children's area and quiet study areas. Additional parking has also been incorporated into the design of the new facility. Serra Mesa and Kearny Mesa Developer Impact fees are the primary funding sources for this project. The City's fiscal year 2006 capital expenditures for this project were $4,248.

Business-Type Activities

During fiscal year 2006 the Water Utility Fund added approximately $46,600 in capital improvement projects (CIP). Upgrades and expansion of the Miramar Water Treatment Plant and the Alvarado Water Treatment Plant continued, along with Water Main Replacements. Capital asset write-offs for fiscal year 2006 were $9,900, and were primarily due to losses related to abandoned projects, and retirements of developer contributed assets.

During fiscal year 2006, the Sewer Utility Fund added approximately $19,800 in CIP, of which the Metropolitan system CIP increased approximately $2,400 and included the Point Loma Digester S1 and S2 Upgrades. Municipal system CIP increased approximately $17,405 and included the following major projects: Sorrento Valley Trunk Sewer Relocation, Pump Station Upgrades, and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2006 were $442, and were primarily due to retirements of developer contributed assets and equipment.

HIGHLIGHTS OF APPROVED FISCAL YEAR 2007 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

The Annual Approved Capital Improvements Budget for Fiscal Year 2007 is $293,700, which is a $95,900, or 25% decrease over the fiscal year 2006 budget of $389,600. Engineering & Capital Projects, and Library Projects comprise 47%, and 10% of the total CIP budget, respectively. Water and Sewer projects comprise over 13% of the total CIP budget. Funding for governmental projects include TransNet funds, Facilities Benefit Assessments, Developer Impact Fees, Developer Contributions, and Federal, State, local, and private contributions. Highlights of the key budgets by department are as follows:

Governmental Activities

- Engineering and Capital Projects: $140,000 (47% of total CIP budget). Key projects include the undergrounding of City utilities, which provides for underground conversion projects, to augment the California Public Utilities Commission (CPUC) Rule 20A. Funding is also allocated for conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The $55,000 annual allocation for these projects is entirely funded by the Underground Surcharge Fund. Other significant projects include: $10,500 for North Harbor Drive Navy Estuary, $8,300 for the construction of El Camino Real, $4,900 for Palm Avenue/I-805 Improvements, and $3,000 for the construction of Bayshore Bikeway.

- Library: $30,300 (10% of total CIP budget), which includes anticipated State, Federal, local, and private funding. The majority of these projects are part of the 21st Century Library System/Library Department Facility Improvements Program. Projects that are beginning design or closing out in fiscal year 2007 are related to the Mission Hills-Hillcrest, Otay Mesa/Nestor, and San Carlos Libraries. Project construction activity for fiscal year 2007 includes the Serra Mesa/Kearny Mesa Library, the North University Community Library at Nobel Park, and Phase 2 construction of the Logan Heights Library.

- Parks and Recreation: $28,700 (9% of total CIP budget). Key budgets include: $1,500 for the Carmel Valley Neighborhood Park, $4,256 for Gonzales Canyon Neighborhood Park, $5,673 for McAuliffe Community Park, and $2,230 for Joint Use Improvements at Angier Elementary School.

- San Diego Fire-Rescue: $9,519 (3% of total CIP budget). Key budgets include: $6,026 for the Pacific Highlands Ranch Fire Station (#47), and $1,500 for Black Mountain Ranch North Fire Station.

Business-Type Activities

The fiscal year 2007 Water Utility CIP budget is $31,100, plus an additional $22,200 for phase funded projects. Significant projects include: $8,000 for replacing water mains citywide, $2,200 for the Rancho Bernardo Reservoir Upgrade, and $2,000 for the Water Department Security Upgrades.

The fiscal year 2007 Metropolitan Wastewater Department CIP budget is $39,500. There are no phase funded projects budgeted for fiscal year 2007. Significant projects include: $8,700 for continued sewer main replacements and upgrades to sewer infrastructure, $12,000 for pipeline rehabilitation, and $3,700 for improvements to Miramar Road Trunk Sewer.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Capital Lease Obligations	$ 40,541	$ 30,647	$ 2,051	$ 3,521	$ 42,592	$ 34,168
Contracts Payable	2,615	1,715	-	-	2,615	1,715
Notes Payable	7,294	7,924	-	-	7,294	7,924
Loans Payable	14,345	5,187	91,247	63,803	105,592	68,990
Section 108 Loans	42,499	42,858	-	-	42,499	42,858
SANDAG Loans	7,355	13,979	-	-	7,355	13,979
General Obligation Bonds	12,690	14,530	-	-	12,690	14,530
Revenue Bonds/COP's/ Lease Revenue Bonds	549,850	571,285	1,662,705	1,698,060	2,212,555	2,269,345
Special Assessment/ Special Tax Bonds	133,605	137,305	-	-	133,605	137,305
Tax Allocation Bonds	514,845	415,778	-	-	514,845	415,778
Tobacco Settlement Bonds	105,400	-	-	-	105,400	-
Totals	$ 1,431,039	$ 1,241,208	$ 1,756,003	$ 1,765,384	$ 3,187,042	$ 3,006,592

LONG-TERM DEBT

At the end of fiscal year 2006, the City, including blended component units, had total debt outstanding of approximately $3,187,042. Of this amount, $12,690 is comprised of debt backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, lease revenue bonds, COPs, special assessment bonds, tax allocation bonds, contracts payable, notes payable, loans payable, Section 108 loans, capital lease obligations, and San Diego Association of Governments (SANDAG) loans.

Governmental Activities

- The City established the Tobacco Settlement Revenue Funding Corporation (TSRFC), a California Nonprofit Public Benefit Corporation to acquire future Tobacco Settlement Revenues from the City. TSRFC issued $105,400 of Tobacco Settlement Asset-Backed Bonds, series 2006, which are limited obligations of the Corporation, payable from and secured by a pledge of the first $10,100 annually from the tobacco settlement revenues due to the City and acquired by TSRFC.

- The City (RDA) issued $76,225 of Subordinate Tax Allocation Bonds (series 2006A) and $33,760 of Subordinate Housing Tax Allocation Bonds (series 2006B). The 2006A Bonds were issued for the purpose of financing redevelopment activities within the Centre City Project, and to pay for the costs of the debt service reserve surety bonds and costs of issuance. The 2006B Bonds were issued for the purpose of financing certain improvements relating to increasing the development of low and moderate income housing, to pay the costs of the debt service surety bonds and costs of issuance.

- Total principal payments for long-term debt were $59,514, which includes $37,893 principal payments for outstanding bonds, $10,798 payments on loans payable, $630 payments on notes payable, and $10,193 principal payments on capital leases.

Business-Type Activities

- A Sewer loan from the State Water Resources Control Board for $10,093 and a Water loan from the Department of Health for $21,525 were executed in order to construct capital improvement projects.

- Total principal payments for long-term debt were $40,999, which includes $35,355 principal payments for outstanding bonds, $4,174 payments on loans payable and $1,470 principal payments on capital leases.

The following are credit ratings changes that have occurred to date since July 1, 2003, pertaining to the City of San Diego's outstanding General Obligation bonds, Revenue Bonds, Lease Revenue Bonds, and COPs:

Moody's Investor's Service							
	July 1, 2003	Feb 2, 2004	Apr 6, 2004	Aug 12, 2004	Sept 24, 2004	Dec 3, 2004	Aug 2, 2005*
General Obligation Bonds	Aa1	Aa1	Aa1	Aa3	A1	A1	A3
General Fund Backed Lease Revenue Obligations	Aa3/A1	Aa3/A1	Aa3/A1	A2/A3	A3/Baa1	A3/Baa1	Baa2/Baa3
Outlook/Watch	Stable	Negative Outlook	Watchlist for Possible Downgrade	Stable	Negative Outlook	Negative Outlook	Negative Outlook
Wastewater System Obligations	A1	A1	A1	A1	A1	A1	A3
Water System Obligations	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	A2/A3
Outlook/Watch	Stable	Stable	Stable	Stable	Stable	Credit Watch Negative	Negative Outlook
** - Ratings were affirmed on February 16, 2006*							

Fitch Ratings					
	July 1, 2003	Feb 27, 2004	Sept 23, 2004	Feb 16, 2005	May 27, 2005
General Obligation Bonds	AAA	AA	AA	A	BBB+
General Fund Backed Lease Revenue Obligations	AA+	AA-	AA-	A-	BBB-
Outlook/Watch	Stable	Negative Outlook	Rating Watch Negative	Rating Watch Negative	Rating Watch Negative
Wastewater System Obligations	AA-	AA-	AA-	A	BBB+
Water System Obligations	AA-/A+	AA-/A+	AA-/A+	A/A-	BBB+/BBB
Outlook/Watch	Stable	Stable	Stable	Rating Watch Negative	Rating Watch Negative

Standard & Poor's			
	July 1, 2003	Feb 23, 2004	Sept 20, 2004
General Obligation Bonds	AA	AA-	Suspended
General Fund Backed Lease Revenue Obligations	AA-	A+	Suspended
Outlook/Watch	Stable	Negative Credit Watch	Negative Credit Watch
Wastewater System Obligations	A	A	Suspended
Water System Obligations	AA-/A+	AA-/A+	Suspended
Outlook/Watch	Stable	Negative Credit Watch	Negative Credit Watch

As of January 2008, the City of San Diego Tobacco Settlement Revenue Funding Corporation Tobacco Settlement Asset Backed Bonds, Series 2006, were upgraded by Fitch Ratings from BBB to BBB plus. AMBAC Assurance Corporation and FGIC Corporation bond insurance policies and surety debt reserve policies, which support ratings and certain of the City's debt obligations issued on a long term fixed rate basis, have been downgraded by Fitch Ratings from AAA to AA and to A, respectively. None of the underlying ratings, as shown in the tables above, have been changed as a result of such action.

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's current outstanding general obligation balances as of June 30, 2006 are significantly less than the current debt limitations for water and other purposes, which are $4,724,374 and $3,149,583, respectively (see Statistics 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, but an obligation payable from the revenues received by the utility. Section 90.2 authorizes the issuance of Revenue Bonds for the purpose of constructing improvements to the City's sewer system.

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 addressed to the Office of the City Auditor & Comptroller, 202 C Street, San Diego, California 92101 or e-mailed to the City Auditor and Comptroller at auditor@sandiego.gov. This financial report is also available on the City's website at www.sandiego.gov, under the Auditor and Comptroller department.

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Basic Financial Statements

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STATEMENT OF NET ASSETS
June 30, 2006
(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	$ 1,047,310	$ 426,134	$ 1,473,444	$ 15,376	$ 68,048
Receivables:					
Taxes - Net	97,769	-	97,769	-	-
Accounts - Net of Allowance for Uncollectibles					
(Governmental $8,458, Business-Type $1,301)	30,547	68,319	98,866	2,687	768
Claims - Net	123	-	123	-	-
Contributions	184	-	184	-	-
Special Assessments - Net	1,346	-	1,346	-	-
Facilities Benefit Assessment Credits Receivable	13,267	-	13,267	-	-
Notes	52,589	-	52,589	-	117,430
Accrued Interest	8,530	5,146	13,676	-	12,514
Grants	58,708	2,321	61,029	-	-
From Other Agencies	-	-	-	-	7,633
Investment in Joint Venture	2,063	-	2,063	-	-
Advances to Other Agencies	3,554	-	3,554	-	-
Internal Balances	(2,931)	2,931	-	-	-
Inventories of Water in Storage	-	26,546	26,546	-	-
Inventories	2,770	519	3,289	8	67
Land Held for Resale	32,133	-	32,133	-	-
Prepaid Expenses	2,084	721	2,805	1,018	744
Restricted Cash and Investments	136,493	106,133	242,626	-	1,296
Deferred Charges	24,585	11,580	36,165	-	-
Capital Assets - Non-Depreciable	1,934,967	489,191	2,424,158	-	40,487
Capital Assets - Depreciable	2,372,673	4,047,122	6,419,795	16,812	40,693
TOTAL ASSETS	5,818,764	5,186,663	11,005,427	35,901	289,680

STATEMENT OF NET ASSETS
June 30, 2006
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
LIABILITIES					
Accounts Payable	$ 69,999	$ 47,206	$ 117,205	$ 2,071	$ 2,591
Accrued Wages and Benefits	26,977	9,168	36,145	-	38
Other Accrued Liabilities	21	60	81	1,879	485
Interest Accrued on Long-Term Debt	21,766	17,869	39,635	-	38
Long-Term Debt Due Within One Year	123,476	73,671	197,147	2,782	1,663
Due to Other Agencies	1,199	12,200	13,399	-	-
Unearned Revenue	35,155	9,276	44,431	8,234	96
Contract Deposits	-	9,465	9,465	-	-
Sundry Trust Liabilities	3,826	-	3,826	-	-
Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	3,849	3,849	-	-
Deposits/Advances from Others	-	30	30	-	954
Land Acquisition Credits	1,480	-	1,480	-	-
Long-Term Liabilities Due After One Year:					
Arbitrage Liability	-	193	193	-	-
Compensated Absences	40,756	8,810	49,566	45	-
Liability Claims	170,092	46,855	216,947	-	-
Capital Lease Obligations	31,767	1,006	32,773	2,956	-
Contracts Payable	2,615	-	2,615	-	-
Notes Payable	7,294	-	7,294	3,500	13,619
Loans Payable	11,643	86,570	98,213	-	-
SANDAG Loans Payable	2,248	-	2,248	-	-
Section 108 Loans Payable	39,431	-	39,431	-	-
Net Bonds Payable	1,289,354	1,598,101	2,887,455	-	-
Estimated Landfill Closure and Postclosure Care	-	14,811	14,811	-	-
Net Pension Obligation	158,087	36,394	194,481	-	-
TOTAL LIABILITIES	2,037,186	1,975,534	4,012,720	21,467	19,484
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,472,531	2,867,469	6,340,000	8,650	67,289
Restricted for:					
Capital Projects	273,575	-	273,575	2,577	-
Debt Service	-	2,970	2,970	-	-
Low-Moderate Income Housing	64,493	-	64,493	-	-
Permanent Endowments:					
Nonexpendable	14,568	-	14,568	-	-
Other	96,537	32,115	128,652	-	74,995
Unrestricted	(140,126)	308,575	168,449	3,207	127,912
TOTAL NET ASSETS	$ 3,781,578	$ 3,211,129	$ 6,992,707	$ 14,434	$ 270,196

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006
(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government and Support	$ 252,295	$ 96,345	$ 10,581	$ 2,874
Public Safety - Police	370,990	24,256	41,722	-
Public Safety - Fire and Life Safety	194,074	18,572	9,808	-
Parks, Recreation, Culture and Leisure	237,375	51,196	4,328	19,711
Transportation	200,883	52,375	217	22,424
Sanitation and Health	48,774	10,697	786	-
Neighborhood Services	111,886	25,440	34,281	38,449
Interest on Long-Term Debt	71,109	-	-	17,106
TOTAL GOVERNMENTAL ACTIVITIES	1,487,386	278,881	101,723	100,564
Business-Type Activities:				
Airports	4,100	4,385	-	1,364
City Store	810	837	-	-
Development Services	57,893	55,011	-	-
Environmental Services	44,493	39,850	92	-
Golf Course	9,563	13,119	-	-
Recycling	21,853	21,345	573	-
Sewer Utility	319,274	290,568	461	31,976
Water Utility	302,996	280,567	783	44,262
TOTAL BUSINESS-TYPE ACTIVITIES	760,982	705,682	1,909	77,602
TOTAL PRIMARY GOVERNMENT	$ 2,248,368	$ 984,563	$ 103,632	$ 178,166
Component Units:				
San Diego Convention Center Corporation	$ 32,116	$ 28,158	$ 4,339	$ -
San Diego Housing Commission	149,419	18,228	150,530	1,306
TOTAL COMPONENT UNITS	$ 181,535	$ 46,386	$ 154,869	$ 1,306
General Revenues:				
Property Taxes				
Transient Occupancy Taxes				
Other Local Taxes				
Developer Contributions and Fees				
Grants and Contributions not Restricted to Specific Programs				
Sales Taxes				
Investment Income				
Gain on Sale of Capital Assets				
Miscellaneous				
Transfers				
TOTAL GENERAL REVENUES AND TRANSFERS				
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
$ (142,495)	$ -	$ (142,495)	$ -	$ -
(305,012)	-	(305,012)	-	-
(165,694)	-	(165,694)	-	-
(162,140)	-	(162,140)	-	-
(125,867)	-	(125,867)	-	-
(37,291)	-	(37,291)	-	-
(13,716)	-	(13,716)	-	-
(54,003)	-	(54,003)	-	-
(1,006,218)	-	(1,006,218)	-	-
-	1,649	1,649	-	-
-	27	27	-	-
-	(2,882)	(2,882)	-	-
-	(4,551)	(4,551)	-	-
-	3,556	3,556	-	-
-	65	65	-	-
-	3,731	3,731	-	-
-	22,616	22,616	-	-
-	24,211	24,211	-	-
(1,006,218)	24,211	(982,007)	-	-
-	-	-	381	-
-	-	-	-	20,645
-	-	-	381	20,645
459,777	-	459,777	-	-
136,803	-	136,803	-	-
148,001	-	148,001	-	-
53,502	-	53,502	-	-
64,039	-	64,039	-	-
227,017	-	227,017	-	-
40,108	16,938	57,046	587	5,740
1,214	-	1,214	-	12
21,227	6,502	27,729	528	-
4,530	(4,530)	-	-	-
1,156,218	18,910	1,175,128	1,115	5,752
150,000	43,121	193,121	1,496	26,397
3,631,578	3,168,008	6,799,586	12,938	243,799
$ 3,781,578	$ 3,211,129	$ 6,992,707	$ 14,434	$ 270,196

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 23,281	$ 922,515	$ 945,796
Receivables:			
Taxes - Net	68,568	29,201	97,769
Accounts - Net of Allowance for Uncollectibles (General Fund $7,335, Other Governmental $408)	11,239	13,964	25,203
Claims - Net	38	68	106
Special Assessments - Net	-	1,346	1,346
Notes	-	52,589	52,589
Accrued Interest	1,434	7,044	8,478
Grants	-	58,708	58,708
From Other Funds	6,060	15,364	21,424
Advances to Other Funds	300	4,414	4,714
Advances to Other Agencies	9	3,545	3,554
Land Held for Resale	-	32,133	32,133
Prepaid Items	220	232	452
Investment in Joint Venture	2,063	-	2,063
Restricted Cash and Investments	-	136,360	136,360
TOTAL ASSETS	$ 113,212	$ 1,277,483	$ 1,390,695
LIABILITIES			
Accounts Payable	$ 5,642	$ 48,182	$ 53,824
Accrued Wages and Benefits	22,332	1,323	23,655
Other Accrued Liabilities	-	21	21
Due to Other Funds	-	24,823	24,823
Due to Other Agencies	-	1,199	1,199
Unearned Revenue	1,032	34,018	35,050
Deferred Revenue	21,580	77,133	98,713
Interfund Interest Payable	-	773	773
Interfund Loan Payable	-	5,873	5,873
Advances from Other Funds	985	4,714	5,699
Sundry Trust Liabilities	-	3,826	3,826
TOTAL LIABILITES	51,571	201,885	253,456

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND EQUITY:			
Fund Balances:			
Reserved for Land Held for Resale	-	30,806	30,806
Reserved for Encumbrances	18,916	128,714	147,630
Reserved for Advances	309	7,959	8,268
Reserved for Low and Moderate Income Housing	-	96,732	96,732
Reserved for Permanent Endowments	-	14,568	14,568
Reserved for Debt Service	-	122,240	122,240
Reserved for Minority Interest in Joint Venture	2,063	-	2,063
Unreserved, Reported in General Fund:			
Designated for Subsequent Years' Expenditures	469	-	469
Undesignated	39,884	-	39,884
Unreserved, Reported in:			
Special Revenue Funds	-	267,576	267,576
Debt Service Funds	-	217	217
Capital Projects Funds	-	406,130	406,130
Permanent Funds	-	656	656
TOTAL FUND EQUITY	61,641	1,075,598	1,137,239
TOTAL LIABILITIES AND FUND EQUITY	$ 113,212	$ 1,277,483	

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.	4,234,929
Other assets and liabilities used in governmental activities are not financial resources, and therefore, are either deferred or not reported in the funds.	135,085
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Print Shop, Self Insurance, and Central Stores to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Assets.	(50,350)
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,675,325)
Net Assets of governmental activities	$ 3,781,578

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, 2006
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 322,087	$ 135,821	$ 457,908
Special Assessments	-	36,699	36,699
Sales Taxes	110,556	116,461	227,017
In-Lieu Sales Taxes	45,433	-	45,433
Transient Occupancy Taxes	72,126	64,675	136,801
Other Local Taxes	72,102	75,899	148,001
Licenses and Permits	31,913	10,204	42,117
Fines, Forfeitures and Penalties	32,346	3,095	35,441
Revenue from Use of Money and Property	35,872	53,566	89,438
Revenue from Federal Agencies	3,755	39,815	43,570
Revenue from Other Agencies	12,594	45,695	58,289
Revenue from Private Sources	-	91,287	91,287
Charges for Current Services	91,514	35,607	127,121
Other Revenue	2,864	23,059	25,923
TOTAL REVENUES	833,162	731,883	1,565,045
EXPENDITURES			
Current:			
General Government and Support	183,143	107,407	290,550
Public Safety - Police	335,295	73,179	408,474
Public Safety - Fire and Life Safety	173,969	38,100	212,069
Parks, Recreation, Culture and Leisure	108,153	107,885	216,038
Transportation	23,032	124,945	147,977
Sanitation and Health	41,720	7,374	49,094
Neighborhood Services	19,702	92,378	112,080
Capital Projects	-	126,583	126,583
Debt Service:			
Principal Retirement	2,504	50,789	53,293
Interest	3,416	65,316	68,732
TOTAL EXPENDITURES	890,934	793,956	1,684,890
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(57,772)	(62,073)	(119,845)
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	2,989	3,986	6,975
Transfers from Other Funds	71,672	340,453	412,125
Transfers to Proprietary Funds	(246)	(1,538)	(1,784)
Transfers to Other Funds	(21,946)	(390,179)	(412,125)
Net Income from Joint Venture	522	-	522
Capital Leases	5,374	14,713	20,087
Contracts/Notes Issued	-	900	900
Loans Issued	-	9,171	9,171
Section 108 Loans Issued	-	2,151	2,151
SANDAG Loans Issued	-	1,651	1,651
Tax Allocation Bonds Issued	-	109,985	109,985
Tobacco Settlement Bonds Issued	-	105,400	105,400
Discount on Bonds Issued	-	(97)	(97)
Premium on Bonds Issued	-	2,509	2,509
TOTAL OTHER FINANCING SOURCES (USES)	58,365	199,105	257,470
NET CHANGE IN FUND BALANCES	593	137,032	137,625
Fund Balances at Beginning of Year	61,048	938,566	999,614
FUND BALANCES AT END OF YEAR	$ 61,641	$ 1,075,598	$ 1,137,239

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

City of San Diego
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2006
(In Thousands)

Net change in fund balances - total governmental funds (page 56)	$ 137,625
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.	40,817
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets.	(5,135)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	21,103
Revenues in the Statement of Activities for the reduction of land acquisition credits do not provide current financial resources and are not reported in the funds.	21,945
Revenues in the Statement of Activities for Facilities Benefit Assessment (FBA) credits earned do not provide a current financial resource and are not reported as revenues in the funds.	13,267
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.	(196,052)
Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absenses, net pension obligation), and therefore are not accrued as expenses in governmental funds.	98,444
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Print Shop, Central Stores, Self Insurance, and others to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.	17,986
Change in net assets of governmental activities (page 53)	$ 150,000

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2006
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and Investments	$ 177,495	$ 154,889	$ 89,073	$ 421,457	$ 106,191
Receivables:					
Accounts - Net of Allowance for Uncollectibles (Sewer $569, Water $732, Internal Service $715)	30,040	36,385	1,893	68,318	5,345
Claims - Net	-	-	-	-	17
Contributions	-	-	-	-	184
Accrued Interest	2,034	1,723	1,354	5,111	87
Grants	-	1,655	666	2,321	-
From Other Funds	-	-	3,399	3,399	-
Inventories of Water in Storage	-	26,546	-	26,546	-
Inventories	-	428	91	519	2,770
Prepaid Expenses	3	690	27	720	1,633
Total Current Assets	209,572	222,316	96,503	528,391	116,227
Non-Current Assets:					
Restricted Cash and Investments	21,079	53,240	31,814	106,133	133
Advances to Other Funds	341	644	-	985	-
Deferred Charges	6,788	4,792	-	11,580	-
Interfund Interest Receivable	-	773	-	773	-
Interfund Loan Receivable	3,487	2,386	-	5,873	-
Capital Assets - Non-Depreciable	181,206	285,466	22,519	489,191	1,984
Capital Assets - Depreciable	2,660,187	1,321,237	65,419	4,046,843	71,006
Total Non-Current Assets	2,873,088	1,668,538	119,752	4,661,378	73,123
TOTAL ASSETS	3,082,660	1,890,854	216,255	5,189,769	189,350
LIABILITIES					
Current Liabilities:					
Accounts Payable	11,828	32,392	2,624	46,844	16,537
Accrued Wages and Benefits	4,225	1,923	2,542	8,690	3,800
Other Accrued Liabilities	-	-	60	60	-
Interest Accrued on Long-Term Debt	6,716	11,133	20	17,869	138
Long-Term Debt Due Within One Year	52,056	17,577	3,590	73,223	40,653
Due to Other Agencies	8,263	3,937	-	12,200	-
Unearned Revenue	-	3,289	5,987	9,276	105
Contract Deposits	4,009	5,151	305	9,465	-
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	3,849	-	3,849	-
Total Current Liabilities	87,097	79,251	15,128	181,476	61,233
Non-Current Liabilities:					
Deposits/Advances from Others	-	-	30	30	-
Arbitrage Liability	17	176	-	193	-
Compensated Absences	2,973	2,359	2,958	8,290	3,715
Liability Claims	43,213	3,642	-	46,855	170,092
Capital Lease Obligations	-	-	1,006	1,006	6,040
Loans Payable	66,313	20,257	-	86,570	-
Net Revenue Bonds Payable	1,049,137	548,964	-	1,598,101	-
Estimated Landfill Closure and Postclosure Care	-	-	14,811	14,811	-
Net Pension Obligation	12,280	9,782	11,498	33,560	6,368
Total Non-Current Liabilities	1,173,933	585,180	30,303	1,789,416	186,215
TOTAL LIABILITIES	1,261,030	664,431	45,431	1,970,892	247,448
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,705,452	1,075,851	85,887	2,867,190	62,415
Restricted for Debt Service	575	2,395	-	2,970	-
Restricted for Closure/Postclosure Maintenance	-	-	32,115	32,115	-
Unrestricted	115,603	148,177	52,822	316,602	(120,513)
TOTAL NET ASSETS	$ 1,821,630	$ 1,226,423	$ 170,824	3,218,877	$ (58,098)
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds				(7,748)	
Net assets of Business-Type activities				$ 3,211,129	

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, 2006
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Sales of Water	$ -	$ 258,900	$ -	$ 258,900	$ -
Charges for Services	286,416	1,031	71,753	359,200	178,700
Revenue from Use of Property	-	4,833	-	4,833	-
Usage Fees	-	1,943	58,006	59,949	44,061
Other	4,152	13,860	4,788	22,800	2,680
TOTAL OPERATING REVENUES	290,568	280,567	134,547	705,682	225,441
OPERATING EXPENSES					
Benefit and Claim Payments	-	-	-	-	54,331
Maintenance and Operations	109,257	94,433	91,251	294,941	48,926
Cost of Materials Issued	-	-	322	322	25,645
Cost of Purchased Water Used	-	110,263	-	110,263	-
Taxes	-	570	-	570	-
Administration	90,749	35,370	37,124	163,243	58,001
Depreciation	64,922	29,230	9,019	103,171	21,943
TOTAL OPERATING EXPENSES	264,928	269,866	137,716	672,510	208,846
OPERATING INCOME (LOSS)	25,640	10,701	(3,169)	33,172	16,595
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	6,578	6,966	3,310	16,854	2,744
Federal Grant Assistance	325	424	130	879	-
Other Agency Grant Assistance	136	359	535	1,030	-
Gain (Loss) on Sale/Retirement of Capital Assets	(443)	(9,819)	(996)	(11,258)	1,214
Debt Service Interest Expense	(54,132)	(23,935)	(117)	(78,184)	(504)
Other	4,313	(67)	2,253	6,499	413
TOTAL NONOPERATING REVENUES (EXPENSES)	(43,223)	(26,072)	5,115	(64,180)	3,867
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(17,583)	(15,371)	1,946	(31,008)	20,462
Capital Contributions	31,976	44,262	1,364	77,602	-
Transfers from Other Funds	481	220	224	925	650
Transfers from Governmental Funds	-	-	962	962	822
Transfers to Other Funds	(147)	(158)	(101)	(406)	(1,169)
Transfers to Governmental Funds	(1,958)	(1,481)	(2,253)	(5,692)	(2,041)
CHANGE IN NET ASSETS	12,769	27,472	2,142	42,383	18,724
Net Assets at Beginning of Year	1,808,861	1,198,951	168,682		(76,822)
NET ASSETS AT END OF YEAR	$ 1,821,630	$ 1,226,423	$ 170,824		$ (58,098)
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds.				738	
Change in net assets of Business-Type activities				$ 43,121	

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 294,307	$ 283,877	$ 114,891	$ 693,075	$ 203,559
Receipts from Interfund Services Provided	3,381	2,386	24,652	30,419	21,513
Payments to Suppliers	(114,067)	(146,921)	(37,728)	(298,716)	(95,276)
Payments to Employees	(64,508)	(70,518)	(80,929)	(215,955)	(103,435)
Payments for Interfund Services Used	(25,008)	(17,657)	(11,420)	(54,085)	(1,905)
NET CASH PROVIDED BY OPERATING ACTIVITIES	94,105	51,167	9,466	154,738	24,456
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	481	220	224	925	649
Transfers from Governmental Funds	-	-	962	962	822
Transfers to Other Funds	(147)	(158)	(101)	(406)	(1,169)
Transfers to Governmental Funds	(1,692)	(999)	(2,243)	(4,934)	(2,041)
Operating Grants Received	462	1,447	85	1,994	-
Proceeds from Advances and Deposits	-	528	-	528	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(896)	1,038	(1,073)	(931)	(1,739)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Contracts, Notes and Loans	10,093	21,525	-	31,618	-
Proceeds from Capital Contributions	18,561	16,874	1,364	36,799	-
Acquisition of Capital Assets	(41,434)	(61,747)	(3,876)	(107,057)	(9,742)
Proceeds from the Sale of Capital Assets	-	71	-	71	1,622
Principal Payments on Capital Leases	-	-	(1,470)	(1,470)	(6,222)
Principal Payments on Contracts, Notes and Loans	(3,757)	(417)	-	(4,174)	-
Principal Payments on Revenue Bonds	(27,390)	(7,965)	-	(35,355)	-
Interest Paid on Long-Term Debt	(52,762)	(23,627)	(134)	(76,523)	(511)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(96,689)	(55,286)	(4,116)	(156,091)	(14,853)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	89,024	629,192	-	718,216	-
Purchases of Investments	(89,041)	(595,640)	-	(684,681)	-
Interest Received on Investments	6,229	6,905	2,903	16,037	2,717
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,212	40,457	2,903	49,572	2,717
Net Increase in Cash and Cash Equivalents	2,732	37,376	7,180	47,288	10,581
Cash and Cash Equivalents at Beginning of Year	174,763	121,362	113,707	409,832	95,743
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 177,495	$ 158,738	$ 120,887	$ 457,120	$ 106,324
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:					
Cash and Investments	$ 177,495	$ 154,889	$ 89,073	$ 421,457	$ 106,191
Restricted Cash & Investments	21,079	53,240	31,814	106,133	133
Less Investments not meeting the definition of cash equivalents	(21,079)	(49,391)	-	(70,470)	-
Total Cash and Cash Equivalents at End of Year	$ 177,495	$ 158,738	$ 120,887	$ 457,120	$ 106,324
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:					
Operating Income (Loss)	$ 25,640	$ 10,701	$ (3,169)	$ 33,172	$ 16,595
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Depreciation	64,922	29,230	9,019	103,171	21,943
Changes in Assets and Liabilities:					
(Increase) Decrease in Receivables:					
Accounts - Net	1,280	6,588	1,743	9,611	(882)
Claims - Net	-	-	-	-	(7)
Contributions	-	-	-	-	66
From Other Funds	-	-	(235)	(235)	-
(Increase) Decrease in Inventories	-	2,427	(5)	2,422	(148)
(Increase) Decrease in Prepaid Expenses	(3)	(685)	6	(682)	(94)
Increase (Decrease) in Accounts Payable	(2,914)	2,597	(238)	(555)	4,680
Increase (Decrease) in Accrued Wages and Benefits	(2,507)	(1,912)	(2,390)	(6,809)	(2,215)
Increase (Decrease) in Liability Claims	1,470	1,520	-	2,990	(15,884)
Increase (Decrease) in Compensated Absences	(336)	(302)	(300)	(938)	(270)
Increase (Decrease) in Due to Other Agencies	283	1,557	(17)	1,823	-
Increase (Decrease) in Unearned Revenue	(4)	(329)	1,159	826	58
Increase (Decrease) in Contract Deposits	1,531	(496)	76	1,111	-
Increase (Decrease) in Arbitrage Liability	(9)	(11)	-	(20)	-
Increase (Decrease) in Net Pension Obligation	439	349	418	1,206	201
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care	-	-	1,146	1,146	-
Other Nonoperating Revenue (Expenses)	4,313	(67)	2,253	6,499	413
Total Adjustments	68,465	40,466	12,635	121,566	7,861
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 94,105	$ 51,167	$ 9,466	$ 154,738	$ 24,456
Noncash Investing, Capital, and Financing Activites:					
Developer Contributed Assets	$ 13,415	$ 26,351	$ -	$ 39,766	$ -
Change in Fair Value of Investments	-	657	-	657	-

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Agency
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 4,420	$ 6,608	$ 36,878
Cash with Custodian/Fiscal Agent	489,233	-	-
Investments at Fair Value:			
Short Term Investments	192,172	-	-
Domestic Fixed Income Securities (Bonds)	774,125	-	-
International Fixed Income Securities (Bonds)	166,743	-	-
Domestic Equity Securities (Stocks)	1,605,508	-	-
International Equity Securities (Stocks)	703,112	-	-
Mortgages	6	-	-
Real Estate Equity and Real Estate Securities	385,200	-	-
Defined Contribution Investments	647,021	-	-
Receivables:			
Accounts - Net	-	-	82
Contributions	31,999	-	-
Accrued Interest	13,119	63	20
Loans	26,008	-	-
Securities Sold	48,576	-	-
Prepaid Expenses	9	-	-
Securities Lending Collateral	581,290	-	-
Restricted Cash and Investments	-	-	14,273
Capital Assets - Depreciable	116	-	-
TOTAL ASSETS	5,668,657	6,671	$ 51,253
LIABILITIES			
Accounts Payable	5,799	-	$ -
Accrued Wages and Benefits	513	-	-
Due to Component Unit	-	-	3,578
Deposits/Advances from Others	-	-	18,224
Sundry Trust Liabilities	-	-	29,451
DROP Liability	225,570	-	-
Net Pension Obligation	239	-	-
Securities Lending Obligations	581,290	-	-
Securities Purchased	166,332	-	-
TOTAL LIABILITIES	979,743	-	$ 51,253
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	$ 4,688,914	$ 6,671	

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2006
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Total
ADDITIONS			
Employer Contributions	$ 348,456	$ -	$ 348,456
Employee Contributions	95,003	-	95,003
Retiree Contributions	6,374	-	6,374
Contributions to Pooled Investments	-	14,411	14,411
Earnings on Investments:			
Investment Income	523,238	261	523,499
Investment Expense	(18,316)	-	(18,316)
Net Investment Income	504,922	261	505,183
Securities Lending Income:			
Gross Earnings	21,261	-	21,261
Borrow Rebates	(19,406)	-	(19,406)
Administrative Expenses (Lending Agent)	(498)	-	(498)
Net Securities Lending Income	1,357	-	1,357
Other Income:			
Litigation Proceeds	15,500	-	15,500
TOTAL OPERATING ADDITIONS	971,612	14,672	986,284
DEDUCTIONS			
DROP Interest Expense	17,749	-	17,749
Benefit and Claim Payments	306,242	-	306,242
Distributions from Pooled Investments	-	21,254	21,254
Administration	22,869	-	22,869
TOTAL OPERATING DEDUCTIONS	346,860	21,254	368,114
CHANGE IN NET ASSETS	624,752	(6,582)	618,170
Net Assets at Beginning of Year, as Restated	4,064,162	13,253	4,077,415
NET ASSETS AT END OF YEAR	$ 4,688,914	$ 6,671	$ 4,695,585

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In Thousands)

The City of San Diego (the "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 several times. The most recent amendments were added by vote during the November 2004 election and took effect in January 2006. One of the amendments which took effect January 1, 2006 was the strong-mayor form of government. 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), and City Attorney's departments. Under this form of government, the Council is composed of eight members and is presided over by a Council President, who is selected by a majority vote of the Council. Residents of the City are provided with a wide range of services including parks, recreation, police, fire, water and sewer services.

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:

- Centre City Development Corporation
- City of San Diego/Metropolitan Transit Development Board Authority
- Community Facility and Other Special Assessment Districts
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation

- San Diego City Employees' Retirement System
- Tobacco Settlement Revenue Funding Corporation

A brief description of each blended component unit follows:

- Centre City Development Corporation, Inc. ("CCDC") 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 Redevelopment Agency of the City of San Diego. CCDC's budget and governing board are approved by the City Council and services are provided exclusively to the primary government. CCDC is reported as a governmental fund. Financial statements can be requested from Centre City Development Corporation, 225 Broadway, Suite 1100, San Diego, California 92101.

- The City of San Diego/Metropolitan Transit Development Board Authority (The "MTDB Authority") is a financing authority which was established in 1988 and acquires and constructs mass transit guide ways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The City appoints two Council members to the governing board and the MTDB Authority appoints one. The MTDB Authority primarily provides services to the primary government. The MTDB Authority is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The City maintains various Community Facility, Maintenance Assessment and Business Improvement Districts to pay for the construction, maintenance and improvement of community facilities and infrastructure. The governing body of Special Assessment Districts and Community Facilities Districts (special districts) is the City's governing body. Among its duties, it approves the special districts budgets, parcel fees, special assessments, and special taxes. The special districts are reported in governmental fund types.

- The Convention Center Expansion Financing Authority (The "CCEFA") was established in 1996 to acquire and construct the expansion to the existing convention center. During the period reported, the governing board was administered by the Mayor, the City Manager, the District Director and a member of the Board of District Commissioners. The CCEFA provides services which primarily benefit the primary government. The CCEFA is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The Public Facilities Financing Authority (The "PFFA") was established in 1991 and currently acquires and constructs public capital improvements. PFFA is governed by a five member board appointed by the primary government. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for business-type funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The Redevelopment Agency (The "RDA") of the City of San Diego 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 is the governing board and the RDA is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- 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 can be requested from San Diego Data Processing Corporation, 5975 Santa Fe Street, San Diego, California 92109.

- The San Diego Facilities and Equipment Leasing Corporation (The "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 City Council appoints two of the three members of the governing board and services are exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for proprietary funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Industrial Development Authority (The "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. The SDIDA is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Open Space Park Facilities District #1 (The "SDOSPFD") was established in 1978 by the City for the purpose of acquiring open space properties to implement the Open Space Element of the City's General Plan. The boundaries are contiguous with those of the City. The City Council is the governing board. The SDOSPFD is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- 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 provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. SEDC's governing board is appointed by the City Council and services are provided either to the City or on behalf of the City. SEDC is reported as a governmental fund. Financial statements can be requested from the Southeastern Economic Development Corporation, 995 Gateway Center Way, Suite 300, San Diego, California 92102.

- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and provides retirement, health insurance, disability, and death benefits. Currently, SDCERS also administers the Unified Port District and the San Diego County Regional Airport Authority 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. SDCERS provides services almost exclusively to the primary government. Additionally, during the period reported, SDCERS utilized legal counsel independent of the City of San Diego. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports.

  SDCERS is reported as a pension and employee savings trust fund. Complete stand-alone financial statements can be requested from the San Diego City Employees' Retirement System, 401 West A Street, Suite 400, San Diego, California 92101.

- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a nonprofit 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 is governed by the Board of Directors which consists of two officials of the City and one independent director. The independent director shall be appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California, 92101.

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. On July 1, 1993, SDCCC assumed similar responsibility for the San Diego Concourse. The City is a 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 is liable for any operating deficits and would be secondarily liable for any debt issuances of SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, California 92101.

- 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. Members of the Board of Commissioners are appointed by the Mayor and confirmed by the City Council. SDHC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.

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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. 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 are 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 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") and Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

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 government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively water and sewer activities, has been included within business-type activities in the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. General revenues include all taxes and investment income.

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, charges for services, 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 are recognized during the current period.

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 and employee savings trust, investment trust, and agency funds. Pension and Employee Savings 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.

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 and Employee Savings Trust Funds - These funds account for the City Employees' Retirement System, the Supplemental Pension Savings Plan (SPSP), 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 Automated Regional Justice Information System (ARJIS), the San Diego Graphic Information Source (SanGIS), and the Abandoned Vehicle Abatement (AVA) are all legally separate entities which have cash invested in the City Treasurer's investment pool.

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, and certain employee benefit plans.

d. Property Taxes

The County of San Diego (the "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 rise 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 in which they were levied 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 of 3% of the outstanding balance which reflects historical collections.

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 market 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 a maturity date greater than ninety days.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer (the pool). The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it a 2a7–like pool. The investment activities of the Treasurer in managing the pool are governed by California Government Code § 53601 and the City's Investment Policy, which is reviewed by the Investment Advisory Committee and approved annually by 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 market 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 is equal to the fair market 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 expressly stated in the resolutions creating individual funds. During the fiscal year ended June 30, 2006, approximately $2,432 of interest was assigned from various funds to the General Fund. These transactions caused an increase to the "transfers from" amount for the General Fund and caused a like increase to the "transfer to" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an

increase to the "transfers from" amount for the fund transferring the negative interest and caused a like increase to the "transfer to" 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 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 of the notes to the financial statements contain additional information on permissible investments per the City 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. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consist of water in storage and supplies, 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, respectively. Inventory supplies of governmental funds are recorded as expenditures when purchased.

g. Land Held for Resale

Land Held for Resale, purchased by the Redevelopment Agency, is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental fund financial statements, fund balances are reserved in an amount equal to the carrying value of land held for resale, with the exception of an interfund payable due to the Water Utility fund of $1,327, because such assets are not available to finance the Redevelopment Agency's current operations.

h. 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 yield method.

i. Capital Assets

Non-depreciable Capital Assets, which include land and construction-in-progress, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, net of accumulated depreciation. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of equipment outlay, must equal or exceed a capitalization threshold of five thousand dollars. All other capital assets such as land, structures, infrastructure, and distribution and collection systems are 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 expenses incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the asset constructed. During fiscal year 2006, $6,437 of interest expense incurred was capitalized.

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

Assets	Years
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 - 25
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

j. Disposition and Development Agreement

The Redevelopment Agency and McMillin-NTC, LLC entered into a Disposition and Development Agreement, dated June 26, 2000, and a Third Implementation Agreement, dated May 6, 2003, which were executed for the purpose of effectuating the Redevelopment Plan at the Naval Training Center Redevelopment Project, in addition to constructing and installing additional infrastructure improvements as required by the City. The developer has agreed to advance the funds needed to pay for infrastructure costs. The Agency has consistently reimbursed for eligible costs as they are billed,

therefore, this agreement is not treated as a loan, and instead expenditures are recognized as payments are made to the developer and a corresponding capital asset is recorded in the government-wide financial statements.

On March 30, 2004 the Redevelopment Agency entered into a Disposition and Development Agreement with Western Pacific Housing for a condominium development project in the North Park Redevelopment Project Area. Under the agreement, the Agency promised to pay the maximum aggregate principal amount of $3,000, of which $2,100 represents the Affordability Component of the Agency Payment Obligation, and $900 represents the Public Improvement Component of the Agency Payment Obligation. The Affordability Component is subject to an adjustment based on the actual project sales revenue proceeds received by the Developer. This adjustment amount cannot be computed until all 45 affordable units are sold. The principal amount outstanding bears simple interest at a rate equal to 5% per annum. Solely for the purposes of calculating the amount of interest payable, the developer shall be deemed to have paid an amount equal to 25% of the Agency's Payment Obligation as of the date which is 195 days after closing of escrow, 50% as of the date which is 390 days after closing of escrow, 75% as of the date which is 585 days after closing of escrow, and 100% at the completion date, which is the date on which the release of construction covenants under the agreement have been recorded in the official records of the San Diego County. For purposes of calculating the amount of interest payable, the principal amounts stated above will be reduced by a 10% per annum applied on a pro rata basis for the period of time the Developer is not in compliance with the schedule of performance dates stated in the agreement for commencement and completion of construction. All payments shall be made from the site-generated property tax increment. To date, only the $900, representing the Public Improvement Component of the Agency Payment Obligation, has been recognized as a liability since the remaining $2,100, representing the Affordability Component of the Agency Payment Obligation, is subject to adjustment upon final sales of all 45 affordable units, which has yet to occur.

k. Unearned/Deferred Revenue

In the government-wide and all fund level financial statements, unearned revenue represents revenues which have not been earned. The government-wide financial statements include revenues earned from developer credits, which are not reported in 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. There is an interfund loan between the Capital Outlay Fund and the Water Utility Fund, for a land acquisition, which is reported as an Interfund Loan Receivable/Payable and included in Internal Balances. There is also an interfund loan between the FBA fund and the Sewer Utility fund, for developer fees owed for the Carmel Valley Trunk sewer project, which is also reported as an Interfund Loan Receivable/Payable and included in Internal Balances.

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. Reimbursement is reported as expenditures or expenses in the reimbursing fund and a reduction of expenditures or expenses in the paying fund.

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 and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statements of net assets. Capital appreciation bond accretion, bond premiums and discounts, and bond refunding gains and losses are amortized over the life of the bonds using a method which approximates the effective yield method. Net bonds payable reflects amortized bond accretion and unamortized bond discounts, premiums and refunding gains and losses.

n. Sundry Trust Liabilities

Under approval of certain agreements, developers submit to the Redevelopment Agency an initial deposit to ensure the Developer proceeds diligently and in good faith to negotiate and perform all of the obligations under the agreement. These deposits can normally be used for administrative costs of the Redevelopment Agency. In the government-wide financial statements and in the fund financial statements, the unspent portion of these deposits, called Sundry Trust Liabilities, are reported as liabilities of the Redevelopment Agency.

o. 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, proprietary and fiduciary 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. Social Security and 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.

p. 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.

q. 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.

On occasion, FBA credits may be issued in advance of receiving a completed project (capital asset). In these cases a developer must have an approved reimbursement agreement in place and provide other surety or agreement. Although performance bonds are required for all large scale projects to ensure adequate funding to complete a project, a Letter of Credit is requested to secure the credits given in advance. A Fee Deferral Agreement is required for any permits issued prior to payment of fees or issuance of credits with full payment to be made prior to final inspection. The FBA credits receivable are recognized as permit revenue upon issuance and a corresponding receivable asset is recorded in the government-wide financial statements.

r. Net Assets

In the government-wide and proprietary fund 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 which both restricted and unrestricted net assets are available.
- 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.

s. Fund Balance

In the fund financial statements, portions of fund equity of governmental funds have been reserved for specific purposes. Reservations are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated, or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods.

t. Reserves

City Charter Section 91 titled "General Reserve Fund" was approved by the voters on November 6, 1962. This section requires Council to create and maintain a General Reserve Fund for the purpose of keeping the payment of running expenses of the City on a cash basis. Section 91 requires the reserve be maintained 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 argument for this charter section given by the Citizens Charter Review Committee, commissioned in 1962, was to "strengthen the financial position of the City through the more efficient utilization of tax monies by reducing the amount of taxes collected and lying idle during a great part of the year, and through focusing responsibility for fiscal policies on the elected City Council."

On February 28, 1984, the City Attorney's Office issued Opinion No. 84-3 which addresses issues in regards to the City's

compliance with the funding requirements of Charter Section 91. In the opinion of the City Attorney, "To the extent that the legislative body approves the issuance of short term notes, commonly referred to as Tax or Revenue Anticipation Notes, pursuant to Section 92; or authorizes temporary loans to any tax-supported fund from any other funds in the treasury pursuant to Section 93, the General Reserve Fund required under section 91 can be reduced." Therefore, the funding requirements of Charter Section 91 have been satisfied through a combination of the General Fund reserve of $39,884, reported within the General Fund column of the CAFR in Undesignated Fund Balance, and the provisions set forth in Charter Sections 92 and 93 for the fiscal year ended June 30, 2006.

In September 2007, the City Attorney's Office issued a new opinion that supersedes, in part, the opinion issued on February 28, 1984. The revised opinion states that the Charter Section 91 General Reserve must be a separate, legal fund. This fund, separate from the General Fund, must be funded if not at a "four month operating expenditure" level then at a level of such "other necessary funding." The City Attorney's Opinion referenced the guidance of the Government Finance Officer's Association, which recommends a level between 5% and 15% of operating expenditures as the benchmark for interpreting the required funding level that meets the intent of the City's voters. Per the City Attorney's opinion, the City will create a separate General Reserve Fund in fiscal year 2008, and the General Fund reserve monies will be transferred to that separate fund and reported therein in all future financial statements.

The City also has an internal reserve policy in relation to certain governmental long term liabilities which are repaid with Transient Occupancy Tax revenues. When the liabilities are incurred by the City, the City creates policy reserves equal to one half of the annually required lease payments in the form of a rate stabilization reserve for each liability. The purpose of the internal reserve is to make the lease payments when they are due, even if there are unanticipated fluctuations in the Transient Occupancy Tax receipts that could potentially impact the timely payment of lease payments for such liabilities. In addition to the internal rate stabilization reserve, the City may also maintain cash funded debt service reserve funds or surety guarantees with trustees in accordance with the bond indentures that exist for these liabilities. As of 06/30/06, the following is a schedule of all such rate stabilization reserves and their location in the CAFR:

Rate Stabilization Reserve	CAFR Section	CAFR Column	Amount
Convention Center Expansion	Special Revenue	Transient Occupancy Tax	$ 6,850,531
Petco Park (PFFA-Ballpark)	Special Revenue	Transient Occupancy Tax	7,520,345
Balboa Park (SDFELC)	Special Revenue	Transient Occupancy Tax	3,286,878
Trolley (MTDB)	Special Revenue	Public Transportation	2,043,591
			$ 19,701,345

u. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities, and the related amounts of revenues and expenses. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

v. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

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 except the Special Engineering Fund). The reconciliation of these adjustments are 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 $135,085 difference are as follows:

Deferred Charges, net, July 1, 2005	$	20,869
Issuance Costs		4,815
Amortization Expense		(1,099)
Deferred Charges, net, June 30, 2006		24,585
Deferred Revenue:		
Taxes Receivable		12,340
Sales Taxes Receivable		5,837
Motor Vehicle License Receivable		709
Special Assessments Receivable		1,174
Notes Receivable		12,701
Grants and Other Receivables		65,952
Deferred Revenue, net, June 30, 2006		98,713
FBA Credit Receivable		13,267
Padre Land Acquisition Credit Payable		(1,480)
Net Adjustment to increase Total Fund Balances - Governmental Funds to arrive at Total Net Assets of Governmental Activities	$	135,085

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 ($1,675,325) difference are as follows:

Interest Accrued on Long-Term Debt	$	(21,628)
Compensated Absenses		(65,345)
Capital Leases Payable		(29,966)
Contracts Payable		(2,615)
Notes Payable		(7,294)
Loans Payable		(14,345)
Section 108 Loans Payable		(42,499)
SANDAG Loans Payable		(7,355)
Net Bonds Payable		(1,320,506)
Accretion of Interest on Capital Appreciation Bonds		(9,219)
Net Pension Obligation		(154,553)
Net adjustment to decrease Total Fund Balances - Governmental Funds to arrive at Total Net Assets - Governmental Activities	$	(1,675,325)

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 $40,817 difference are as follows:

Capital Projects	$	126,583
Other Capital Activities		31,235
Depreciation Expense		(117,001)
Net Adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	40,817

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 ($5,135) are as follows:

In the Statement of Activities, only the loss on the sale of capital assets 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 cost of the capital assets sold.	$	(1,615)
Donations and transfers of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.		758
The Statement of Activities reports losses arising from the retirement of existing capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets.		(4,278)
Net adjustment to decrease Net Change in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(5,135)

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 consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this ($196,052) difference are as follows:

Debt Issued or Incurred:		
Capital Leases	$	(20,087)
Contracts Payable		(900)
Loans Payable		(9,171)
Section 108 Loans		(2,151)
SANDAG Loans		(1,651)
Tax Allocation Bonds		(109,985)
Tobacco Settlement Asset-Backed Bonds		(105,400)
Principal Repayments:		
Capital Leases		3,972
Notes Payable		630
Loans Payable		13
Section 108 Loans		2,510
SANDAG Loans		8,275
G.O. Bonds		1,840
Revenue Bonds		21,435
Special Assessment Bonds/Special Tax Bonds		3,700
Tax Allocation Bonds		10,918
Net adjustment to decrease Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(196,052)

Another element of the reconciliation states that "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 expenses in governmental funds." The details of this $98,444 difference are as follows:

Compensated Absences	$	2,498
Net Pension Obligation		96,515
Accrued Interest		(24)
Current Year Premiums/Discounts and Interest Accretion Less Amortization of Bond Premiums		(4,261)
Issuance Costs Less Current Year Amortization		3,716
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	98,444

3. CASH AND INVESTMENTS (In Thousands)

The following is a summary of the carrying amount of cash and investments:

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Assets other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Assets	Grand Total
Cash & Cash or Equity in Pooled Cash & Investments	$ 891,550	$ 461,797	$ 58,219	$ 1,411,566	$ 3,960	$ 1,415,526
Cash & Investments with Fiscal Agent	132,413	70,470	-	202,883	489,233	692,116
Investments at Fair Value	159,840	-	647,021	806,861	3,826,866	4,633,727
Securities Lending Collateral	-	-	-	-	581,290	581,290
TOTAL	$ 1,183,803	$ 532,267	$ 705,240	$ 2,421,310	$ 4,901,349	$ 7,322,659

a. Cash & Cash or Equity in Pooled Cash & Investments

Cash & Cash or Equity in Pooled Cash & 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 balance 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 & Cash or Equity in Pooled Cash & Investments.

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

Cash on Hand	$ 206
Cash Deposits	2,607
Deposits Held in Escrow Accounts	14,273
Pooled Investments in the City Treasury	1,398,440
Total Cash & Cash or Equity in Pooled Cash & Investments	$ 1,415,526

A summary of the investments held by the City Treasurer's investment pool as of June 30, 2006 is as follows:

Investment	Fair Value	Cost	Coupon Rate % Range		Maturity Range
US Treasury Bills	$ 24,642	$ 24,489	4.705-4.785	*	10/12/06-10/19/06
US Treasury Notes & Bonds	333,354	338,083	2.625-4.75		05/15/07-02/15/10
US Agency Discount Notes	298,682	296,049	4.42-5.29	*	08/02/06-04/27/07
US Agency Notes & Bonds	523,968	529,833	2.25-6.00		08/15/06-05/15/11
Bank Notes	4,950	4,957	2.50		11/01/06
Certificate of Deposit	9,832	9,897	3.87		06/07/07
Commercial Paper	99,491	99,309	4.80-5.40	*	07/03/06-10/25/06
Corporate Notes	70,040	71,376	2.80-6.875		11/01/06-03/04/08
Local Agency Investment Fund	21,765	21,805	4.03	**	N/A
Repurchase Agreement	11,716	11,716	5.19		07/03/06
	$ 1,398,440	$ 1,407,514			

* Discount Rates

** LAIF - Fair Value is adjusted to account for LAIF factor

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's investment pool as of June 30, 2006:

Statement of Net Assets	
Investments of Pool Participants	$ 1,398,440
Accrued Interest Receivable of Internal Pool Participants	12,708
Accrued Interest Receivable of External Pool Participants	63
Total Investments and Interest Receivable	1,411,211
Equity of Internal Pool Participants	$ 1,404,540
Equity of External Pool Participants (SanGIS, ARJIS & AVA) **	6,671
Total Equity	$ 1,411,211

**Voluntary Participation

Statement of Changes in Net Assets	
Net Assets Held for Pool Participants at July 1, 2005	$ 1,293,195
Net Change in Investments by Pool Participants	105,245
Accrued Interest Receivable at June 30, 2006	12,771
Total Net Assets Held for Pool Participants at June 30, 2006	$ 1,411,211

b. Cash & Investments with Fiscal Agents

Cash & Investments with Fiscal Agents represents 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. The San Diego City Employees' Retirement System (SDCERS) portion of Cash & Investments with Fiscal Agents represents 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 is 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, 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, Effie Sergeant, Gladys Edna Peters, Los Penasquitos Canyon, and the Edwin A. Benjamin Library Fund).

d. Securities Lending Collateral (SDCERS Only)

SDCERS has agreed with a fiscal agent, currently its custodial bank State Street Bank & Trust Company, to lend domestic and international equity and domestic and international fixed income securities to broker-dealers and banks in exchange for pledged collateral. A simultaneous agreement is entered into by which the fiscal agent agrees to return the collateral plus a fee to the borrower in the future for return of the same securities originally lent. All securities loans can be terminated on demand by either the lender or the borrower.

The fiscal agent managed the securities lending program and received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated "A" or better, Canadian provincial debt, convertible bonds, and irrevocable letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 101.5% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 104.5% of the market value of the loaned securities.

SDCERS had limited credit risk exposure to borrowers because the amounts provided to the fiscal agent on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to the fiscal agent on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral in the event a borrower fails to return or pay distributions on a loaned security. Non-cash collateral (securities and letters of credit) cannot be pledged or sold without a borrower default and are therefore not reported as an asset of SDCERS for financial reporting purposes.

The SDCERS securities lending transactions collateralized by cash as of June 30, 2006 had a fair value of $569,928 and a collateral value of $581,290, which were reported in the assets and liabilities in the statements of plan net assets for the City Employees' Retirement System in accordance with GASB Statement No. 28. The securities lending transactions collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of $8,700 and a collateral value of $9,073, which were not reported in the assets or liabilities in the accompanying statements of plan net assets for the City Employees' Retirement System per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end for its securities lending activities was $590,363.

The cash collateral received on lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the securities loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2006, the investment pool had an average duration of 49 days and an average weighted maturity of 450 days.

SDCERS may encounter various risks related to securities lending agreements. However, the fiscal agent 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, and all rules, regulations, and exemptions from time to time promulgated and issued under the authority of those laws.

e. Investment Policy

City Treasurer's Investment Policy

In accordance with the Charter §45 of the City of San Diego and under authority annually approved by the City Council, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury according to the City's Investment Policy (the "Policy"). 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 trust funds which are placed in the custody of the Funds Commission by Council ordinance.

The Policy is reviewed annually by the Investment Advisory Committee (IAC) which makes recommendations regarding the Policy to the City Treasurer. 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 approval on an annual basis.

The IAC evaluates the horizon returns, risk parameters, security selection, and market assumptions the City's investment staff is using when explaining the City's investment returns. The IAC also meets semi-annually to review the previous two quarters' investment returns and make recommendations to the City Treasurer on proposals presented to the IAC by the Treasurer's staff.

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 City Policy:

Investment Type	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
US Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
US 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%	P1	P1
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	None	25%	None	10%	None	(3)
Medium Term Notes/Bonds (6)	5 years	5 years	30%	30%	None	10%	A	A
Mutual Funds	N/A	N/A	20%	5%	10%	None	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%	None	None	20%	AA	AAA
Financial Futures (5)	N/A	None	None	None	None	None	None	None

Footnotes:

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

(2) The Prudent Investor Rule applies.

(3) Credit and maturity criteria must be in accordance per 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 City Treasurer.

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. Exceptions to this rule can be made only upon written authorization of the City Treasurer.

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 "base value" of the pooled portfolio may be invested in structured notes.

The types of investments listed below are additionally restricted as to percentage of the cost value of the portfolio in any one issuer name up to a maximum of 5%. The total cost value invested in any one issuer name will not exceed 5% of an issuer's net worth. An additional 5% or a total of 10%, of the cost value of the portfolio in any one issuer name can be authorized upon written approval of the City Treasurer.

- Bankers' Acceptances
- Commercial Paper
- Medium Term Corporate Notes/Bonds
- Negotiable and Non-negotiable Certificates of Deposit

Ineligible investments include, but are not limited to, common stocks and long-term corporate notes/bonds, are prohibited from use in the portfolio. A copy of the investment Policy can be requested from the City Treasurer, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101.

San Diego City Employees' Retirement System Investment Policy

Investments for the pension trust fund are authorized to be made by the Board of Administration of the SDCERS (Board) in accordance with 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 can also invest in additional investments as approved by resolution of the San Diego City Council. These investments include, but are not limited to, bonds, notes and other obligations, real estate investments, common stock, preferred stock, and pooled vehicles. Additionally, investment policies permit the pension trust fund to invest in financial futures contracts provided the contracts do not leverage SDCERS' Trust Fund portfolio. Financial futures contracts, which are recorded at fair value each day, are not hedges of existing assets, and changes in the fair value of the contract result in recognition of a gain or loss. Investment earnings from the pension trust fund are accounted for in accordance with GASB 25.

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

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 the 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 Treasurer's investment policy. Each permanent endowment fund has its own separate investment policy. Copies of the individual investment policies can be requested from the City Treasurer, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101. Additionally, the City and its component units have funds invested in accordance with various bond indenture and trustee agreements.

f. Interest Rate Risk – City of San Diego (*excluding San Diego City Employees' Retirement System*)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market or interest-rate risk is intended to be mitigated by establishing two portfolios with target durations 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 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 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 on the next page.

As of June 30, 2006, the City's investments (in thousands) by maturity are as follows:

	Years				Fair Value
Pooled Investments with City Treasurer:	Under 1	1-3	3-5	Over 5	(In Thousands)
US Treasury Bills	$ 24,642	$ -	$ -	$ -	$ 24,642
US Treasury Notes	29,497	289,649	14,208	-	333,354
US Agencies - Federal Farm Credit Bank	16,882	24,414	-	-	41,296
US Agencies - Federal Home Loan Bank	78,690	128,783	19,244	-	226,717
US Agencies - Federal Home Loan Mortgage Corporation	204,344	63,882	14,770	-	282,996
US Agencies - Federal National Mortgage Association	185,924	29,531	56,186	-	271,641
Bank Notes	4,950	-	-	-	4,950
Certificate of Deposit	9,832	-	-	-	9,832
Commercial Paper	99,491	-	-	-	99,491
Corporate Notes	60,276	9,764	-	-	70,040
Repurchase Agreement	11,716	-	-	-	11,716
State Local Agency Investment Fund	21,765	-	-	-	21,765
	$ 748,009	$ 546,023	$ 104,408	$ -	$ 1,398,440
Non-Pooled Investments with City Treasurer:					
US Treasury Bills	$ 6,009	$ -	$ -	$ -	$ 6,009
US Treasury Notes	3,108	9,865	-	-	12,973
US Agencies - Federal Farm Credit Bank	1,326	-	-	-	1,326
US Agencies - Federal Home Loan Bank	3,865	8,580	-	-	12,445
US Agencies - Federal Home Loan Mortgage Corporation	44,895	5,906	-	-	50,801
US Agencies - Federal Mortgage Corporation	28,747	-	-	-	28,747
US Agencies - Federal National Mortgage Association	31,803	-	-	-	31,803
Commerical Paper	1,643	-	-	-	1,643
Repurchase Agreements	666	-	-	-	666
	$ 122,062	$ 24,351	$ -	$ -	$ 146,413
Investments with Fiscal Agent, Funds Commission, and Other Investments:					
US Treasury Bills	$ 18,042	$ -	$ -	$ -	$ 18,042
US Treasury Bonds and Notes	23,980	1,080	65	397	25,522
US Agencies - Federal Farm Credit Bank	-	2,530	-	-	2,530
US Agencies - Federal Home Loan Bank	-	22,784	-	-	22,784
US Agencies - Federal Home Loan Mortgage Corporation	7,634	-	-	-	7,634
US Agencies - Federal National Mortgage Association	32,130	-	85	-	32,215
Corporate Bonds and Notes	297	391	546	1,909	3,143
Guaranteed Investment Contracts	20,507	-	-	13,741	34,248
Mortgage Backed Securities - Commercial	-	-	-	113	113
Mortgage Backed Securities - Government	-	-	-	61	61
Common Stock	3,261	-	-	-	3,261
Mutual Funds - Equity	324,071	-	-	-	324,071
Mutual Funds - Fixed Income	327,192	-	-	-	327,192
Money Market Mutual Funds	62,505	-	-	-	62,505
Cash	10	-	-	-	10
	$ 819,629	$ 26,785	$ 696	$ 16,221	$ 863,331
Total Investments	$ 1,689,700	$ 597,159	$ 105,104	$ 16,221	$ 2,408,184
Total Deposits					16,880
Total Cash on Hand					206
Total Investments, Deposits, and Cash on Hand (Includes SDCERS Pooled Cash & Investments with the City - $3,960)					$ 2,425,270

g. Interest Rate Risk – San Diego City Employees' Retirement System

SDCERS' domestic convertible bond portfolio is not subject to interest rate risk because convertible bonds are usually positively correlated to interest rate movements compared to other fixed income securities. SDCERS' fixed income portfolios use duration to measure how changes in interest rates will affect the value of the portfolios. The following tables display duration analysis for SDCERS' two-core plus domestic fixed income portfolios and single international fixed income portfolio, based on holdings as of June 30, 2006.

Domestic Fixed Income Portfolio
(with tactical discretion to invest in non-U.S. fixed income securities)
Portfolio Duration Analysis as of June 30, 2006

Type of Security	Fair Value (in thousands)	Percentage of Fair Value	Effective Duration (in years)	Effective Duration Contribution to Portfolio (in years)	Percent Duration of Portfolio
Credit Obligations:					
Corporate Bonds	$ 3,551	0.9%	5.60	0.05	0.9%
High Yield	8,122	2.0%	1.86	0.04	0.7%
Municipal Bonds	4,255	1.0%	15.21	0.16	3.1%
U.S. Government & Agency Obligations:					
U.S. Treasuries	31,276	7.7%	6.32	0.49	9.4%
U.S. Agencies	9,451	2.3%	4.18	0.10	1.9%
International Government:					
Sovereign & Yankee Bonds	3,436	0.8%	(23.67)	(0.20)	-3.9%
Emerging Markets	2,704	0.7%	3.35	0.02	0.4%
Collateralized Mortgage Obligations:					
Mortgages	202,839	50.0%	4.96	2.48	48.0%
Collateralized Mortgage Obligations	19,596	4.8%	2.90	0.14	2.7%
Short-Term/Other:					
Miscellaneous	4,163	1.0%	1.88	0.02	0.4%
Cash/Cash Equivalents	116,315	28.8%	6.55	1.87	36.4%
Total Portfolio	$ 405,708	100.0%		5.17	100.0%

The above portfolio is restricted to a duration of +/- 2 years from that of the effective duration of the Lehman Brothers Aggregate Index.

Due to the very small market value percentage, the sector duration for Sovereign and Yankee bonds appears inflated. The negative duration contribution from the Non-U.S. sector was an expression of the manager's view that the intermediate interest rates in Europe and Japan would rise. This exposure was put in place in the International Sector Fund via pay fixed interest rate swaps, bringing the sector fund duration to -2.52 years (while having a positive market value) and the duration contribution from that commingled vehicle to -0.08 years. The remaing -0.12 years of duration contribution came from direct investments in pay fixed interest rate sweeps.

**Source: SDCERS' CAFR as of June 30, 2006*

Domestic Fixed Income Portfolio
Portfolio Duration Anaylsis
As of June 30, 2006

Type of Security	Fair Value (In Thousands)	Effective Duration	Benchmark Duration	Difference
Governments	$ 158,383	5.74	4.50	1.24
Corporates	98,204	4.56	5.82	(1.26)
Mortgage Backed Securities	159,473	3.57	4.57	(1.00)
Asset-Backed Securities	12,959	3.98	2.76	1.22
Cash Equivalents (1)	(13,556)	(0.01)	0.00	(0.01)
Totals	$ 415,463	4.76	4.80	(0.04)

The above strategy is restricted to an average duration of +/- 1 year from that of the effective duration of the the Lehman Brothers Aggregate Index.

(1) Net cash expense is included on this schedule, as cash is a portfolio duration arrangement tool in fixed income investing.

**Source: SDCERS' CAFR as of June 30, 2006*

International Fixed Income Portfolio
Portfolio Duration Anaylsis
As of June 30, 2006

Type of Security	Fair Value (In Thousands)	Effective Duration	Benchmark Duration	Difference
Cash and Forward Foreign Exchange	$ 5,874	0.00	0.00	0.00
Asset Backed Securities	3,322	4.48	0.00	4.48
Credit Obligations	26,236	3.70	0.00	3.70
International Government and Agency	140,350	6.57	6.12	0.45
Totals	$ 175,782	5.88	6.12	(0.24)

The above strategy is restricted to an average duration of between .5 and 1.5 times that of the J.P. Morgan Non-U.S. Bond Index.

**Source: SDCERS' CAFR as of June 30, 2006*

Investments Highly Sensitive to Interest Rate Changes (SDCERS)

SDCERS' fixed income investment managers construct portfolios that contain fixed income and derivative securities that all have attributes of convexity and are all sensitive in varying degrees to changes in interest rates. SDCERS' managers select securities that when aggregated together create an overall investment strategy and total portfolio duration.

SDCERS' domestic fixed income portfolio (with tactical discretion to invest in non-U.S. securities) uses two methods to measure interest rate sensitivity. The first measure is "Bull" Duration, the scenario whereby interest rates decline by 50 basis points. The second measure is "Bear" Duration, the scenario whereby interest rates rise by 50 basis points. The analysis of interest rate change on duration for this portfolio as of June 30, 2006 is shown below.

Domestic Fixed Income Portfolio
(with tactical discretion to invest in non-U.S. securities)

Total Effective Duration:	5.17 years
Bull Duration:	4.50 years – portfolio duration shortens by -0.67 years during a 50 basis point rally (contraction risk)
Bear Duration:	5.64 years - portfolio duration lengthens by +.0.47 years during a 50 basis point sell off (extension risk)

Interest rate sensitivity for SDCERS' domestic fixed income portfolio is based on aggregate holdings. The composite characteristics of the portfolio represent an average sensitivity within one year of the Lehman Brothers Aggregate Index benchmark. As of June 30, 2006, the total values of securities that are more highly sensitive to interest rate changes in this portfolio are shown below.

Domestic Fixed Income Portfolio

Holdings (U.S. Treasury and Corporate securities) with greater than 10 years duration totaled $34,451, or 8.27% of the portfolio.
Holdings with interest only strips and inverse floating rate notes totaled $9,845, or 2.37% of the portfolio.

The analysis of high interest rate sensitivity for the international fixed income portfolio is displayed below.

International Fixed Income Portfolio

Total effective duration: 5.88 years
Duration with 50 basis point decrease in interest rates: -2.7138% decrease in portfolio value.

Summary of Cash and Investments (In Thousands)
San Diego City Employees' Retirement System

Domestic Fixed Income Portfolio (with tactical discretion)	$	405,708
Domestic Fixed Income Portfolio		429,019
International Fixed Income Portfolio		175,782
Securities Lending Collateral		581,290
Cash and Investments exempt from GASB 40 disclosure		3,305,590
Total Cash and Investments for SDCERS (excluding Pooled Investments with the City)	$	4,897,389

h. Credit Risk – City of San Diego (*excluding San Diego City Employees' Retirement System*)

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. At June 30, 2006, the City's investments and corresponding credit ratings are as follows:

Pooled Investments with City Treasurer:	Moody's	S&P	Fair Value	Percentage
US Treasury Notes	Exempt	Exempt	$ 24,642	1.76%
US Treasury Bills	Exempt	Exempt	333,354	23.85%
US Agencies - Federal Farm Credit Bank	Aaa	N/A	41,296	2.95%
US Agencies - Federal Home Loan Bank (1)	Aaa	N/A	190,670	13.64%
US Agencies - Federal Home Loan Bank (1)	Not Rated	A-1+	36,047	2.58%
US Agencies - Federal Home Loan Mortgage Corporation (1)	Aaa	N/A	158,840	11.36%
US Agencies - Federal Home Loan Mortgage Corporation (1)	Not Rated	A-1+	124,156	8.88%
US Agencies - Federal National Mortgage Association (1)	Aaa	N/A	133,162	9.52%
US Agencies - Federal National Mortgage Association (1)	Not Rated	A-1+	138,479	9.90%
Bank Notes	Aa2	N/A	4,950	0.35%
Certificate of Deposit	Aa2	N/A	9,832	0.70%
Commercial paper	P-1	N/A	99,491	7.11%
Corporate Notes	Aaa	N/A	19,625	1.40%
Corporate Notes	Aa1	N/A	9,903	0.71%
Corporate Notes	Aa2	N/A	5,478	0.39%
Corporate Notes	Aa3	N/A	25,045	1.79%
Corporate Notes	A3	N/A	9,989	0.71%
Repurchase Agreement	Not Rated	Not Rated	11,716	0.84%
State Local Agency Investment Fund	Not Rated	Not Rated	21,765	1.56%
Subtotal - Pooled Investments			$ 1,398,440	100.00%
Non-Pooled Investments with City Treasurer:				
US Treasury Bills	Exempt	Exempt	$ 6,009	4.10%
US Treasury Notes	Exempt	Exempt	12,973	8.86%
US Agencies - Federal Farm Credit Bank	P-1	N/A	1,326	0.91%
US Agencies - Federal Home Loan Bank (1)	Aaa	N/A	8,580	5.86%
US Agencies - Federal Home Loan Bank (1)	Not Rated	A-1+	3,865	2.64%
US Agencies - Federal Home Loan Mortgage Corporation (1)	Aaa	N/A	5,906	4.03%
US Agencies - Federal Home Loan Mortgage Corporation (1)	Not Rated	A-1+	44,895	30.67%
US Agencies - Federal Mortgage Corporation (1)	P-1	N/A	4,006	2.74%
US Agencies - Federal Mortgage Corporation (1)	Not Rated	A-1+	24,741	16.90%
US Agencies - Federal National Mortgage Association (1)	Not Rated	A-1+	31,803	21.72%
Commerical Paper	P1	N/A	1,643	1.12%
Repurchase Agreement	Not Rated	Not Rated	666	0.45%
Subtotal - Non-Pooled Investments			$ 146,413	100.00%

"Exempt" - Per GASB 40, US Treasury Obligations do not require disclosure of credit quality.

"N/A" - S&P rating not applicable, Moody's rating provided

(1) More than 5% of total investments are with U.S. Agencies whose debt is not guaranteed by the U.S. Government.

(ratings continued on next page)

Investments with Fiscal Agent, Funds Commission, and Other Investments:	Moody's	S&P	Fair Value	Percentage
US Treasury Bills	Exempt	Exempt	$ 18,042	2.09%
US Treasury Notes and Bonds	Exempt	Exempt	25,522	2.96%
US Agencies - Federal Farm Credit Bank	Aaa	N/A	2,530	0.29%
US Agencies - Federal Home Loan Bank	Aaa	N/A	22,784	2.64%
US Agencies - Federal Home Loan Mortgage Corporation	Not Rated	A-1+	7,634	0.88%
US Agencies - Federal National Mortgage Association	Aaa	N/A	85	0.01%
US Agencies - Federal National Mortgage Association	Not Rated	A-1+	32,130	3.72%
Corporate Bonds and Notes	Aaa	N/A	198	0.02%
Corporate Bonds and Notes	Aa1	N/A	63	0.01%
Corporate Bonds and Notes	Aa2	N/A	396	0.05%
Corporate Bonds and Notes	Aa3	N/A	687	0.08%
Corporate Bonds and Notes	A1	N/A	896	0.10%
Corporate Bonds and Notes	A2	N/A	582	0.07%
Corporate Bonds and Notes	A3	N/A	273	0.03%
Corporate Bonds and Notes	Baa1	N/A	49	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	34,247	3.97%
Mortgage Backed Securities - Commercial	Aaa	N/A	113	0.01%
Mortgage Backed Securities - Government	Not Rated	Not Rated	61	0.01%
Common Stock	Not Rated	Not Rated	3,261	0.38%
Mutual Funds - Equity	Not Rated	Not Rated	324,071	37.54%
Mutual Funds - Fixed Income	Not Rated	Not Rated	327,192	37.89%
Money Market Mutual Funds	Aaa	Not Rated	62,505	7.24%
Cash	Not Rated	Not Rated	10	0.00%
Subtotal - Other Investments			$ 863,331	100.00%
Total Investments			$ 2,408,184	
Total Deposits			16,880	
Total Cash on Hand			206	
Total Investments, Deposits, and Cash on Hand*			$ 2,425,270	

*(includes SDCERS Pooled Cash & Investments with the City - $3,960)

"Exempt" - Per GASB 40, US Treasury Obligations do not require disclosure of credit quality.

"N/A" - S&P rating not applicable, Moody's rating provided

(1) More than 5% of total investments are with U.S. Agencies whose debt is not guaranteed by the U.S. Government.

Concentration of Credit Risk – City of San Diego

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, 2006, 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 explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt.

i. Credit Risk – San Diego City Employees' Retirement System

SDCERS' fixed income portfolios are sensitive to credit risk. Unless information is available to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. "NR" represents those securities that are not rated and "NA" represents those securities that are not applicable to the rating disclosure requirements. The following tables identify the credit quality for SDCERS' two domestic fixed income portfolios, based on holdings as of June 30, 2006.

Domestic Fixed Income Portfolio
(with tactical discretion to invest in non-U.S. fixed income securities)
Credit Risk Analysis as of June 30, 2006

S&P Quality Rating	Moody's Quality Rating	Total Fair Value (in thousands)	Credit Obligations	U.S. Government & Agency Obligations	International Government Obligations	Collateralized Mortgage Obligations	Short-Term/ Other
AAA	Aaa	$ 245,808	$ -	$ 30,606	$ 1,308	$ 213,894	$ -
AAA	NA	8,541	-	-	-	8,541	-
A1	P1	20,609	-	-	-	-	20,609
A1+	P1	74,848	-	-	-	-	74,848
AA+	Aa2	361	361	-	-	-	-
AA	Aa1	12,218	586	1,149	(1,019) *	-	11,502
AA	Aa2	(1,216)	187	-	(1,403) *	-	-
AA-	Aa1	8,425	-	-	-	-	8,425
AA-	Aa3	(13,392)	-	(1)	(13,391) *	-	-
A+	A1	3,105	-	-	-	-	3,105
A+	Aa3	-	-	-	-	-	-
A	A1	6,391	563	(3)	4,743	-	1,088
A	A2	-	-	-	-	-	-
A-	A2	987	-	-	186	-	801
A-	Baa2	202	202	-	-	-	-
BBB+	A2	1,825	1,725	-	-	-	100
BBB	Baa1	2,064	186	-	1,878	-	-
BBB	A3	492	492	-	-	-	-
BBB	Baa3	2,686	2,686	-	-	-	-
BB	Ba3	1,335	695	-	640	-	-
BB	Ba1	2,598	2,598	-	-	-	-
B	B2	2,123	2,123	-	-	-	-
B	B3	11	11	-	-	-	-
B+	Caa2	2,695	2,695	-	-	-	-
NR	NR	22,176	-	8,978 **	13,198	-	-
NR	AAA	818	818	-	-	-	-
NR	Aa2	(3)	-	(3) *	-	-	-
TOTALS		$ 405,707	$ 15,928	$ 40,726	$ 6,140	$ 222,435	$ 120,478

* Negative amounts are representative of pay fixed interest rate swaps.

** This value represents swaptions that are not rated.

Concentration guidelines for this portfolio are as follows:

Maximum Exposure (except U.S. Treasury/Agency Organization for Economic Co-operation and Development Government Issues)

Issue	3% of portfolio
Issuer	5% of portfolio
Foreign Investments	30% of portfolio
Emerging Market Exposure	10% of portfolio
Foreign Currency Exposure	25% of non-U.S. dollar investments

**Source: SCDERS' CAFR as of June 30, 2006*

Domestic Fixed Income Portfolio
Credit Risk Analysis as of June 30, 2006

S&P Quality Rating	Total Fair Value (in thousands)	Governments	Corporates	Mortgaged-Backed Securities	Asset-Backed Securities
US Treasury	$ 158,812	$ 158,383	$ -	$ 429	$ -
AAA	112,111	-	3,005	99,803	9,303
AA+	3,364	-	-	-	3,364
A+	11,759	-	11,759	-	-
A-	15,438	-	15,438	-	-
A	4,567	-	4,567	-	-
BBB+	6,856	-	6,856	-	-
BBB	3,801	-	3,801	-	-
BBB-	20,401	-	20,401	-	-
BB+	4,195	-	4,195	-	-
BB	15,700	-	15,700	-	-
BB-	3,692	-	3,400	-	292
B+	8,743	-	8,743	-	-
B-	339	-	339	-	-
NA	3,882	-	-	3,882	-
NR (1)	55,359	-	-	55,359	-
TOTALS	$ 429,019	$ 158,383	$ 98,204	$ 159,473	$ 12,959

Moody's Quality Rating	Total Fair Value (in thousands)	Governments	Corporates	Mortgaged-Backed Securities	Asset-Backed Securities
US Treasury	$ 158,812	$ 158,383	$ -	$ 429	$ -
Aaa	56,797	-	3,005	44,489	9,303
Aa3	8,187	-	8,187	-	-
A1	8,139	-	8,139	-	-
A2	6,710	-	6,710	-	-
Baa1	4,914	-	4,914	-	-
Baa2	13,981	-	13,981	-	-
Baa3	16,992	-	16,992	-	-
Ba1	14,818	-	14,818	-	-
Ba2	14,894	-	14,602	-	292
Ba3	3,585	-	3,585	-	-
B3	3,271	-	3,271	-	-
NA	62,560	-	-	59,196	3,364
NR (1)	55,359	-	-	55,359	-
TOTALS	$ 429,019	$ 158,383	$ 98,204	$ 159,473	$ 12,959

(1) Issued by governmental agencies.

Concentration guidelines for this portfolio are as follows:

Maximum Exposure (except U.S. Treasury/Agency Organization for Economic Co-operation and Development Government Issues)

Issue	3% of portfolio
Issuer	5% of portfolio
Foreign Investments	30% of portfolio
Emerging Market Exposure	10% of portfolio
Foreign Currency Exposure	25% of non-U.S. dollar investments

**Source: SDCERS' CAFR as of June 30, 2006*

SDCERS' international fixed income portfolio is limited to a minimum average portfolio quality of A (market value weighted) and a minimum credit quality at the time of purchase of Ba/BB or equivalent by at least one of the major rating services. The following table identifies the credit quality for SDCERS' international fixed income portfolio, based on holdings as of June 30, 2006. Credit ratings refer to the long-term foreign currency rating.

International Fixed Income Portfolio
Credit Risk as of June 30, 2006

S&P Quality Rating	Total Fair Value (in thousands)	Cash & Forward Foreign Exchange	Asset Backed Securities	Credit Obligations	International Government & Agency Obligations
AAA	$ 145,803	$ 5,874	$ 3,322	$ 25,891	$ 110,716
AA+	7,808	-	-	-	7,808
AA-	14,321	-	-	-	14,321
A-	3,428	-	-	345	3,083
BBB	1,805	-	-	-	1,805
BB-	1,275	-	-	-	1,275
B+	537	-	-	-	537
B	396	-	-	-	396
B-	409	-	-	-	409
TOTALS	$ 175,782	$ 5,874	$ 3,322	$ 26,236	$ 140,350

**Source: SDCERS' CAFR as of June 30, 2006*

Subprime Market Activity

The recent events surrounding subprime residential mortgage-backed securities and the housing real estate market have not to date materially affected investment performance of SDCERS. Future investment returns could be adversely impacted due to market liquidity issues or "credit crunch" experienced as a result of the fall out in the collateralized debt obligation markets or forecasts of an economic slow down or recession.

SDCERS invests in a diversified portfolio with allocations to equities, fixed income and real estate, both domestic and international to reduce risk. SDCERS' portfolio has a neutral market weight to equity securities classified as financial companies. SDCERS is minimally exposed to asset-backed securities that are collateralized by subprime mortgages. SDCERS' domestic fixed income managers invest in Agency pass through mortgage securities that are guaranteed by the U.S. Government. Additionally, in any collateralized mortgage obligations or asset-backed securities, SDCERS' managers invest in the most highly-rated, self-liquidating (near to maturity), senior positions.

Management of SDCERS has recently contacted all of SDCERS' publicly-traded investment managers to understand the risks to their portfolios resulting from recent market activity. Management is comfortable that SDCERS' investment managers have positioned their respective portfolios to protect against various market factors. Management will continue to monitor manager investment performance in accordance with SDCERS' Investment Policy Statement.

j. Concentration of Credit Risk - San Diego City Employees' Retirement System

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, 2006, no single issuer exceeded 5% of SDCERS' total investments. Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

k. Custodial Credit Risk

Deposits – City of San Diego (*excluding San Diego City Employees' Retirement System*)

At June 30, 2006, the carrying amount of the City's cash deposits was approximately $2,607, and the bank balance was approximately $16,480, the difference of which is substantially due to deposits in transit and outstanding checks. For the balance of cash deposits in financial institutions, approximately $492 was covered by federal depository insurance and approximately $15,988 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, $15,282 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 remaining $706 is uninsured and uncollateralized and includes the following: approximately $655 in deposits relating to San Diego Data Processing Corporation and $51 in deposits relating to Southeastern Economic Development Corporation, Inc.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately $14,273. For the balance of deposits in escrow accounts, approximately $1,327 was covered by federal depository insurance and securities insurance protection. The remaining balance of $12,946 was uninsured. 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. As such, $12,946 of the City's deposits in escrow accounts are collateralized and pledged at 110%.

Deposits – San Diego City Employees' Retirement System

SDCERS' is exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. At June 30, 2006, the amount of cash and cash equivalents on deposit with SDCERS' custodial bank totaled $ 92,114.

Investments – City of San Diego (*excluding San Diego City Employees' Retirement System*)

The City's investments at June 30, 2006 are categorized as described below, including required disclosures for securities lending:

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, 2006, the City's investments at fair value included Category 3 type investments, all of which are within the Cemetery Perpetuity Fund's portfolio with Northern Trust Bank. The following is a summary of the City's investments (in thousands) exposed to custodial credit risk:

Investment Type	Fair Value
US Treasury Bonds and Notes	$ 1,656
US Agencies	85
Corporate Bonds and Notes	3,144
Mortgage Backed Securities - Commercial	113
Mortgage Backed Securities - Government	61
Common Stock	3,261
Total:	$ 8,320

Investments – San Diego City Employees' Retirement System

SDCERS' is not exposed to any custodial credit risk related to any investments. As of June 30, 2006, 100% of SDCERS' investments were held in SDCERS' name.

Securities Lending Collateral – San Diego City Employees' Retirement System

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 securities on loan collateralized by these non-cash vehicles totaled $8,700 as of June 30, 2006 and are at risk as the collateral for these loaned securities 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 $581,290 as of June 30, 2006, is also at risk as it is invested in a pooled vehicle managed by the custodian.

I. Restricted Cash and Investments – City of San Diego

Cash and investments at June 30, 2006 that are restricted by legal or contractual requirements are comprised of the following:

Nonmajor Governmental Funds		
Reserved for Debt Service	$	121,772
Permanent Endowments		14,588
Total Nonmajor Governmental Funds		136,360
Environmental Services Enterprise Fund		
Funds set aside for landfill site closure and maintenance costs		31,814
Total Environmental Services Enterprise Fund		31,814
Water Utility Enterprise Fund		
Customer deposits		3,849
Interest and redemption funds		49,391
Total Water Utility Enterprise Fund		53,240
Sewer Utility Enterprise Fund		
Interest and redemption funds		21,079
Total Sewer Utility Enterprise Fund		21,079
Internal Service Fund		
San Diego Data Processing Corporation		133
Total Internal Service Fund		133
Miscellaneous Agency Funds		
Retention held in escrow		14,273
Total Miscellaneous Agency Funds		14,273
Total Restricted Cash & Investments	$	256,899

Summary of Total Cash and Investments:

Total Unrestricted Cash and Investments	$	7,065,760
Total Restricted Cash and Investments		256,899
Total Cash and Investments		7,322,659

Total Governmental Activities	$	1,183,803
Total Business-Type Activities		532,267
Total Fiduciary Activities		5,606,589
Total Cash and Investments	$	7,322,659

m. Foreign Currency Risk – San Diego City Employees' Retirement System

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 (in thousands) held in a foreign currency as of June 30, 2006.

Local Currency Name	Cash	Equity	Fixed income	Other	Total
Australian Dollar	$ 5,103	$ 4,510	$ -	$ -	$ 9,613
Brazilian Real	31	2,924	-	-	2,955
Canadian Dollar	122	24,210	10,249	-	34,581
Danish Krone	-	1,205	8,295	-	9,500
Euro Currency	5,914	228,531	66,872	-	301,317
Hong Kong Dollar	43	7,605	-	-	7,648
Hungarian Forint	-	1,099	-	-	1,099
Indonesian Rupiah	16	1,763	-	-	1,779
Israeli Shekel	-	402	-	-	402
Japanese Yen	1,700	133,700	43,483	-	178,883
Mexican Peso	-	2,375	-	-	2,375
New Zealand Dollar	-	925	-	-	925
Norwegian Krone	-	6,630	11,490	-	18,120
Philippine Peso	-	516	-	-	516
Pound Sterling	101	84,082	19,399	(79)	103,503
Singapore Dollar	-	16,083	-	-	16,083
South African Rand	404	4,896	-	-	5,300
South Korean Won	-	12,550	2,804	-	15,354
Swedish Krona	-	9,160	-	-	9,160
Swiss Franc	-	42,711	-	-	42,711
Thailand Baht	-	2,403	-	-	2,403
TOTALS	$ 13,434	$ 588,280	$ 162,592	$ (79)	$ 764,227

The foreign exchange exposure in SDCERS' international equity small cap value portfolio (an institutional mutual fund investment) is not included in this disclosure.

The negative value on Other represents Put Options written denominated in Pound Sterling.

n. Derivative Instruments - San Diego City Employees' Retirement System

SDCERS' investment managers, as permitted by specific investment guidelines in their investment advisory agreement, may invest in or otherwise enter into transactions involving derivative financial instruments, consistent with the objectives established by the Board's investment policies. These instruments include futures, options and swaps. By Board policy these investment vehicles may not be used to leverage SDCERS' portfolio. These instruments are used primarily to enhance a portfolio's performance and to reduce its risk or volatility. SDCERS could be exposed to credit risk in the event of non-performance by counterparties; however, SDCERS enters into derivative transactions with high-quality institutions, and no losses due to counterparty non-performance on derivative financial instruments have been incurred. Credit and legal risks are also mitigated through the use of exchange traded contracts on organized exchanges. SDCERS is exposed to market risk, which is the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with investment policy guidelines, through buying or selling instruments or entering into offsetting positions.

The notional (underlying) or contractual amounts of derivatives indicate the extent of SDCERS' involvement in the various types and uses of derivative financial instruments and do not measure the exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The aggregate notional or contractual amounts for SDCERS' derivative financial instruments at June 30, 2006 were as follows:

Money Market Futures	$	542,696
Government Bond Futures		27,843
Options		(1,533)
Swaps		23
Total Derivatives	$	569,029

**Source: SDCERS' CAFR as of June 30, 2006*

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery on a specific financial instrument on a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay and generally requires margin payments to minimize such risk.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. SDCERS uses exchange traded and over-the-counter options. Options were sold and proceeds were received to enhance fixed income portfolio performance. Option contracts sold were predominantly on money market and short term instruments of less than one-year to maturity. On call option contracts, if interest rates remained steady or declined during the option contract periods, the contracts would expire unexercised. By contrast, on put option contracts, if interest rates rose sufficiently to result in the purchase of the securities on or before the end of the option periods, this would occur at prices attractive to the portfolio manager.

Swap agreements are used to modify investment returns or interest rates on investments. Swap transactions involve the exchange of investment returns or interest rate payments without the exchange of the underlying principal amounts. These swaps could expose investors entering into these types of arrangements to credit risk in the event of non-performance by counterparties.

o. Discretely Presented Component Units

San Diego Convention Center Corporation

Deposits

On June 30, 2006, the carrying amount of the San Diego Convention Center Corporation's (SDCCC) cash on hand and deposits was $978 and the bank balance was $947. Of the bank balance, $400 was covered by federal depository insurance. The remaining balance was either collateralized with the collateral held by an affiliate of the counterparty's financial institution or is uncollateralized, and therefore exposed to custodial credit risk.

Investments

At June 30, 2006, SDCCC had $12,940 in several money market mutual fund investments. In addition, an investment balance of $1,458 was maintained in two certificates of deposit with terms of approximately one year each. Neither the money market mutual funds nor the certificates of deposit are rated by credit rating agencies. SDCCC does not have a formal deposit and investment policy that addresses credit quality risk.

San Diego Housing Commission

Deposits

The carrying amount of the Housing Commission's deposits, which included cash and non-negotiable certificates of deposit, was $67,566 and the bank balance was $68,589 at June 30, 2006. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in the Commission's name. The California Government Code requires California banks and savings and loan associations to secure Commission'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 the Commission's name.

Investments

Policy

In accordance with state statutes and HUD regulations, Commission has authorized the Controller/Budget Officer to invest in obligations of the U.S. Treasury and U.S. Government agencies. The Commission is empowered by HUD Notice PIH 96-33 to invest HUD funds in the following:

Investment Type
US Treasury Obligations (bills, bonds, or notes)
US Agencies
Local Agency Investment Fund
Demand and Savings Deposits (1)
Money Market Deposit Accounts (1)
Super NOW Accounts (1)
Negotiable Certificates of Deposit (1)
Repurchase/Reverse Repurchase Agreements (2)
Sweep Accounts (1)
Money Market Mutual Funds
Trust Indentures/Contracts
Principal Only Strips

Footnotes:

(1) Deposits in excess of the insured amounts must be 100% collateralized.

(2) Securities purchased under these agreements shall be no less than 102% of the market value.

Source: San Diego Housing Commission Investment Policy

The San Diego Housing Commission is empowered by California Government Code (CGC) Sections 5922 and 53601 et seq. to invest non-HUD funds in the following:

Investment Type
Bonds (issued by the San Diego Housing Commission)
US Treasury Obligations (bills, bonds, or notes)
Registered state warrants, treasury notes/bonds (issued by the State of California)
Local Agency Investment Fund
US Agencies
Bankers' Acceptances (not to exceed 180 days)
Prime Commercial Paper (not to exceed 180 days)
Repurchase/Reverse Repurchase Agreements (2)
Medium Term Notes (rated "A" or better and not to exceed 5 years)
Negotiable Certificates of Deposit (1)
Money Market Mutual Funds
Trust Indentures/Contracts
Collateralized Bank Deposits
Mortgage Pass-Through Securities (not to exceed 5 years)

Footnotes:

(1) Deposits in excess of the insured amounts must be 100% collateralized.

(2) Securities purchased under these agreements shall be no less than 102% of the market value.

Source: San Diego Housing Commission Investment Policy

Interest Rate and Credit Risk

As of June 30, 2006, the Housing Commission's investments (in thousands) included the following:

Investment	Maturity Under 1 Year	Moody's Credit Rating	Fair Value (In Thousands)
State Local Agency Investment Fund	$ 478	Not Rated	$ 478
Total Investments - San Diego Housing Commission			$ 478

At June 30, 2006, the Housing Commission did not have any debt investments that are highly sensitive to changes in interest rates.

Custodial Credit Risk

At June 30, 2006, the Housing Commission did not have any investments exposed to custodial credit risk. All investments are held by the State of California or a pledging financial institution in the name of the Commission.

4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2006 was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 1,696,804	$ 7,126	$ (1,615)	$ 8,749	$ 1,711,064
Construction in Progress	223,519	113,796	(2,676)	(110,736)	223,903
Total Non-Depreciable Capital Assets	1,920,323	120,922	(4,291)	(101,987)	1,934,967
Depreciable Capital Assets:					
Structures and Improvements	998,552	7,807	(889)	39,559	1,045,029
Equipment	375,748	18,614	(20,467)	345	374,240
Infrastructure	2,779,795	20,326	(237)	63,430	2,863,314
Total Depreciable Capital Assets	4,154,095	46,747	(21,593)	103,334	4,282,583
Less Accumulated Depreciation For:					
Structures and Improvements	(233,321)	(27,199)	889	(240)	(259,871)
Equipment	(252,076)	(29,504)	18,660	(349)	(263,269)
Infrastructure	(1,304,612)	(82,190)	32	-	(1,386,770)
Total Accumulated Depreciation	(1,790,009)	(138,893)	19,581	(589)	(1,909,910)
Total Depreciable Capital Assets - Net of Depreciation	2,364,086	(92,146)	(2,012)	102,745	2,372,673
Governmental Activities Capital Assets, Net	$ 4,284,409	$ 28,776	$ (6,303)	$ 758	$ 4,307,640
BUSINESS-TYPE ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 85,618	$ 1,103	$ (3)	$ 3,051	$ 89,769
Construction in Progress	496,184	68,557	(4,169)	(161,150)	399,422
Total Non-Depreciable Capital Assets	581,802	69,660	(4,172)	(158,099)	489,191
Depreciable Capital Assets:					
Structures and Improvements	1,476,971	18,497	(564)	71,069	1,565,973
Equipment	311,618	6,149	(7,727)	6,075	316,115
Distribution & Collection Systems and Other Infrastructure	3,088,329	49,928	(12,466)	79,702	3,205,493
Total Depreciable Capital Assets	4,876,918	74,574	(20,757)	156,846	5,087,581
Less Accumulated Depreciation For:					
Structures and Improvements	(259,881)	(34,500)	555	3	(293,823)
Equipment	(184,230)	(23,331)	6,760	551	(200,250)
Distribution & Collection Systems and Other Infrastructure	(507,224)	(45,390)	6,287	(59)	(546,386)
Total Accumulated Depreciation	(951,335)	(103,221)	13,602	495	(1,040,459)
Total Depreciable Capital Assets - Net of Depreciation	3,925,583	(28,647)	(7,155)	157,341	4,047,122
Business-Type Activities Capital Assets, Net	$ 4,507,385	$ 41,013	$ (11,327)	$ (758)	$ 4,536,313

Governmental Activities capital assets net of accumulated depreciation at June 30, 2006 are comprised of the following:

General Capital Assets, Net	$ 4,234,929
Internal Service Funds Capital Assets, Net	72,711
Total	$ 4,307,640

Business-Type Activities capital assets net of accumulated depreciation at June 30, 2006 are comprised of the following:

Enterprise Funds Capital Assets, Net	$ 4,536,034
Internal Service Funds Capital Assets, Net	279
Total	$ 4,536,313

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

Governmental Activities:

General Government and Support	$ 1,640
Public Safety - Police	5,491
Public Safety - Fire and Life Safety	4,052
Parks, Recreation, Culture and Leisure	31,512
Transportation	72,599
Sanitation and Health	514
Neighborhood Services	1,193
Subtotal	117,001
Internal Service (Except Special Engineering)	21,892
Total Depreciation Expense	$ 138,893

Business-Type Activities:

Airports	$ 468
City Store	1
Development Services	214
Environmental Services	6,604
Golf Course	670
Recycling	1,062
Sewer Utility	64,922
Water Utility	29,230
Subtotal	103,171
Internal Service (Special Engineering)	50
Total Depreciation Expense	$ 103,221

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2006 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corp.				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
Depreciable Capital Assets:					
Structures and Improvements	$ 19,805	$ 5,026	$ (2,551)	$ (44)	$ 22,236
Equipment	9,113	734	(1,487)	44	8,404
Total Depreciable Capital Assets	28,918	5,760	(4,038)	-	30,640
Less Accumulated Depreciation For:					
Structures and Improvements	(7,539)	(1,437)	1,358	3	(7,615)
Equipment	(7,369)	(1,002)	2,161	(3)	(6,213)
Total Accumulated Depreciation	(14,908)	(2,439)	3,519	-	(13,828)
Capital Assets, Net	$ 14,010	$ 3,321	$ (519)	$ -	$ 16,812

	Discretely Presented Component Unit - San Diego Housing Commission				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 30,544	$ -	$ -	$ -	$ 30,544
Construction in Progress	8,637	1,306	-	-	9,943
Total Non-Depreciable Capital Assets	39,181	1,306	-	-	40,487
Depreciable Capital Assets:					
Structures and Improvements	83,145	-	-	-	83,145
Equipment	915	88	(17)	-	986
Total Depreciable Capital Assets	84,060	88	(17)	-	84,131
Less Accumulated Depreciation For:					
Structures and Improvements	(39,639)	(2,929)	-	-	(42,568)
Equipment	(862)	(25)	17	-	(870)
Total Accumulated Depreciation	(40,501)	(2,954)	17	-	(43,438)
Total Depreciable Capital Assets - Net of Depreciation	43,559	(2,866)	-	-	40,693
Capital Assets, Net	$ 82,740	$ (1,560)	$ -	$ -	$ 81,180

5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (In Thousands)

a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2006 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2006
Compensated Absences				$ 71,820
Liability Claims				202,482
Capital Lease Obligations				40,541
Contracts Payable:				
Contract Payable to SDSU Foundation, dated December 1991	variable*	---	1,598	1,598
Amendment to Contract Payable to SDSU Foundation, dated January 1995	variable*	---	117	117
Contract Payable to Western Pacific Housing, Inc. dated April 2004	5.00%	---	900	900
Total Contracts Payable				2,615
Notes Payable:				
Note Payable to Wal-Mart, dated June 1998	10.0%	2017	1,308	512
Notes Payable to San Diego Revitalization, dated April 2001	5.0	2032	5,115	4,682
Notes Payable to San Diego Revitalization, dated May 2005	8.0	2025	2,100	2,100
Total Notes Payable				7,294
Loans Payable:				
International Gateway Associates, LLC, dated October 2001	10.0	2032	1,876	1,838
North Park Theatre, LLC, dated December 2004	variable*	---	3,335	3,335
PCCP/SB Las America, LLC, dated August 2005	10.0	2036	1,247	1,247
Bud Fischer, dated March 2006	6.0	2007	2,679	2,679
Centerpoint, LLC, dated April 2006	7.0	2021	5,246	5,246
Total Loans Payable				14,345
San Diego Association of Governments (SANDAG) Loans Payable				7,355
Section 108 Loans Payable				42,499
General Obligation Bonds:				
Public Safety Communications Project, Series 1991	5.0 - 8.0**	2012	25,500	11,520
Open Space Park Refunding Bonds, Series 1994	5.0 - 6.0**	2009	64,260	1,170
Total General Obligation Bonds				12,690
Revenue Bonds / Lease Revenue Bonds / COPs:				
MTDB Authority Lease Revenue Refunding Bonds, Series 1994	4.25 - 5.625**	2010	66,570	10,240
Public Facilities Financing Authority Stadium Lease Revenue Bonds, Series 1996 A	6.2 - 7.45**	2027	68,425	60,490

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2006
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A	4.0 - 5.6**	2011	$ 33,430	$ 15,440
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation Refunding, Series 1996 B	4.0 - 6.0**	2022	11,720	9,180
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25**	2028	205,000	183,300
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.49**	2026	12,105	10,810
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2.75 - 4.75**	2018	30,515	17,315
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	3.5 - 5.10**	2018	7,630	4,295
Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002	7.15 - 7.7**	2032	169,685	167,560
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0**	2032	25,070	23,780
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.30**	2027	20,515	19,390
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375**	2023	15,255	14,050
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0**	2024	17,425	14,000
Total Revenue Bonds / Lease Revenue Bonds / COPs				549,850
Special Assessment / Special Tax Bonds:				
Otay Mesa Industrial Park Limited Obligation Improvement Bonds, Issued May 1992	5.5 - 7.95**	2013	2,235	395
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	3.75 - 5.375**	2021	59,465	46,600
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2000 A	4.75 - 6.375**	2031	56,020	54,545
Santaluz Special Tax Bonds, Improvement Area No.3, Series 2000 B	4.5 - 6.2**	2031	4,350	4,210
City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds	4.25 - 5.8**	2018	8,850	7,905
Piper Ranch Limited Obligation Improvement Bonds, Issued January 2004	2.5 - 6.2**	2034	5,430	5,195
Santaluz Special TaxBonds, Improvement Area No.1, Series 2004 A	1.7 - 5.5**	2031	5,000	4,885
Santaluz Special TaxBonds, Improvement Area No.4, Series 2004 A	1.65 - 5.5**	2034	9,965	9,870
Total Special Assessment / Special Tax Bonds				133,605

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2006
Tax Allocation Bonds:				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8 - 9.75**	2014	$ 1,400	$ 815
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0**	2020	1,200	880
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 B	6.9 - 8.2**	2021	3,955	3,200
Southcrest Redevelopment Project Tax Allocation Bonds, Series 1995	4.75 - 6.592**	2020	3,750	2,455
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0**	2016	12,970	8,395
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 B	4.3 - 7.0**	2007	9,830	410
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125**	2019	25,680	25,320
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	6.25**	2014	11,360	11,360
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	3.1 - 4.75**	2025	13,610	12,405
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8**	2029	5,690	5,455
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4***	2029	10,141	9,825
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.6 9**	2031	3,395	3,160
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6**	2025	6,100	5,345
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35**	2025	21,390	19,670
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8**	2022	15,025	14,425
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875**	2031	13,000	11,920
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9**	2031	7,000	6,425
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.5**	2026	1,860	1,670
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	4.93 - 5.55****	2027	58,425	57,175
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	5.0**	2027	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2.5 - 5.0**	2029	31,000	21,755
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	5.875 - 6.5**	2034	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2.5 - 4.25**	2014	865	625

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2006
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125**	2028	7,145	6,610
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75 - 5.0**	2034	5,360	5,360
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65 - 5.1**	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25 - 5.45**	2022	4,530	4,530
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49 - 7.74**	2022	8,000	7,460
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	3.5 - 5.25**	2030	101,180	99,670
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2.26 - 4.58**	2011	9,855	8,245
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26 - 6.18**	2030	27,785	27,230
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26 - 6.28**	2030	8,905	8,730
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	4.25-5.25**	2033	76,225	76,225
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	5.66-6.2**	2032	33,760	33,760
Total Tax Allocation Bonds				514,845
Tobacco Settlement Asset-Backed Bonds:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125**	2023	105,400	105,400
Total Tobacco Settlement Asset-Backed Bonds				105,400
Total Bonds Payable				1,316,390
Net Pension Obligation				158,087
Total Governmental Activities Long-Term Liabilities				$ 1,863,428

* Additional information on the variable rate contracts payable with the SDSU Foundation and loans payable with North Park Theatre, LLC are discussed further on the following page.

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

*** The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2006 does not include accreted interest of $5,342.

**** The Centre City Redevelopment Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2006 does not include accreted interest of $3,877.

Liability claims are primarily liquidated by the Self Insurance Fund and Enterprise Funds. Compensated absences are paid out of the operating funds and certain internal service funds. Pension liabilities are paid out of the operating funds based on a percentage of payroll.

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. Open space general obligation bonds are backed by Environmental Growth Fund 2/3 franchise fees.

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.

Special assessment/special tax bonds are issued by the City to provide funds for public improvements in/and or serving special assessment and Mello-Roos districts created by the City. The bonds are secured by assessments and special taxes levied on the properties located within the assessment districts and the community facilities districts, and are payable solely from the assessments and special taxes collected. The assessments and the special taxes, and any bonds payable from them, are secured by a lien on the properties upon which the assessments and the special taxes are levied. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds.

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.

SANDAG loans are comprised of two components: repayment of debt service on bonds, and repayment of proceeds from commercial paper. The City receives distributions of SANDAG bond proceeds, based on the City's agreement with SANDAG. The annual debt service payments related to these bond issuances are recovered by SANDAG through reductions in TransNet allocations that would otherwise be available for payment to the City. TransNet-Proposition A, was passed in 1987 to enact a ½ percent sales tax increase to fund regional transportation projects. All expenses must first be approved by SANDAG and be included on the Regional Transportation Plan (RTP). The City recognizes repayment of the principal and interest on bonds as an increase in TransNet revenues and an offsetting debt service expenditure. The interest rates on the outstanding bonds range from 4.75 percent to 5.50 percent. In addition to financing from bond issuances, financing for TransNet related projects is made available through the issuance of commercial paper notes by SANDAG, at the request of the City. Repayment of proceeds related to the commercial paper is collected in future periods through reductions in TransNet allocations, similar to the repayment of the debt service on bonds. Interest rates on commercial paper notes during the current year have varied from 2.40 percent to 3.58 percent, with maturities from 1 day to 166 days. Interest rates on outstanding commercial paper note amounts at June 30, 2006, ranged from 3.50 percent to 3.58 percent.

San Diego State University Foundation executed an Agreement for Processing a Redevelopment Plan and Land Use Entitlements with the Redevelopment Agency of the City of San Diego which allows for reimbursement of expenses incurred by the Foundation, in assisting in the preparation and processing of the Redevelopment Plan and Land Use Entitlements in the College Area. The agreement is a variable rate obligation of the Agency. The unpaid principal bears interest at the prime rate and is fixed on a quarterly basis, using the prime rate established on the first banking day of each calendar quarter. Interest calculations are made on the quarterly weighted average of the principal balance and are made at the end of the quarter based upon the rate fixed for that quarter. The interest rate is not to exceed 12 percent per annum on funds advanced to the Agency. The effective interest rate as of June 30, 2006 is 7.75 percent.

The Redevelopment Agency of The City of San Diego and North Park Theatre, LLC entered into a Disposition and Development Agreement dated April 23, 2002, a Second Implementation Agreement dated, April 28,2004 and a Third Implementation Agreement dated December 9, 2004. These agreements were executed for the purposes of effectuating the Redevelopment Plan for the North Park Redevelopment Project, by providing for the disposition of certain real property and a loan to the Agency from the Developer to fund the Agency's subsidy of the rehabilitation of the North Park Theatre building by the Developer. The Third Implementation Agreement converted the loan from a fixed rate to a variable rate obligation of the Agency. The interest on the loan is based on the prime rate plus 2 percent for the first two years, then will increase by a 1/2 percent per year for the remainder of the term of the loan. The interest rate shall not exceed the lesser of the Prime Rate plus four percent, or the maximum interest rate allowed by law. The interest rate shall be reset annually, on August 1st, based on the Prime Rate on the reset date. The effective interest rate as of June 30, 2006 is 8.25 percent.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2006, including interest payments to maturity, are as follows:

Year Ended June 30,	Capital Lease Obligations		Contracts Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 8,774	$ 1,510	$ -	$ -	$ -	$ -
2008	7,233	1,218	-	-	-	-
2009	6,474	938	-	-	-	-
2010	5,431	688	-	-	-	-
2011	4,067	487	-	-	-	-
2012-2016	8,562	527	-	-	-	-
Unscheduled*	-	-	2,615	1,713	7,294	4,144
Total	$ 40,541	$ 5,368	$ 2,615	$ 1,713	$ 7,294	$ 4,144

** The contracts payable to SDSU Foundation in the amount of $1,715, the contract payable to Western Pacific Housing, Inc. in the amount of $900, and the notes payable to Wal-Mart of $512 and San Diego Revitalization of $6,782, do not have annual repayment schedules. Annual payments on the San Diego State University debt is based on the availability of tax increment net of the low-moderate and taxing agency set-asides as well as project area administration costs. Annual payments to the Wal-Mart, Western Pacific Housing, Inc., and San Diego Revitalization debt are based on available tax increment.*

Year Ended June 30,	Loans Payable		SANDAG Loans		Section 108 Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 2,702	$ 385	$ 5,107	$ 225	$ 3,068	$ 2,340	$ 1,985	$ 783
2008	25	306	2,248	94	3,535	2,203	2,125	641
2009	27	304	-	-	2,364	2,046	2,265	502
2010	30	301	-	-	2,457	1,920	1,975	353
2011	33	298	-	-	2,595	1,783	2,100	219
2012-2016	224	1,433	-	-	15,066	6,415	2,240	74
2017-2021	361	1,295	-	-	9,443	2,424	-	-
2022-2026	581	1,076	-	-	3,971	421	-	-
2027-2031	935	722	-	-	-	-	-	-
2032-2036	846	185	-	-	-	-	-	-
Unscheduled*	8,581	242	-	-	-	-	-	-
Total	$ 14,345	$ 6,547	$ 7,355	$ 319	$ 42,499	$ 19,552	$ 12,690	$ 2,572

** The loans payable to North Park Theatre, LLC in the amount of $3,335, and Centerpoint, LLC in the amount of $5,246 do not have annual repayment schedules. Annual payments are based upon future receipts of unallocated tax increment or other available sources.*

Year Ended June 30,	Revenue Bonds / COPs		Special Assessment / Special Tax Bonds		Tax Allocation Bonds			Tobacco Asset-Backed Bonds	
	Principal	Interest	Principal	Interest	Principal	Unaccreted Appreciation	Interest	Principal	Interest
2007	$ 19,875	$ 32,416	$ 3,770	$ 7,286	$ 12,041	$ 1,910	$ 23,442	$ 2,700	$ 7,093
2008	20,860	31,437	4,045	7,112	13,371	1,996	24,746	3,300	7,317
2009	21,550	30,395	4,315	6,921	14,476	2,081	24,208	3,600	7,082
2010	21,235	29,337	4,630	6,709	15,088	2,163	23,555	3,800	6,826
2011	19,325	28,303	4,960	6,474	15,853	2,243	22,808	4,000	6,555
2012-2016	91,445	126,723	29,375	28,033	101,267	12,058	99,778	25,100	28,015
2017-2021	108,975	98,482	35,055	19,364	124,038	11,280	71,011	35,500	17,691
2022-2026	135,645	62,689	18,985	11,855	119,894	6,394	40,397	27,400	3,285
2027-2031	95,390	22,726	25,520	5,001	77,322	447	13,849		
2032-2036	15,550	1,155	2,950	260	21,495	-	1,166		
Subtotal	549,850	463,663	133,605	99,015	514,845	40,572	344,960	105,400	83,864
Add: Accreted Appreciation through June 30, 2006	-	-	-	-	9,219	-	-	-	-
Total	$ 549,850	$ 463,663	$ 133,605	$ 99,015	$ 524,064	$ 40,572	$ 344,960	$ 105,400	$ 83,864

** The Tobacco Asset-Backed Bond's 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, 2006. The effect of bond accretion, bond premiums, discounts, and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	74,387	50,878	(53,445)	71,820	31,064
Liability Claims	218,366	35,905	(51,789)	202,482	32,390
Capital Lease Obligations	30,647	20,087	(10,193)	40,541	8,774
Contracts Payable	1,715	900	-	2,615	-
Notes Payable	7,924	-	(630)	7,294	-
Loans Payable	5,187	9,171	(13)	14,345	2,702
Section 108 Loans Payable	42,858	2,151	(2,510)	42,499	3,068
SANDAG Loans Payable	13,979	1,651	(8,275)	7,355	5,107
General Obligation Bonds	14,530	-	(1,840)	12,690	1,985
Revenue Bonds / COPs	571,285	-	(21,435)	549,850	19,875
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(950)	-	51	(899)	-
Net Revenue Bonds/COP's	570,335	-	(21,384)	548,951	19,875
Special Assessment / Special Tax Bonds	137,305	-	(3,700)	133,605	3,770
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(654)	-	46	(608)	-
Net Special Assestment Bonds	136,651	-	(3,654)	132,997	3,770
Tax Allocation Bonds	415,778	109,985	(10,918)	514,845	12,041
Interest Accretion	7,463	1,822	(66)	9,219	
Balance with Accretion	423,241	111,807	(10,984)	524,064	12,041
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	3,215	2,408	-	5,623	-
Net Tax Allocation Bonds	426,456	114,215	(10,984)	529,687	12,041
Tobacco Settlement Asset-Backed Bonds:	-	105,400	-	105,400	2,700
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	-	-	-	-	-
Net Tobacco Settlement Asset-Backed Bonds	-	105,400	-	105,400	2,700
Net Pension Obligation	254,486	6,325	(102,724)	158,087	-
Total	$ 1,797,521	$ 346,683	$ (267,441)	$ 1,876,763	$ 123,476

d. Defeasance of Debt

As of June 30, 2006, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount
Horton Plaza Redevelopment Project Subordinate Tax Allocation Refunding Bonds, Series 1996 B	$ 6,640
Total Defeased Bonds Outstanding	$ 6,640

6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (In Thousands)

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2006 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2006
Arbitrage Liability				$ 193
Compensated Absences				16,390
Liability Claims				50,379
Capital Lease Obligations				2,051
Loans Payable:				
Loans Payable to San Diego County Water Authority	-	-	100	100
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2020	10,606	7,816
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80**	2022	6,684	5,533
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80**	2022	33,720	27,912
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2022	7,742	6,406
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2021	860	673
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80**	2021	2,525	1,977
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99**	2020	3,767	3,042
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80**	2023	8,068	7,033
Loans Payable to State Water Resources Control Board, issued December 14, 2005	1.89**	2024	10,093	9,647
Loans Payable to Department of Health Services, issued July 6, 2005	2.5132	2026	21,525	21,108
Total Loans Payable				91,247
Bonds Payable:				
Sewer Revenue Bonds, Series 1993	2.8 - 5.25*	2023	250,000	182,370
Sewer Revenue Bonds, Series 1995	3.9 - 6.0*	2025	350,000	284,505
Sewer Revenue Bonds, Series 1997 A	3.7 - 5.375*	2027	183,000	152,625

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2006
Sewer Revenue Bonds, Series 1997 B	3.7 - 5.375*	2027	$ 67,000	$ 55,875
Water Certificate of Undivided Interest, Series 1998	4.0 - 5.375*	2029	385,000	271,055
Sewer Revenue Bonds, Series 1999 A	3.5 - 5.125*	2029	203,350	178,665
Sewer Revenue Bonds, Series 1999 B	3.5 - 5.125*	2029	112,060	98,665
Subordinated Water Revenue Bonds, Series 2002	2.0 - 5.0*	2033	286,945	286,945
Sewer Revenue Bonds, Series 2004	variable***	2008	152,000	152,000
Total Bonds Payable				1,662,705
Estimated Landfill Closure and Postclosure Care				14,811
Net Pension Obligation				36,394
Total Business-Type Activities Long-Term Liabilities				$ 1,874,170

** Interest rates are fixed, and reflect the range of rates for various maturities from the date of issuance to maturity.*
*** Effective rate*
**** Variable rate based on 62.34% of the London Inter-bank Offered Rate (LIBOR), which is a daily reference rate based on the interest rates at which major banks offer to lend unsecured funds to other banks in the London inter-bank market, plus 90 basis points through December 16, 2006. The effective interest rate at fiscal year end June 30, 2006 is 3.8984%.*

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2006, including interest payments to maturity, are as follows:

Year Ended June 30	Revenue Bonds Payable		Loans Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 56,845	$ 80,721	$ 4,677	$ 1,802	$ 1,045	$ 69
2008	74,015	77,795	4,767	1,712	840	31
2009	75,995	74,606	4,860	1,619	166	4
2010	77,985	71,404	4,956	1,523		
2011	80,210	67,972	5,052	1,427	-	-
2012-2016	305,245	292,865	26,783	5,612	-	-
2017-2021	369,745	211,023	28,624	2,883	-	-
2022-2026	398,920	109,321	11,428	533	-	-
2027-2031	197,600	25,353	-	-	-	-
2032-2036	26,145	1,324	-	-	-	-
Unscheduled *	-	-	100	-	-	-
Total	$ 1,662,705	$ 1,012,384	$ 91,247	$ 17,111	$ 2,051	$ 104

** The loan payable to the San Diego County Water Authority in the amount of $100 does not have an annual repayment schedule. The payment is due if funding for the projects for which the loan was received becomes available from other sources.*

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2006. The effect of bond premiums, discounts and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	$ 213	$ 3	$ (23)	$ 193	$ -
Compensated Absences	17,521	12,974	(14,105)	16,390	7,580
Liability Claims	47,389	4,551	(1,561)	50,379	3,524
Capital Lease Obligations	3,521	-	(1,470)	2,051	1,045
Loans Payable	63,803	31,618	(4,174)	91,247	4,677
Revenue Bonds Payable	1,698,060	-	(35,355)	1,662,705	56,845
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(8,510)	-	751	(7,759)	-
Net Revenue Bonds Payable	1,689,550	-	(34,604)	1,654,946	56,845
Estimated Landfill Closure and Postclosure Care	13,665	1,146	-	14,811	-
Net Pension Obligation	35,104	2,264	(974)	36,394	-
Total	$ 1,870,766	$ 52,556	$ (56,911)	$ 1,866,411	$ 73,671

d. Defeasance of Debt

As of June 30, 2006, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Balance
Water Revenue Bonds, Series 1998	$ 77,155
Total Defeased Bonds Outstanding	$ 77,155

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

Discretely presented component units long-term debt as of June 30, 2006 is comprised as follows:

San Diego Convention Center Corporation

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2006	Due Within One Year
Compensated Absences				$ 1,121	$ 1,076
Capital Lease			3,942	3,662	706
Note Payable to San Diego Unified Port District, dated 1999	0.00%	2011	10,000	4,500	1,000
Total Long-Term Liabilities				9,283	2,782

Annual requirements to amortize long-term debt as of June 30, 2006, are as follows:

Capital Lease		Note Payable	
Fiscal Year	Amount	Fiscal Year	Amount
2007	$ 706	2007	$ 1,000
2008	755	2008	1,000
2009	807	2009	1,000
2010	863	2010	1,000
2011	531	2011	500
Total	$ 3,662	Total	$ 4,500

San Diego Housing Commission

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2006	Due Within One Year
Compensated Absences				$ 1,391	$ 1,391
Note Payable to Bank of America, dated February 1985	5.0 – 10.2%	2025	3,789	3,077	103
Note Payable to Ciy of San Diego Redevelopment Agency, dated March 1992	0.0	2022	696	696	-
Note Payable to Washington Mutual, dated June 1995	Variable*	2011	4,725	3,672	169
Note Payable to State of California (RHCP)	3.0	2013	3,149	3,149	-
Note Payable to State of California (RHCP)	0.0	2015	1,405	1,405	-
Note Payable to State of California (CalHELP)	0.0	2013	704	1,892	-
Total Notes Payable				$ 15,282	$ 1,663

* The interest rate as of June 30, 2006 was 4.31%

Annual requirements to amortize such long-term debt as of June 30, 2006 to maturity are as follows:

Year Ending June 30	Principal	Interest
2007	$ 272	$ 313
2008	289	295
2009	302	283
2010	314	271
2011	3,001	257
2012-2016	7,211	1,772
2017-2021	957	312
2022-2025	1,545	62
Total	$ 13,891	$ 3,565

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, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	$ -	$ 145,000	$ (145,000)	$ -

The $145,000 FY06 TRANs issue had an average interest rate of 3.19% and was repaid on May 31, 2006.

9. JOINT VENTURE and JOINTLY GOVERNED ORGANIZATIONS (In Thousands)

San Diego Medical Services Enterprise, LLC

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. San Diego Medical Services Enterprise, LLC (SDMSE) is a joint venture that is reported within the General Fund.

SDMSE was organized on May 2, 1997 to provide emergency medical services and medical transportation services to the citizens of San Diego. Operations began July 1, 1997 under an initial 5 year agreement that was extended on July 1, 2002 and again on July 1, 2005 for an additional three year period. The SDMSE partners are the City of San Diego and Rural Metro of San Diego, Inc., a wholly owned subsidiary of Rural Metro Corporation (a publicly traded corporation). The SDMSE governing board is comprised of five members, three of whom are appointed by the City. In accordance with GASB 14, the financial impacts of the joint venture are reported in the General Fund.

The maximum funds which the City is required to contribute to the costs of SDMSE operations are limited to an aggregate of $8,450 during the term of the third amended agreement. This aggregate includes a $650 annual subsidy and any other amounts to be paid to the City since 1997 under the original contract, and any losses the City is required to cover under the extended contract, excluding any amount the City contributes for Medicare fee reimbursements. Cumulatively, the City has paid annual subsidies totaling $5,700 as of June 30, 2006. Effective in fiscal year 2006, the City is no longer required to pay the $650 annual subsidy and the Medicare fee reimbursements shall not exceed $250 per fiscal year. Net assets of SDMSE are pro-rated to each partner based on a 50/50 split. In accordance with the operating agreement, profit and loss for each fiscal year is allocated equally to the members, subject to an aggregate limitation on loss to the City of $8,450 (equal to the amount of subsidies discussed above). For the fiscal year ended June 30, 2006, SDMSE reported a net income of $1,499, a member distribution of $455, and ending net assets of $4,127.

Under the terms of an operating agreement between Rural/Metro of San Diego, Inc. and SDMSE, Rural/Metro of San Diego, Inc. has made available a line-of-credit in the initial amount of $3,500 bearing an interest rate of 9.5%. SDMSE did not have an outstanding balance, nor did it borrow on the line-of-credit at June 30, 2006.

Complete financial statements can be requested from San Diego Medical Services Enterprise, LLC, 8401 East Indian School Rd., Scottsdale, Arizona 85251.

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.

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 objectives are to create and maintain a geographic information system, marketing and licensing compiled digital geographic data and software, providing technical services and publishing geographical and land-related information.

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.

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, 2006:

Year Ended June 30	Amount
2007	$ 11,699
2008	11,167
2009	11,396
2010	11,078
2011	10,524
2012-2016	27,442
2017-2021	245
2022-2026	147
Total	$ 83,698

Rent expense as related to operating leases was $12,259 for the year ended June 30, 2006.

Capital Leases

The City has entered into various capital leases for equipment, vehicles and property. These capital leases have maturity dates ranging from July 1, 2006 through November 30, 2014, and interest rates ranging from 2.57% to 7.94%. A schedule of future minimum lease payments under capital leases as of June 30, 2006 is provided in Notes 5 and 6. The value of all capital leased assets as of June 30, 2006 for governmental assets is $32,850, net of accumulated depreciation of $79,249 and business-type assets of $12,619 net of accumulated depreciation of $12,761.

Lease Revenues

The City has operating leases for certain land, buildings and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately $45,672 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 Ended June 30	Amount
2007	$ 28,540
2008	27,262
2009	26,661
2010	26,026
2011	25,767
2012-2016	121,799
2017-2021	110,250
2022-2026	103,007
2027-2031	97,531
2032-2036	87,577
2037-2041	80,145
2042-2046	69,584
2047-2051	32,968
2052-2056	6,958
2057-2061	2,375
Total	$ 846,450

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 $72,822 for the year ended June 30, 2006 which includes contingent rentals amounting to $44,900.

11. DEFERRED COMPENSATION PLAN (In Thousands)

The City, San Diego Convention Center Corporation (SDCCC), San Diego Data Processing Corporation (SDDPC), and San Diego Housing Commission (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, available to eligible employees, permit them 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 of San Diego'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 is an agent multiple-employer defined benefit public pension plan and acts as a common investment and administrative agent for the City, the San Diego Unified Port District (the "Port"), and the San Diego County Regional Airport Authority (the "Airport"). It is administered by the SDCERS Board (the "Board") to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval as well as a majority vote by members, provided that benefit increases also require a majority vote of the public (effective January 1, 2007). All approved benefit changes are codified in the City's Municipal Code.

The Defined Benefit Plan (the Plan) covers 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 CAFR, however, and the information herein relates solely to the City's participation in SDCERS. City employment classes participating in the Plan are elected officers, general and safety (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.

Plan Membership as of June 30, 2006

	General	Safety	Total by Classification
Active Members	6,409	2,478	8,887
Terminated Members	1,983	376	2,359
Retirees, Disabled and Beneficiaries	3,800	2,601	6,401
Total Members, as of June 30, 2006	12,192	5,455	17,647

Source: SDCERS-City of San Diego Actuarial Valuation as of June 30, 2006

As a defined benefit plan, retirement benefits are determined primarily by a member's class, age at retirement, number of years of creditable service, and the member's final compensation based on the highest salary earned over a consecutive one-year period. The Plan provides cost of living adjustments of 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. The Plan requires ten years of service at age 62, 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, to vest for a benefit. Typically, retirement benefits are awarded at a rate of 2.5% of the employee's one-year high annual salary per year of service at age 55 for general members, and 3% for Safety members starting at the age of 50. The actual percentage of final average salary 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. General plan percentage of final average salary per year served is a maximum of 2.8% for general members and 3% for safety members.

Deferred Retirement Option Program (DROP)

The City also has a Deferred Retirement Option Program (DROP) where participants continue to work for the City and receive a regular paycheck. SDCERS' members electing to participate in DROP must agree to participate in the program for a specific period, 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. A SDCERS member's decision to enter DROP is irrevocable.

Upon entering the program, the DROP participant stops making contributions to SDCERS and stops earning creditable service. Instead, amounts equivalent to the participant's retirement benefit plus 8% earnings and additional contributions are credited to an individual account held in the participant's name. The DROP benefit is the value of a DROP participant's account at the end of the DROP participation period. Participants select the form of the distribution of the DROP account when they leave employment and begin retirement. The distribution is made as a single lump sum or in 240 equal monthly payments, or as otherwise allowed by applicable provisions of the Internal Revenue Code. 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 most of the employer offered benefits available to regular employees.

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the DROP program due to the benefit changes negotiated with the July 1, 2005 Memoranda of Understanding (MOU). However, SDCERS has asserted that due to delays in codification of benefit changes into the Municipal Code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, the City Attorney and SDCERS legal counsel do not agree on this issue and the Municipal Code states July 1, 2005 as the effective date [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate in DROP when they are eligible for a service retirement.

Purchase of Service Credits

Article 4 Division 13 of the City's Municipal Code allows plan members to purchase years of Creditable Service for use in determining retirement allowances. To purchase Creditable Service, a Member must elect to pay and thereafter pay, in accordance with such election before retirement, into the Retirement Fund an amount, including interest, determined by the Board. No Member will receive Creditable Service under this Division for any service for which payment has not been completed pursuant to this Division before the effective date of the Member's retirement. The City Attorney has opined that in the past, the Purchase of Service Credits were under priced by the Board of Administration. After review of the purchase of service program, SDCERS' actuary concluded that the service credit pricing structure that was in place prior to November 2003 did not reflect the full cost in the price then charged to SDCERS members. The pricing shortfall of approximately $146,000, which is included in the UAAL, is reported in the RSI of these financial statements. The service credit pricing structure used after November 2003, however, does cover the full projected cost to the System when members purchased the service credits (this is discussed in Note 18: Contingencies).

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the Purchase of Service Credit program due to the benefit changes negotiated with the July 1, 2005 Memoranda of Understanding (MOU). However, SDCERS has asserted that due to delays in codification of benefit changes into the municipal code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, the City Attorney and SDCERS legal counsel do not agree on this issue and the Municipal Code states July 1, 2005 as the effective date [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate the Purchase of Service Credit Program.

Corbett Settlement Benefits and Retirement Factors

In 1998, a lawsuit was filed by retired employees who alleged that the City's definition of compensation subject to the computation of retirement benefits improperly excluded the value of certain earnings. The City and SDCERS settled in May of 2000, which is known as the Corbett Settlement. This settlement provided for a flat increase of

7% in benefits payable to eligible members who retired prior to July 1, 2000, payable annually. The settlement also provided a 10% benefit increase and allows for two options in calculating the service retirement allowance for employees active at the time of the settlement and who joined the Retirement System before July 1, 2000 and who retired after July 1, 2000.

The options for calculating the service retirement allowance are outlined in the San Diego Municipal Code sections 24.0402 and 24.0403 which can be obtained at City of San Diego City Clerks Office 202 C Street, San Diego, CA 92101 or online at www.sandiego.gov.

On July 1, 2002 the City Council increased the retirement factors used for calculating retirement allowances; this action was related to MP-2 (as discussed later in this note). As a result of the Corbett Settlement and other benefit actions taken by the City Council, the service retirement factors for general members (non-safety and non-legislative) range from 2.0% at age 55 to 2.8% at age 65. The service retirement factors for Safety Members (Fire, Police and Lifeguard) range from 2.2% at age 50 to 3.0% at age 50 depending on the Corbett Settlement option selected. Finally, the City also maintains an Elected Officer's Retirement Plan where members are eligible to receive 3.5% of their final average salary per year of creditable service. Depending on the number of years serviced, 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.

Preservation of Benefit Plan

On March 19, 2001, the City Council adopted Ordinance O-18930, adding SDMC sections 24.1601 through 24.1608, establishing 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), 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 SDMC 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. Currently, SDCERS is participating in a Voluntary Correction Program with the IRS concerning the POB plan (refer to Note 18: Contingencies for additional information). As of issuance of this report, actuarial liabilities related to retired member benefits that exceeded §415 limits are included in the RSI for the City's core pension plan for valuation years up to and including fiscal year 2005. In the fiscal year 2006 actuarial valuation, the estimated actuarial accrued liability related to excess benefits for eligible active members of the system, amounting to approximately $22,800, was removed from the plan's Actuarial Liabilities (this liability is estimated to be approximately $30,400 in the fiscal year 2007 actuarial valuation). Additionally, the liability for retired members of the POB Plan, amounting to approximately $6,400, has been excluded from the fiscal year 2007 actuarial valuation. Estimates related to the actuarial liability for benefits that exceed IRS §415 limits were calculated using actuarial assumptions consistent with those used to perform actuarial valuations for the City's core pension plan and also pursuant to the Compliance Statement, dated December 20, 2007, and Tax Determination Letter provided by the IRS during Voluntary Correction Program discussions.

The most current estimates related to the Preservation of Benefit plan are that approximately 58 beneficiaries have received benefits of approximately $2,900 in excess of IRC §415 limits through June 30, 2006; an additional approximate $900 in benefits were paid in the fiscal year ending June 30, 2007 for an estimated cumulative overpayment of $3,800. No additional plan payments or repayments are required as a result of the Compliance Statement. The number of plan participants, in any given year, for the Preservation of Benefit Plan is determined by the number of plan participants who exceed the current year's IRS §415(b) limitations as calculated by SDCERS' actuary. The maximum limit for the calendar year 2006 was $175 (calendar year 2008 limit is $185) and is adjusted downward depending on the age of the participant when benefits began.

Charter Amendment

On November 7, 2006, the citizens approved an amendment to Article 9, Section 143 of the City's Charter, requiring voter approval of certain increases in retirement system benefits for public employees. Specifically, this amendment requires a majority approval of any ordinance that amends the City's retirement system by increasing the benefits of any employee.

Additional details of retirement benefits can be obtained from SDCERS. SDCERS is considered part of the City of San Diego's financial reporting entity and is reported as a pension trust fund. SDCERS issues stand-alone financial statements which are available at its office located at 401 West A Street, Suite 400, San Diego, California 92101.

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. Investment income is recognized in accordance with GASB 25 and is stated net of investment management fees and related expenses.

c. Contributions and Reserves - Disclosure Related to Long - Term Contracts and Other Agreements

Funding Contracts: MP-1 and MP-2

The City employer contributions for fiscal years 1996 - 2003 were not based on the full actuarial rates. Instead, employer contributions were less than the full actuarial rates in accordance with an agreement between the City and SDCERS, commonly referred to as Manager's Proposal 1 (MP-1). MP-1 provided that the City would make annual payments according to a contractually fixed formula of increasing percentages of total payroll instead of annual payments based on the annually required contribution (ARC) rates determined by the actuary. This agreement was subject to an actuarially determined funding ratio ("the trigger") of 82.3%. In the event the trigger was reached, the City would be required to make a lump sum payment to return the system to the funding ratio of 82.3%. The funding provision established by MP-1 was to be effective until fiscal year 2007, at which time, the City's contribution would return to the full ARC rate determined by the actuary. In the opinion of Kroll (a professional consulting firm engaged by the City to act in the capacity of an Audit Committee) and the City Attorney, the funding mechanism of MP-1 was illegal in violation of the City Charter and the State Constitution.

In 2002, a second agreement between the City and SDCERS was ratified; this agreement subsequently became known as Manager's Proposal 2 (MP-2). MP-2 modified MP-1 principally by allowing the City to avoid a balloon payment if the trigger was reached. Instead, MP-2 allowed the City to increase its funding until the full ARC was reached. This provision of MP-2 required that funding be increased over a five year period. In the opinion of Kroll and the City Attorney, the funding mechanism of MP-2 was illegal in violation of the City Charter and the State Constitution.

The actuarial valuation as of June 30, 2002, received in January 2003, which applies to contributions made in fiscal year 2004, reported the funded ratio to be 77.3%, thus the trigger had been breached. As a result, the City paid the increased contribution rates (which were less than the full actuarial rates) as required by MP-2 in the next fiscal year (fiscal year ended June 30, 2004). MP-1 and MP -2 are no longer in effect due to the Gleason settlement (see the section titled "Funding Commitments Related to Legal Settlements" in this Note).

A discussion of funding levels can be found in the Funding Policy and Annual Pension Cost section of this note.

Funding Contracts: Union Agreements

The City has historically picked up a portion of the employee's retirement contributions. The fiscal year 2006 MOUs and the changes to current and future employee benefits therein were introduced to Council in November 2006, and the changes in benefit eligibility were approved by Council Resolution 300600.

The agreement in the MOUs (agreements with the police union were not reached) was to reduce the amount of individual employees' pension contributions which are paid for by the City, effective fiscal year 2006. The agreements with labor unions resulted in the reduction of City "pick-up" of the employee pension contribution by 3% for the Municipal Employees' Association (MEA), the International Association of Fire Fighters Local 145, and the Deputy City Attorney Association (DCAA) and a unilaterally imposed reduction of 3.2% for the San Diego Police Officers Association (POA). In addition, the American Federation of State and County Municipal Employees (AFSCME) Local 127 negotiated a 1.9% salary reduction in lieu of a City "pick up" contribution reduction and a benefit freeze.

The agreements with the bargaining units explicitly indicate that savings to the City must be used to help address its Unfunded Actuarial Accrued Liability (UAAL) within the timeframe of the respective contracts. The labor contract with Local 127 states that "By June 30, 2008, if the City has not dedicated a total of $600,000 or more to the UAAL reduction, including the amount received by leveraging employee salary reduction and pension contribution monies, the AFSCME salary reduction monies with interest will revert to SDCERS Employee Contribution Rate Reserve for benefit of Local 127 unit members to defray employee pension contributions." The City will be excused from meeting the above obligation if the funded ratio reaches 100% by June 30, 2008.

In June 2006, the City leveraged a portion of the employee pick up savings by contributing $90,800 from securitization of future tobacco settlement revenues, $9,200 of current tobacco settlement revenues, and $8,300 from the remaining balance in the employee "pick-up" amount as part of meeting its negotiated commitment. The $100,000 payment in excess of the ARC from tobacco settlement revenues is 100% backed by general fund revenues, and therefore, was directly allocated to reduce the NPO of the general fund only. The additional contribution of $8,300 in excess of the ARC, however, was allocated Citywide as a reduction to the NPO. In June 2007, the City contributed approximately $7,000 in addition to the ARC, from the savings of the employee "pick-up" reduction. (These agreements are also discussed in the Subsequent Events Note 22). A financing option to generate additional funding is currently being pursued. As of issuance of this report, it appears the City will not be able to meet the outstanding commitment by June 30, 2008 in its entirety. As such, the salary reduction monies, with interest, will likely revert to the employee contribution rate reserve as stated in the MOU with the Local 127 bargaining unit.

Funding Commitments Related to Legal Settlements

Subsequent to the adoption of MP-2, the City settled a class action lawsuit regarding alleged breaches of fiduciary duty and law regarding the City's underfunding of the pension system resulting from the adoption of MP-1 and MP-2. The Gleason Settlement Agreement addressed the issues raised regarding the City's underfunding of the pension system by imposing the following requirements on the City for fiscal years 2005 through 2008:

1. Contribute $130,000 in fiscal year 2005. *
2. Pay its full ARC beginning fiscal year 2006.
3. Repeal Municipal Code Sections that legitimized the City's contribution obligations related to MP-2.
4. Provide a total of $375,000 of real property as collateral for payments required via the Gleason Settlement Agreement.

* The City's Gleason Settlement required contribution of $130,000 in fiscal year 2005 was paid prior to the execution of the agreement on July 7, 2005, and therefore, was omitted from the final agreement.

The Gleason Settlement also stipulated that certain actuarial assumptions be fixed, notably, that the amortization period was reset to a 29-year closed commencing with the June 30, 2004 Annual Actuarial Valuation. These assumptions were to remain in place for the duration of the settlement. On July 1, 2004, the City made the Gleason Settlement required contribution of $130,000 for fiscal year 2005 in addition to providing real property totaling $375,000 as collateral to be returned in annual installments of $125,000. On July 1, 2005, the City made the annually required contribution of $163,000 for fiscal year 2006. Additionally, the City made a contribution in excess of the ARC in the amount of $108,300 on June 30, 2006. On July 3, 2006 the City made its full annually required contribution of $162,000 as well as an additional $7,000 contribution in excess of the ARC for fiscal year 2007 and on July 1, 2007, the City made its full annually required contribution of $137,700 as well as an additional $27,300 contribution in excess of the ARC for fiscal year 2008. The final installment of $125,000 of real property

collateral was returned to the City on November 9, 2007.

The annual required contributions for fiscal years 2005, 2006, and 2007 did not include the effects of the Corbett settlement because the SDCERS' Board viewed those benefits as contingent (see section a. for a description of the Corbett Settlement). Subsequent to those payments, the City determined that the Corbett Settlement liabilities are not contingent. As a result, the ARC for financial reporting was restated from the original ARC calculated by SDCERS' actuary to include Corbett Settlement liabilities. As a result, the City's NPO includes the effects of the Corbett Settlement.

In September 2006, the City entered into a settlement of McGuigan v. City of San Diego (the "McGuigan Settlement") related to the underfunding by the City of the pension system. This agreement stipulated that the City pay $173,000 plus interest on amounts outstanding to SDCERS over a period of 5 years. An additional requirement of the McGuigan Settlement is that the City provides SDCERS real property collateral totaling $100,000 (Non-Depreciable Capital Assets – Land). These amounts are in addition to those required by the Gleason Settlement and are to be returned upon the full payment of the settlement.

As of the issuance of this report, the City has provided the real property collateral in addition to approximately $115,400 of additional payments to SDCERS, in an attempt to meet the terms of the McGuigan Settlement. The McGuigan Settlement was partially funded through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, and additional employee "pick up" savings. This contribution is further discussed in the Funding Contracts: Union Agreements section above.

In January, 2006, the City reached a settlement on a separate civil action captioned: Newsome v. City of San Diego Retirement System, City of San Diego (the "Newsome Settlement"). As part of this settlement, the plaintiff has agreed to dismiss the lawsuit if the City provides an additional $100,000 in funding over five years to SDCERS or, the funding ratio of the City's retirement plan returns to 82.3%. The amounts stipulated in the Newsome settlement are in addition to the amount stipulated in the settlement of the McGuigan Settlement. Under the Newsome Settlement, if the City does not provide the additional funding, the plaintiff then has the right to re-file the lawsuit after giving the City 60 days notice.

d. Funding Policy and Contribution Rates

City Charter Article IX Section 143 requires employees and employers to contribute to the retirement plan. The Charter section, which was amended in fiscal year 2005, 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 retirement plan. The Charter requires that employer contributions be substantially equal to employee contributions (SDCERS' legal counsel has opined that this requirement applies to the normal cost contribution only). 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 as well as percentages of annual covered payroll. 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 for fiscal year 2006, based on the valuation ending June 30, 2004, expressed as percentages of active payroll:

	Employer Contribution Rates	
	General Members	Safety Members
Normal Cost*	10.74%	19.21%
Amortization Payment*	10.39%	21.76%
Normal Cost Adjusted for Amortization Payment*	21.13%	40.97%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	20.33%	39.42%

** 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 = That 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 2006, the City employee contribution rates as a percentage of annual covered payroll, averaged 10.57% for general members and 12.88% for safety members. A portion of the employee's share, depending on the employee's member class, is paid by the City. The amount paid by the City ranges from 4.61% to 7.61% of covered payroll for general members. Of this, 1.6% came from the retirement fund employee rate reserve, and the remainder of the pick up was paid by the City. The rate for safety plan members ranges from 7.47% to 7.71%. Of this, 2.7% came from the retirement fund employee rate reserve and the remainder of the pick up was paid by the City. On June 30, 2006, the employee rate reserve was depleted, after which employees began to pay for the difference. All future employee contributions paid by the City will be made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process and reduced the amount of the employee contribution paid for by the City. In accordance with agreements with the labor unions, any and all savings realized by these agreements must be set aside and ultimately leveraged to reduce the pension system's UAAL.

Under SDMC Sections 24.1501 and 24.1502, an annual calculation is required to determine the Annual Realized Investment Earnings ("Realized Earnings") of SDCERS' pension assets. In accordance with these SDMC sections, an annual distribution of these Realized Earnings, in priority order, takes place. The Realized Earnings 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, realized earnings are used to credit interest, at a rate determined by the SDCERS Board, which is currently 8%, to the Employer and Employee Contribution Reserves (these reserves increase Plan assets to fund the Plan liabilities for defined benefits), and Deferred Retirement Option Plan ("DROP") member accounts as well as funding the SDCERS Annual Budget (DROP and Budget disbursements decrease Plan assets). If earnings still remain, they 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 generally equal to approximately $30 (whole dollars) times the number of years of employment and paid only when there are sufficient annual Realized Earnings. 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (In spite of costs being included in the ARC for the Actuarial Valuation dated June 30, 2006), 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 ("COLA"). After the above noted distribution, any remaining Realized Earnings are transferred to the Employer Contribution Reserve which increases system assets. Beginning in fiscal year 2006 actuarial valuation, the liabilities related to the 13th Check and Corbett Settlement Payments are included in the calculation of actuarial liabilities and are reflected in the ARC.

Paying supplemental or contingent payments out of Realized Earnings decreases system assets. This has the effect of increasing the UAAL and thereby decreasing the funded ratio. Another related impact is on the net return

on system assets which is negatively impacted when earnings are diverted from system assets. The City recognizes SDMC Section 24.1502's negative impact to the UAAL and funded ratio; however, in order to eliminate the use of surplus undistributed earnings as described above, changes to the municipal code are necessary. To date these changes have not been codified as the result of disagreements over the effect Municipal Code amendments proposed by the City Attorney will have on benefits and whether such amendments are compliant with previous legal settlements.

Beginning in fiscal year 2005 when the reserve fund for healthcare benefits was depleted, the City funded the remaining retiree health benefits expense for fiscal year 2005 and the expenses for fiscal years 2006 and 2007 by transferring from the general and non-general funds into the retiree healthcare trust fund (discussed further in Note 13).

In November 2004, voters changed the City Charter and the mix of Board members requiring that a majority of the Board be independent of the City. Also, the Charter now requires that a 15-year amortization period be used for the UAAL beginning in fiscal year 2009; however, the SDCERS Board, in conjunction with the actuary, is currently using a 20-year amortization period with no negative amortization and has taken the position that it is legally responsible for establishing the valuation parameters, including the amortization period. Given the size of the City's current Unfunded Actuarially Accrued Liability, a change to a 15-year amortization schedule could have a significant impact on future annually required contributions. In the fiscal year 2006 valuation, the use of a 15-year amortization assumption would have increased the ARC by approximately 21%.

e. Annual Pension Cost and Net Pension Obligation

Annual Pension Costs

The normal cost (i.e. the actuarial present value of pension plan benefits allocated to the current year) and the UAAL amortization cost (i.e. the portion of the pension plan payment designed to amortize the UAAL) were determined using the Projected Unit Credit (PUC) actuarial funding method. The following are the principal actuarial assumptions used for the 2004 valuation (additional assumptions were used regarding a variety of other factors):

(a) An 8.0% investment rate of return, net of administrative expenses.**
(b) Projected salary increases of at least 4.75% per year.**
(c) An assumed annual cost-of-living adjustment that is generally 2% per annum and compounded. In addition, there is a closed group of special safety officers whose annual adjustment is equal to inflation (4.25% per year).

**Both (a) and (b) included an inflation rate of 4.25%.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. In fiscal year 2007, the SDCERS Board approved the decision to begin the implementation of the actuary's recommendation to adopt a different asset smoothing method by marking the actuarial value of assets to market value in the fiscal year 2006 actuarial valuation. The method used by the actuary in fiscal year 2005 was not a commonly used method. The expected asset value asset smoothing method will commence with the fiscal year 2007 valuation. The UAAL for funding purposes, pursuant to the Gleason Settlement, is being amortized over a fixed 30-year period for the fiscal years 2006, 2007, and 2008. As of June 30, 2004, the valuation year used to compute the fiscal year 2006 annually required contribution, there were 29 years remaining in the amortization period. For valuations effective June 30 2008, SDCERS' Board of Administration decided to use a 20-year amortization schedule. Beginning with the valuation dated June 30, 2007, the normal cost and UAAL amortization cost will be determined using the Entry Age Normal actuarial method, the result of which will cause the UAAL to increase by $252,200 in fiscal year 2009.

The following table shows the City's annual pension cost ("APC") and the percentage of APC contributed for the fiscal year ended June 30, 2006 and two preceding years (in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2004	$ 138,488	49.83%	$ 232,536
2005	179,743	67.92%	290,190
2006	175,879	154.28%	194,720

Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference, since the effective date of GASB 27 (fiscal year 1998), 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, 2006, the City's NPO is approximately $194,700 and is reported in accordance with GASB 27. See table above.

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) and adding to that 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 2006]	$ 170,072
Contributions [Fiscal Year 2006]	(271,349)
Interest on NPO	23,228
ARC Adjustment	(17,421)
Change in NPO	(95,470)
NPO Beginning of Year [Fiscal Year 2005]	290,190
NPO End of Year [Fiscal Year 2006]	$ 194,720

NPO Components related to Retiree Health

The City's annual contribution to SDCERS pension trust fund, for the fiscal years ended June 30, 2005, 2004, and 2003, included amounts that were contributed to the 401(h) Fund for healthcare benefits and are reported net of this contribution. Annual realized earnings, as determined by the SDMC Sections 24.1501 and 24.1502, in the pension trust fund were withdrawn and used to offset the portion of the City's contribution that went to healthcare benefits instead of being retained in the pension trust fund. This funding mechanism is a violation of the Internal Revenue Code (IRC) Section 401(a). SDCERS hired counsel to make a filing to the IRS to correct this operational failure and potential IRC violation. (See Contingencies Note 18 for additional disclosures). The amounts paid from the pension trust fund for healthcare benefits were approximately $7,900 in fiscal year 2005, $12,800 in fiscal year 2004, and $11,500 in fiscal year 2003. These payments have been removed from the City contribution amounts and resulted in an increase to the City's NPO. The cumulative impact to the City's NPO related to the diversion of assets to fund retiree health is approximately $77,100. The City's contribution related to retiree health for the fiscal year 2006 was placed in a Retiree Health Trust Fund which is paid from the City's operating funds. (See Other Post Employment Benefits Note 13 for further details.)

NPO Components related to Employee Offset Liabilities

In fiscal year 1998, the City set aside $37,800 in funds from the pension trust fund's undistributed earnings to fund the Employee Contribution Rate Reserve, and in accordance with SDMC §24.1502, annually added 8% interest

earnings to this reserve. This employee contribution reserve was to pay for the City's share (pick up) of the employee's retirement contribution. The amount of NPO related to the employee offset as of June 30, 2006 is $34,900. This reserve was depleted in fiscal year 2006. As noted in the Funding Contracts: Union Agreements section above, the agreements with labor unions resulted in the reduction of City "pick-up" of the employee pension contribution, followed by employees paying for the contribution upon depletion of the reserve.

NPO Components related to Corbett Settlement and Subsequent Benefit Increases

The City is amortizing the unfunded liability incurred as a result of the benefit increases pursuant to the Corbett Settlement. The City interprets GASB 27 to require that the amortization methods used in calculating funding for the Plan to be consistent with the method used to calculate Plan expense. Thus, the previous amortization method of 40 years open for expensing plan costs was found to be incorrect. The impact on the NPO related to Corbett as of June 30, 2006 is approximately $27,600.

NPO Components related to the Under Funding of Plan Contributions

As a result of the MP-1 and MP-2 funding contracts, the City's contributions for fiscal years 1996-2003 were less than the annual required contribution as determined by the actuary. The impact on the NPO related to the under funding of plan contributions as of June 30, 2006 is approximately $55,120.

f. Actions taken on behalf of the City to address Pension Liability and Net Pension Obligation

As part of the agreements with the labor unions, several benefits were altered or eliminated for all employees hired on or after July 1, 2005, including the Deferred Retirement Option Plan (DROP), the 13th Check, the option to purchase years of service credits ("air-time"), and retiree healthcare benefits; however, the retirement formula generally remains 2.5% at 55 for general members and 3.0% at 50 for safety members. Also for employees hired on or after July 1, 2005, it was agreed to establish a trust vehicle for a defined contribution plan to fund and determine retiree medical benefits. As of the issuance of this report, the employer/employee contributions for such a plan have not been determined. The City has consolidated health care options to help manage the cost of health care for both current and retired employees, and as part of the agreements with the labor unions, the new definition of "health-eligible retiree" states that employees must have 10 years of service with the City to receive 100% of the retiree health benefit and five years of service to receive 50% of the retiree health benefit.

In June 2006, the amount from labor concessions that was committed to address the pension's unfunded liability was $17,500 (general fund and non-general fund). The City has contributed $115,300 through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, and additional employee "pick up" savings. This contribution is the same as that discussed in the Funding Contracts: Union Agreements section discussed previously. The contribution has created a reduction in the NPO in fiscal year 2006. The City is also exploring other financing options as a means to eliminate its NPO and UAAL.

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 Wachovia Corporation 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 retirement members and lifeguard members

of the City's safety retirement members participate in the plan. Eligible employees may participate from the date of employment.

The following table details plan participation as of June 30, 2006:

Plan	Participants
SPSP	8,672
SPSP – H	4,173

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 2006, the City and the covered employees contributed approximately $24,622 and $25,528, respectively. As of June 30, 2006, the fair value of plan assets totaled approximately $478,984. SPSP is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund.

b. 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 Wachovia Corporation to provide pension benefits for eligible employees. Employees are eligible to participate from date of employment. Employees make contributions to their 401(k) Plan accounts through payroll deductions, and may also elect to contribute to their 401(k) account through the City's Employees' Flexible Benefits Program.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed approximately $26,870 during the fiscal year ended June 30, 2006. There is no City contribution towards the 401(k) Plan.

As of June 30, 2006, the fair value of plan assets totaled approximately $196,385. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

c. Pension Plan - Centre City Development Corporation (CCDC)

CCDC has a Money Purchase Pension Plan covering all full-time permanent employees (the "CCDC Plan"). The CCDC 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 each year, CCDC contributes semi-monthly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service. CCDC's total payroll in fiscal year 2006 was approximately $3,647. CCDC contributions were calculated using the base salary amount of approximately $3,262. CCDC made the required 8% contribution amounting to approximately $261 (net of forfeitures) for fiscal year 2006.

In addition, CCDC has a Tax Deferred Annuity Plan covering current and previous eligible employees. The CCDC 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, CCDC contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. This amount

includes a 3% increase from the prior year as approved by the Board of Directors on August 13, 2003. CCDC's contributions for each employee are fully vested at time of contribution. The Tax Deferred Annuity Plan includes amounts deposited by employees prior to CCDC becoming a contributor to the CCDC Plan. CCDC made the required 16% contribution amounting to approximately $516 for fiscal year 2006.

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

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

SDCCC's Money Purchase Pension Plan (the "SDCCC Plan") 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 plan 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.

A plan year is defined as a calendar year. SDCCC'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 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, 2006, pension expenditures for the SDCCC Plan amounted to $1,223. SDCCC records pension expenditures during the fiscal year based upon estimated covered compensation.

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

SDDPC has accrued and set aside funds in a money market account to provide employees who transferred from the City to SDDPC with retirement benefits approximately equal to those under the City's retirement plan. As of June 30, 2006, the balance in the account was $133.

The balance at June 30, 2006 consisted of the total estimated liability plus interest earned on the account since its establishment in fiscal year 1991.

In addition, SDDPC has in effect a Money Purchase Pension Plan (the "SDDPC Plan") covering substantially all employees. 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 the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC contributions for each employee are fully vested after four years of continuing 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. SDDPC's total payroll in fiscal year 2006 was approximately $17,686. As all employees are substantially covered, SDDPC contributions were calculated using this base salary amount. SDDPC made the required 20% contribution, amounting to approximately $3,527.

f. Pension Plan - San Diego Housing Commission (SDHC)

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (the "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 2006 was approximately $11,062. SDHC made the required 14% contribution, amounting to approximately $1,549 for fiscal year 2006. 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.

g. Pension Plan - Southeastern Development Corporation (SEDC)

SEDC has an optional Simplified Employee Pension Plan covering all full-time permanent employees (the "SEDC Plan"). The SEDC Plan is a defined contribution plan administered by Morgan Stanley Dean Witter. Under section 212 of the SEDC Employee Handbook, employees are eligible to participate six months after their date of employment, and SEDC contributes a monthly amount equal to 12% of the employees' base salary, or 15% of management employees' base salary. Such contributions are fully vested upon contribution. SEDC's total payroll in fiscal year 2006 was approximately $1,034. SEDC contributions were calculated using the base salary amount of approximately $945. SEDC made the required contribution, amounting to approximately $126 for fiscal year 2006. SEDC Plan members contributed an additional $7.5.

13. OTHER POST EMPLOYMENT BENEFITS (In Thousands)

a. Plan Description

The City provides certain healthcare benefits to a variety of retired employees through SDCERS, as provided for in San Diego Municipal Code (SDMC) SDMC Sections 24.1201 through 24.1204. Currently, the benefits are primarily for health-eligible retirees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. 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. In fiscal year 2006, health eligible retirees who are also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $6.8 per year, in addition to reimbursement/payment for Medicare Part B premiums, limited to approximately $1.0 per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $7.2 per year. Non-health-eligible employees who retired or terminated prior to October 6, 1980 or employees who were hired after July 1, 2005, and who are otherwise eligible for retirement allowances, are also eligible for reimbursement/payment of healthcare benefits, limited to a total of $1.2 per year.

b. Contributions

Expenses for post-employment healthcare benefits were paid for on a pay-as-you-go basis through fiscal year 2007. In fiscal year 2006, approximately 4,100 retirees received either City paid insurance or were reimbursed for other health insurance costs incurred amounting to approximately $24,100. Approximately $17,400 was paid by the City and approximately $6,400 was paid by retirees for beneficiary health benefits. Remaining retiree healthcare expenditures of approximately $300 were accrued by the City and paid for in fiscal year 2007. These contributions were placed into a trust fund called the Retiree Health Trust Fund, and all retiree healthcare expenses are paid directly from this fund by SDCERS. The City is currently implementing a plan to ensure that sufficient resources are available in the Retiree Health Trust Fund to pay for retiree healthcare expenses in future periods.

In July 2004, GASB issued GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB), which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial statements. The City will implement GASB 45 in the financial statements for the fiscal year ending June 30, 2008. In preparation to meet the requirements of GASB 45, the City entered into an agreement on January 18, 2008 to pre-fund expenses related to post-employment healthcare benefits. The plan, administered by CalPERS, requires the City to pre-fund the plan in an amount not less than $5,000; however, the City intends to pay an amount not less than 50% of the Annual Required Contribution, as calculated by an actuary of the City's choice. Post-employment healthcare actuarial accrued liability and any unfunded actuarial accrued liability will be reported in the required supplemental information in a manner similar to pension obligations.

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. The majority of the advances, $4,114, are advances from the HUD Section 108 and NTC Section 108 grant funds to the Redevelopment Agency. Interfund WCA balances at June 30, 2006 are as follows:

	Benefiting Fund (Payable)		
Contributing Fund (Receivable)	General Fund	NonMajor Governmental	Total
General Fund	$ -	$ 300	$ 300
NonMajor Governmental	-	4,414	4,414
Sewer Utility	341	-	341
Water Utility	644	-	644
Total	$ 985	$ 4,714	$ 5,699

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year. The majority of these short-term loans, approximately $21,000, represents General Fund, TOT fund, and Transnet fund loans to expenditure-driven grant funds that have temporary cash shortfalls, pending reimbursement from the Federal Government and the State. Interfund receivable/payable balances at June 30, 2006 are as follows:

	Benefitting Fund (Payable)
Contributing Fund (Receivable)	Nonmajor Governmental
General Fund	$ 6,060
Nonmajor Governmental	15,364
Nonmajor Enterprise	3,399
Total	$ 24,823

The Water Utility Fund has an interfund loan receivable of $2,386 and interfund interest receivable of $773, and the Capital Outlay Fund has a corresponding interfund loan payable of $2,386 and interfund interest payable of $773, for a loan agreement in which the Water Utility financed a land acquisition for the government. This land held for resale in the Capital Outlay Fund was sold to the Redevelopment Agency on October 16, 2006. The purchase price of the land was $6,380, of which $3,191 (which includes accrued interest) will be repaid to the Water Utility Fund and the remainder will be placed in the Capital Outlay Fund.

The Sewer Utility Fund has an interfund loan receivable of $3,487, and the Black Mountain Ranch Facilities Benefit Assessment Fund, a capital projects fund, has a corresponding interfund payable of $3,487 for advanced Facilities Benefit Assessment (FBA) project funding. The Sewer Fund agreed to finance the Carmel Valley Trunk Sewer project to facilitate earlier construction, of which a portion was deemed the responsibility of the Carmel Valley area developers and is intended to be reimbursed in fiscal year 2010 from FBA Fund assessment revenue.

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 Transient Occupancy Tax (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 at June 30, 2006 are as follows:

	Benefiting Fund							
Contributing Fund	General Fund	NonMajor Governmental	Sewer Utility	Water Utility	NonMajor Enterprise	Internal Service	Capital Asset Transfers	Total
General Fund	$ -	$ 21,946	$ -	$ -	$ -	$ 246	$ -	$ 22,192
NonMajor Governmental	71,672	318,507	-	-	962	576	-	391,717
Sewer Utility	-	1,692	-	-	-	147	266	2,105
Water Utility	-	999	-	-	-	158	482	1,639
NonMajor Enterprise	1,685	558	-	-	-	101	10	2,354
Internal Service	1,304	737	481	220	224	244	-	3,210
Total	$ 74,661	$ 344,439	$ 481	$ 220	$ 1,186	$ 1,472	$ 758	$ 423,217

15. RISK MANAGEMENT (In Thousands)

The City is exposed to various risks of loss related to torts; 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 participates in 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) whereby the City pays the first $1,000 per occurrence. Effective July 2003, the City's excess liability insurance coverage was obtained through a sister joint powers risk pool, California Public Entity Insurance Authority (CPEIA) for amounts up to $50,000 per occurrence in excess of a $2,000 self-insured retention. On October 1, 2007, the City's self-insurance retention amount increased to $5,000.

The City offers a cafeteria-style flexible benefits plan. This plan requires employees to choose a health and life insurance plan and also gives employees the option of obtaining dental insurance, vision insurance, or catastrophic care insurance. Employees can place remaining flexible benefit dollars into IRS qualified dental/medical/vision and childcare reimbursement accounts, into their 401(k), and/or take as cash.

The City is self-insured for workers' compensation and long-term disability (LTD). All operating funds of the City participate in both these programs and make payments to the Self Insurance 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 expenditures 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, 2006 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are 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, and Water Utility Fund.

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, 2004	$ 101,861	$ 150,302	$ 252,163
Claims and Changes in Estimates	24,996	40,037	65,033
Claim Payments	(24,508)	(26,933)	(51,441)
Balance, June 30, 2005	102,349	163,406	265,755
Claims and Changes in Estimates	11,623	28,832	40,455
Claim Payments	(28,563)	(24,786)	(53,349)
Balance, June 30, 2006	$ 85,409	$ 167,452	$ 252,861

The City also participates in the joint purchase of its first party property insurance including all-risk, flood, boiler and machinery and business interruption coverages through the CSAC-EIA pool. Earthquake coverage is purchased separately through the pool. The joint purchase of the City's "all risk" property insurance, insuring approximately $2,000,000 in value of City property and assets, provides coverage for losses to City property up to approximately $400 per occurrence, subject to a $25 deductible. This limit includes 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 counties are mutually subject to the same loss. Limits and coverages may be adjusted periodically in response to requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace.

Earthquake coverage is provided for designated buildings/structures and 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 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 acts 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 the year reported hereon, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, the settlements have not exceeded insurance coverage.

See Contingencies, Note 18, for additional information.

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

The Grants Fund and the Capital Outlay Fund have net deficits of approximately ($30,082) and ($18,453), respectively, due to the large number of reimbursement grants accounted for within these funds. With reimbursement grants, the resources remain the property of the grantor until allowable costs are incurred. The grants revenues are recognized as soon as all eligibility criteria have been met and the amounts become available. This results in a deficit fund balance in these funds.

The Self Insurance Fund has a net deficit of approximately ($168,494), 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. In addition to user charges, in January 2008, the Mayor's office presented a five-year financial outlook to the City Council that outlines a proposal to fund the Self Insurance Fund by contributing an additional $5,000 to the Public Liability Reserves in fiscal year 2008.

Publishing Services has a net deficit of ($249), due to a decline in work production, and outdated pricing for services which are not fully cost recoverable.

The Retiree Health Trust Fund has a net deficit of approximately ($280), due to an accrual of administrative expenses paid in fiscal year 2007. The City is currently implementing a plan to ensure that sufficient resources are available in the Retiree Health Trust Fund to pay for retiree healthcare expenses in future periods.

17. COMMITMENTS (In Thousands)

As of June 30, 2006, the City's business-type activities contractual commitments are as follows:

Airports	$	803
Environmental Services		2,935
Sewer Utility		57,417
Water Utility		47,716
Other		3,623
Total Contractual Commitments	$	112,494

The contractual commitments are to be financed with existing reserves and future service charges. In addition, the Sewer and Water Utility Funds intend to finance the contractual commitments with existing reserves, future service charges, and financing proceeds secured by system revenues.

Consent Decree

On April 2, 2001, two environmental groups filed suit against the City alleging that the Municipal System's collection system was deficient as a result of sewer spills from December 1996 to the time of the filing. The complaint sought injunctive relief to prevent illegal discharges, a compliance schedule to upgrade the Municipal System's collection system, and civil penalties of $27.5 per day for each day of a violation. The City contested the plaintiffs' claims.

The Environmental Protection Agency (EPA) and the State also filed suits against the City alleging the same collection system violations, seeking unspecified penalties and injunctive relief for collection system improvements. All three cases were consolidated. On March 16, 2005, the City settled the State lawsuit for $1,200. Of this total, $1,000 funded three supplemental environmental projects to benefit the local environment, and $200 was deposited in the State's Cleanup and Abatement Account.

The EPA, the City and the environmental groups reached an agreement on additional requirements to reduce sewer spills, which are set forth in a Consent Decree (the "Consent Decree"). The Consent Decree requires increased sewer spill response and tracking, increased root control, replacement or rehabilitation of 250 miles of pipeline, a canyon economic and environmental analysis, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The estimated annual cost of this commitment is $108,000 per year in capital projects and $47,000 per year in operational maintenance to the sewer system through the term of the settlement; however, the costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. No civil penalty payment was required, though stipulated penalties ranging from $375 (in whole dollars) to $20,000 (in whole dollars) per occurrence are included for subsequent violations of the Consent Decree. The Consent Decree was approved by the Court on October 9, 2007, settling all remaining issues in the case.

Sewer rate increases were approved for the next four years to partially fund the obligations of the Consent Decree. However, additional rate increases will be necessary (likely beginning in year 2011) to completely fund the Consent Decree. As mentioned previously, the estimated annual cost is $108,000/year in capital projects and $47,000/year in operations and maintenance. The City funds the Capital Projects in the Consent Decree through the issuance of notes and bonds supported by the sewer system's net system revenues.

California Department of Public Health Compliance Order

In 1994, the City of San Diego entered into a compliance agreement with the State of California Department of Public Health ("DPH") with the approval of City Council, after the DPH Drinking Water Field Operations Branch conducted a sanitary survey of the City's water system. This agreement required the City to correct operational deficiencies and begin necessary capital improvements. The City was notified in January of 1997 that it was not in compliance with this agreement. At that time, the DPH issued a compliance order. The January 1997 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 Water Department is meeting all of the requirements of the DPH Compliance Order, including the ongoing obligation to provide DPH with quarterly progress reports. On February 26, 2007, the City authorized an increase in water rates and charges to continue funding projects mandated in the DPH Compliance Order as well as other Capital Improvement Program projects. In addition, on October 8, 2007, the City authorized a second "pass-thru" rate increase to account for the higher cost of water purchased from the San Diego County Water Authority. The pass-thru rate increase took effect on January 1, 2008 and will help preserve the funds previously committed to DPH Compliance Order projects.

DPH has the authority to impose civil penalties if the City fails to meet DPH Compliance Order deadlines, although DPH has not imposed such penalties to date. Violation of the DPH Compliance Order may be subject to judicial action, including civil penalties specified in California Health and Safety Code, Section 116725. Section 116725 penalties for violating a schedule of compliance for a primary drinking water standard can go as high as $25 per day for each violation; for violating other standards, such as turbidity, the penalties can reach $5 per day. There are a number of additional enforcement tools prescribed by law, including mandatory water conservation, litigation and service connection moratoriums.

The costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. As of 2007, the Water Department's DPH Compliance Order project and DPH related project costs approximate:

Total Projects	FY07	FY08 - FY11	FY12 - FY19	TOTAL
DPH & EPA Requirements	$ 28,292	$ 345,747	$ 214,877	$ 588,916
DPH Related Projects	4,614	137,191	315,245	457,050

These commitments are to be financed with existing net assets, present and future revenues, and financing proceeds secured by system revenues.

Convention Center Dewatering

The City operates the San Diego Convention Center, located adjacent to San Diego Bay. The Convention Center includes a subterranean parking garage, which is subject to infiltration of water from the bay. This groundwater must be continually pumped from the parking structure to prevent it from being submerged. Approximately 500,000 gallons of groundwater is pumped daily from the parking structure and discharged into San Diego Bay. The City holds a National Pollutant Discharge Elimination System ("NPDES") permit for the discharge, issued by the Regional Water Quality Control Board ("RWQCB"). Failure to meet water quality standards set forth in the permit could subject the City to fines and penalties of up to $25,000 (in whole dollars) per day.

Monthly groundwater discharge sample results have not met the standards dictated by NPDES Permit No. CA0109029 (Order R9-2003-0050) since the end of calendar year 2005. This triggered the implementation of work to cease effluent violations within twenty seven months (end of March 2008), pursuant to an order of the RWQCB.

To achieve compliance with groundwater discharge requirements, the City retained an engineering consultant in 2006 to review all previous work and develop the most cost-effective engineering solution to achieve compliance. The consultant's final report was received in August 2007. A determination will be made as to which report recommendations will be implemented. Possible solutions include constructing facilities to treat the groundwater before it is discharged into the bay, or diverting the groundwater into the sewer system for treatment at an existing plant. Costs for implementing the report's recommended potential solutions could range from a one-time expense of between $5,600 to $9,500, and annual operation and maintenance expenses of $528 to $793 per year. Funding to implement any of the potential solutions is the responsibility of the City General Fund, though the San Diego Port District, which owns the Convention Center property, may also be partially responsible.

The City of San Diego plans to take necessary actions to achieve groundwater discharge NPDES compliance by the end of March 2008. Upon completion by the City of an action plan to address the groundwater discharge problem and the identification of required funding, the City plans to communicate with the Regional Water Quality Control Board ("RWQCB") on the final details of the plan. If compliance is not achieved by March 2008, the Board could enact enforcement actions against the City of San Diego.

18. CONTINGENCIES (In Thousands)

FEDERAL AND STATE GRANTS

The City recognizes revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the County'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 2004 was completed by Macias Gini & O'Connell LLP and has been received and filed by the City Council. Macias Gini & O'Connell LLP also completed the Single Audit for fiscal year 2005; however, this report has not yet been received and filed by the City Council. Additionally, Macias Gini & O'Connell LLP is still in the process of completing the Single Audit for fiscal year 2006.

Additionally, the local unit of the U.S. Department of Housing and Urban Development (HUD) has recently conducted an audit of the City's Community Development Block Grant (CDBG) program. The overall objective of the audit was to determine whether management complied with applicable laws, regulations, and requirements of HUD's CDBG program. After review of the program, HUD determined that the City may not be in compliance with CFR 85.25. Specifically, HUD is concerned with CDBG loans to the Redevelopment Agency, "Re-Loans", and other program eligibility issues. The Office of the Inspector General is currently conducting a preliminary review to determine if an additional audit is required.

CONTINUING DISCLOSURE OBLIGATIONS

The City, in connection with all bond offerings since the effective date (July 1995) of the continuing disclosure requirements of SEC Rule 15c2-12, has contractually obligated itself to provide annual financial information, including audited financial statements, within certain specified time periods (generally nine months) after the end of each fiscal year. The City completed, and Council has received and filed, its financial statements for fiscal year ended June 30, 2004 and June 30, 2005. The City has not yet released its audited financial statements for the fiscal year ended June 30, 2007. Accordingly, the City has not been able to timely satisfy its contractual obligations to provide to the national repositories audited financial statements, or financial information and operating data derived from the financial statements. At the time of each deadline, the City did, as required by its continuing disclosure contractual obligations, provide to the national repositories a notice of the failure to file the audited annual financial statements information.

REGULATORY AND OTHER INDEPENDENT INVESTIGATIONS

In November 2006, the Securities and Exchange Commission (SEC) entered an Order sanctioning the City of San Diego for committing securities fraud by failing to disclose, in 2002 and 2003, important information about its pension and retiree health care obligations in connection with disclosures relating to the sale of its municipal bonds. To settle the action, the City agreed to cease and desist from future securities fraud violations and to retain an independent consultant for three years to foster compliance with its disclosure obligations under the federal securities laws.

In issuing the Order, the SEC made the following determinations:

- The City failed to disclose that the City's unfunded liability to its pension plan was projected to increase to an estimated $2 billion at the beginning of fiscal year 2009, and that the City knew and failed to disclose that its health care liability would be in excess of $1.1 billion. (The information presented in the SDCERS actuarial valuation for the fiscal year ended June 30, 2007, which will be incorporated in the City's fiscal year 2009 financial statements, reported the unfunded actuarial liability to be $1.183 billion.)

- The City failed to disclose that it had been intentionally under-funding its pension obligations so that it could increase pension benefits but defer the costs, and that it would face severe difficulty funding its future pension and retiree healthcare obligations unless new revenues were obtained, pension and healthcare benefits were reduced, or City services were reduced.

- The City knew or was reckless in not knowing that its disclosures were materially misleading.

- The Order finds that the City made these misleading statements through three different means:

    1. In the offering documents for five municipal offerings in 2002 and 2003 that raised over $260 million from investors. The offering documents containing the misleading statements included the "official statements," which were intended to disclose material information to investors, and the "preliminary official statements," which were used to gauge investors' interest in a bond issuance.

    2. The City made misleading statements to the agencies that gave the City its credit rating for its municipal bonds.

    3. The City made misleading statements in its "continuing disclosure statements," which described the City's financial condition and were provided by the City to the municipal securities market with respect to prior City bond offerings.

The City consented to the issuance of the Order without admitting or denying the findings in the Order. The SEC's investigation with respect to the misleading disclosures in the City's fiscal year 2002 and fiscal year 2003 financial statements is ongoing as to individuals and other entities that may have violated the federal securities laws.

The SEC Order sanctioning the City of San Diego for committing securities fraud is available at: www.sec.gov

Prior to settlement with the SEC, the City engaged a number of firms to review the City's disclosure practices and to investigate potential illegal acts. In February 2004, the law firm of Vinson & Elkins LLP (V&E) was engaged to conduct a review of the adequacy of the City's financial disclosure relating to the pension fund in bond offerings from 1996 to 2002 and to prepare a report on its findings. In September 2004, V&E released a report that identified a number of disclosure deficiencies and made recommendations on how to remediate their causes. The report did not offer conclusions on the culpability of individual members of the City's government.

Many of the recommendations contained in the V&E report were adopted by the City in October 2004. However, the City's previous accounting firm advised that the report did not provide a sufficient basis to conclude that all questions necessary to the completion of the audit were sufficiently investigated and resolved in a manner that would permit the issuance of an audit report. In response, the City engaged a professional consulting firm, Kroll Inc. and the law firm Willkie, Farr and Gallagher LLP, to act in the capacity of an audit committee. Kroll took over the investigation. The independent investigations concluded when Kroll presented its final report to the City on August 8, 2006. The Kroll report concluded that there were numerous failures on the part of City government to conform to law, to adhere to principles of sound governance and financial reporting, and to protect the financial integrity of the City's pension system. The Kroll report was more fully summarized in the City's fiscal year 2003 financial report. The City's fiscal year 2003 financial report, and the entire Kroll report including interview summaries and footnotes, as well as the V&E report, are available at: www.sandiego.gov.

REMEDIATION OF CITY DISCLOSURE DEFICIENCIES

The City has taken a variety of remedial actions in the wake of the disclosure deficiencies identified by V&E, Kroll and the SEC. In response to the V&E Report, the City amended the municipal code to address certain control environment issues.

The Disclosure Ordinance created a Disclosure Practices Working Group of City officials to review the form and content of all financial disclosures by the City and its related entities and a finance and disclosure unit within the City Attorney's office headed by an attorney with experience in municipal securities and disclosure matters. Pursuant to the Ordinance, the Auditor and Comptroller is required to annually review and report on internal controls within the City. In addition, mandatory training is required for City staff and officials, including the City Council and Mayor, regarding their obligations under federal and state securities laws.

Further reforms were proposed by the Mayor to address deficiencies identified in the Kroll Report. A monitor, who also serves as the Independent Consultant pursuant to the Order, was appointed on January 26, 2007, to oversee the implementation of the Mayor's remediation plan. Structural changes were made to the City's Finance Department to enhance accountability to the City's Chief Financial Officer, who also serves as the Auditor and Comptroller. The City Council amended the Municipal Code to create an Audit Committee comprised of three Councilmembers, which provides legislative oversight of the City's accounting and financial reporting processes and internal audit function.

In Fall 2007, an Internal Auditor was appointed by the Mayor, in consultation with the Audit Committee. The Internal Auditor reports to both the Chief Operating Officer and the Audit Committee. The City has also retained an independent actuary to provide periodic analysis of SDCERS' actuarial reporting and of the fiscal impact of pension and benefit related decisions. An Enterprise Resource Planning ("ERP") system has been purchased to enhance the timeliness and accuracy of the City's operational reporting; the first ERP modules are scheduled for activation in October 2008.

Certain recommendations included in the Kroll Report and the Mayor's remediation plan require further action by the City or the voters. An ordinance imposing criminal penalties for City employees who improperly influence the City's outside consultants has not been presented to the City Council for consideration. Changes to the City Charter to enhance the independence of both the Internal Auditor and the Audit Committee require voter approval and proposed Charter amendments have been approved for inclusion on the ballot for the June 3, 2008 election.

The Independent Consultant required by the SEC Order has several specific mandates. Among these are annual reviews, for a three year period, of the City's policies, procedures and internal controls regarding financial disclosures. The Independent Consultant is also required to make recommendations concerning the City's policies, procedures and internal controls and to assess the City's adoption and implementation of these recommendations. A draft of the Independent Consultant's first annual report was presented to management in March 2008. The final version is expected to be presented to the City Council in April 2008.

GENERAL INVESTIGATIONS

The City Attorney is currently being investigated by the California State Bar. Bar investigations are confidential and the scope, nature, and likely outcome of the investigation are not known.

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 has received approximately 2,400 notices of claims in fiscal year 2006.

The estimate of the liability for unsettled claims has been reported in the Government-Wide Statement of Net Assets, the Proprietary Fund Statement of Net Assets, and in the Proprietary Fund financial statements. The liability was estimated by categorizing the various claims and supplemented by information provided by the City Attorney with respect to certain large

individual claims and proceedings. The recorded liability is the City's best estimate based on available information.

Significant individual lawsuits are described below.

De La Fuente Business Park v. City of San Diego

This lawsuit, filed in 1995, involves allegations of breach of contract and inverse condemnation brought by an Otay Mesa developer. In the first proceeding, the jury returned a verdict of $94,500 in favor of the plaintiff. On appeal, the court issued a tentative ruling that the case will be remanded to trial again on the contract issue, and that the inverse condemnation was not valid as a matter of law. There are also two other pending cases similar in nature that have been filed by the same Otay Mesa developer. These cases are on hold in the trial court, pending the outcome of the Business Park case. According to the City Attorney, the possible exposure of these cases ranges between $0 and $60,000. Liabilities for these cases were not accrued in the City's financial statements as the City Attorney has indicated the likelihood that the plaintiff will prevail is only reasonably possible.

Abbit, Ernest v. City of San Diego

Plaintiffs are 298 individuals from the De Anza Mobilehome Park that are alleging Mobilehome Residency Law "MRL" violations by the City of San Diego. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of $0 - $22,000.

Wood, Janet v. City of San Diego

Plaintiff sued as a representative class claiming that women and unmarried retirees receive less pension benefits than others. Case has been remanded to the district court in September 2007. Likelihood of unfavorable outcome is reasonably possible and is estimated to be in the range of $0 - $2,150 per year in increased benefits.

San Diego Police Officer's/ABBE v. City of San Diego

On October 25, 2005 the SDPOA (SDPOA #2) filed a lawsuit against the City alleging failure to pay for overtime work under the Fair Labor Standards Act. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of $0 - $5,000.

Significant regulatory actions are described below (Other regulatory actions are described in Notes 17 and 22).

IRS Voluntary Correction Program Settlement

SDCERS is operated as a qualified governmental defined benefit plan under Internal Revenue Code (IRC) §§ 401(a) and 414(d). In light of various concerns raised in investigative reports regarding practices of SDCERS that could have jeopardized its status as a qualified governmental defined benefit plan, SDCERS requested its outside tax counsel, Ice Miller LLP, to perform a comprehensive document compliance review, prepare submissions in accordance with the IRS Voluntary Correction Program (VCP), and work with the IRS to finalize a compliance statement to resolve SDCERS' compliance issues. A comprehensive settlement was reached between the IRS and SDCERS on December 20, 2007 (Settlement). The Settlement requires the City and SCDERS to take certain corrective actions, some of which will require Council approval, regarding certain provisions of its retirement plan within 150 days of December 20, 2007. The Settlement does not require the City to pay any penalty payments or to make any additional contributions to the retirement system. In the event the City does not successfully implement certain plan document changes required by the IRS Compliance Statement, SDCERS and the City may face additional regulatory actions from the IRS including but not limited to, SDCERS plan disqualification and financial penalties against the City, the plan sponsor.

The VCP filings identified violations and proposed corrections regarding the City's Presidential Leave Program for presidents of certain labor organizations that represent City employees; compensation limits under IRC § 401(a)(17); minimum distribution requirements under IRC § 401(a)(9); eligible rollover distribution compliance under IRC § 401(a)(31); minimum distribution requirements from the Deferred Retirement Option Plan (DROP) program; overpayment of disability benefits; conversion of annual leave to purchased service credits; retiree healthcare benefits and health administrative expenses under IRC § 401(h); benefit and compensation limits under IRC §§§ 415(b), 415(c) and 415(n); and remedial plan amendments.

The practice of using pension plan assets, and later a bifurcation of City contributions to the pension plan to fund retirement healthcare benefits, resulted in the most significant plan violation in monetary terms. The compliance statement identified that from 1983 through 1991 retiree health benefits were paid by SDCERS when the plan document did not provide for such benefits. Additionally, the compliance statement states that the plan was not appropriately reimbursed for administrative expenses related to the provision of retiree health benefits from 1993 to 2006. Both of these failures were related to non-compliance with IRC § 401(a)(2). The cumulative value of improper payments associated with this failure was approximately $34 million. In a separate failure, the compliance statement also identified that from 1998 through 2005, the terms of the Plan did not comply with all of the provisions of IRC §§ 401(a)2 and 401(h) as it relates to the plan's administration of retirement health benefits and the use of plan earnings to fund the benefits. The compliance statement indicated that the manner in which the benefits were funded "made it extremely difficult, if not impossible to resolve that there was no inappropriate use of the Plan Assets." In this regard, and for the purposes of presenting fairly the effect on net assets, the City has estimated that from 1988 through 2006, the cumulative effect of the improper administration of Retiree Health Benefits was approximately $77.1 million. These amounts will be treated as a reduction to City contributions against its Annually Required Contribution during the year in which the expenditures occurred and instead recorded as part of the City's Net Pension Obligation.

With regard to benefit and compensation limits, in March 2001 the City Council authorized the establishment a Preservation of Benefit Plan. A preservation of benefit plan is a qualified governmental excess benefit arrangement (QEBA) under IRC § 415(m), which is a vehicle created by Congress to allow the payment of promised pension benefits that exceed the IRC § 415(b) limits. While the City Council approved the establishment of a Preservation of Benefit Plan satisfying the requirements of § 415(m), the City has not received a determination letter from the IRS approving the formation of its Preservation of Benefit Plan QEBA. Under the Internal Revenue Code, the City may not pre-fund the Preservation of Benefit Plan to cover future liabilities beyond the current year, as with the 401(a) plan. Despite the creation of the Preservation of Benefit Plan by the City Council in March 2001, SDCERS continued to treat the excess amounts as payable from the 401(a) plan assets in violation of law. SDCERS did not establish a Preservation of Benefit Plan and Trust until February 2007. In future years, SDCERS will determine the amount necessary to fund any pension benefits payable during the calendar year in excess of the amount permitted by IRC § 415(b). This amount will include the projected amount of all excess pension benefits payable for the calendar year as well as the projected cost of administering the Preservation of Benefit Plan for the calendar year. SDCERS will provide this information to the City and the City will pay these costs on an annual basis. The City transferred money into a new POB account in December 2007 to fund POB payments. With the issuance of the Compliance Statement, SDCERS has stopped paying benefits in excess of the 415(b) limits from the SDCERS Trust Fund. Excess benefits will be paid only from the POB Plan.

The most current estimated actuarially accrued liability related to excess benefits for eligible active members of the system, amounting to approximately $22.8 million, has been excluded from the actuarial valuation of the 401(a) retirement plan beginning in fiscal year 2006 (this liability is estimated to be approximately $30.4 million in the fiscal year 2007 actuarial valuation). Additionally, the liability for retired members of the Preservation of Benefit Plan, amounting to approximately $6.4 million, has been excluded from the fiscal year 2007 actuarial valuation of the 401(a) retirement plan. Accordingly, the

liability related to excess benefits for retired members is reflected in the actuarial liabilities of the 401(a) plan in the actuarial valuation dated June 30, 2006 as well as in the ARC payable in fiscal year 2008.

In fiscal year 2005, costs related to the Preservation of Benefit Plan for both retired and active members are included in the actuarial liabilities presented in the Required Supplementary Information (RSI) for the City's core pension plan and are valued using the same set of assumptions. In a review of the financial statements of other local governments, the City has noted significant diversity of practice in how governments are accounting for QEBAs. As such, the City is in the process of implementing a plan to account for the QEBA with SDCERS.

City Attorney Concerns with Pension System

The City Attorney has concluded that, in his opinion, the excess retirement benefits referenced above, require voter approval as such benefits constitute a distinct pension plan not authorized under the City Charter. Therefore, it is also his opinion that the excess retirement benefits are illegal and that the City should immediately discontinue payment. Other members of management believe that this issue has yet to be resolved in court related to lawsuits previously filed by the City Attorney. As such, the City intends to continue to treat these benefits as legal obligations until instructed to do otherwise by a court. In the opinion of management, a decision to terminate such benefits would expose the City's residents to unnecessary and costly legal fees.

In addition, the City Attorney has written to the Internal Revenue Service, in letters dated September 13, 2007, October 3, 2007 and November 6, 2007, expressing his concerns that the pension plan in its current form violates various provisions of the City Charter and the City Municipal Code, and that such violations could jeopardize the status of SDCERS as a qualified governmental defined benefit plan. In addition to matters identified elsewhere in these notes and the IRS Compliance Statement, set forth below are additional concerns raised in such letters or in other public pronouncements of the City Attorney:

1. DROP: The City Attorney has alleged that the DROP program, as discussed in Note 12, is not currently operated on a neutral cost basis. Municipal Code section 24.1401(b) provides that "DROP is intended to be cost neutral." In DROP, the employee's retirement benefit calculation is fixed as of the date of participation and they continue to work for the City up to five years, while their monthly pension benefit is deposited into an individual account held by SDCERS.[1]

2. Purchase of Service Credit Program: Employees hired before July 1, 2005 were permitted to buy pensionable years' service credit below cost; however, such program was also intended to be cost neutral as reflected in a City Manager memorandum to the Council at the time Council approved such program.[1]

3. Term Limit: Elected officials are permitted to buy pensionable years' service credit in excess of the time they are permitted to serve under section 12(f) of the City Charter (two consecutive four-year terms).[2]

4. Pension Plan Vesting Requirement: Employees were allowed credit for pension years purchased below cost to satisfy the retirement plan's 10 year vesting requirement. In relation to non-public safety employees, the Charter provides that "No employee shall be retired before reaching the age of 62 years and before completing 10 years of service for which payment has been made, except such employees may be given the option to retire at the age

[1] As of issuance of this report, these matters are currently on appeal to the California Court of Appeals, Fourth District, and the parties are presently waiting to be apprised of the briefing schedule by the court.

[2] As of issuance of this report, this concern has not been involved in any type of litigation

of 55 years after 20 years of service for which payment has been made with a proportionally reduced allowance".[1]

5. Retirement Age: Non-public safety Employees were permitted to use pension years purchased below cost to retire at 55 rather than 62, without regard to whether they have 20 years of service.[1]

Other members of management believe that the legal status of these matters has not been definitively determined and do not raise IRS qualification issues. Furthermore, other members of management note that while the IRS was made aware of these issues prior to issuing the compliance statement discussed earlier in the note, to date the IRS has not determined to take any action regarding the issues alleged by the City Attorney.

California Regional Water Quality Board Administrative Proceeding

The City is in an on-going administrative proceeding before the California Regional Water Quality Control Board (RWQCB) where it has been alleged that the City, along with eight other entities, have contributed to polluting San Diego Bay, a condition which requires abatement. The allegations relate to current and historic discharges of urban runoff into Chollas Creek, which drains into the San Diego Bay. The City has retained consultants to assess the available data and therefore it is difficult to determine likelihood of an unfavorable outcome. However, the RWQCB has estimated that remediation costs could range between $900 and $122,000 depending on the remedy selected, and the City would have a yet-to-be determined share of those remediation costs if an unfavorable outcome were to happen.

[1] As of issuance of this report, these matters are currently on appeal to the California Court of Appeals, Fourth District, and the parties are presently waiting to be apprised of the briefing schedule by the court.

19. THIRD PARTY DEBT (In Thousands)

The City has authorized the issuance of certain conduit revenue private activity bonds, in its name, to provide tax exempt status because it believes a substantial public benefit will be achieved through the use of the proceeds. Aside from the fact that these bonds have been issued in the City's name, the City has no legal obligation to make payment on these bonds and has not pledged any City assets as a guarantee to the bondholders. The following describes the various types of such third party debt:

Mortgage and 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.

Industrial Development Revenue Bonds

Industrial Development Revenue bonds have been issued to provide financial assistance for the acquisition, construction, and installation of privately-owned facilities for industrial, commercial or business purposes to mutually benefit the citizens of the City of San Diego.

1911 Act Special Assessment Bonds

1911 Act Special Assessment Bonds have been issued to provide funds for the construction or acquisition of public improvements, and/or the acquisition of property for public purposes, for the benefit of particular property holders within the City. Each bond is secured by a lien on a specific piece of property. The final payment on all outstanding 1911 Act Special Assessment Bonds occurred on December 27, 2005, accordingly, there was no balance outstanding as of June 30, 2006.

As of June 30, 2006, the status of all third party bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2006
Mortgage Revenue	$ 132,390	$ 33,320
Industrial Development Revenue	345,805	161,240
1911 Act Special Assessment	236	-
Total	$ 478,431	$ 194,560

These bonds do not constitute an 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. In reliance upon the opinion of bond counsel, City officials have determined that these bonds are not payable from any revenues or assets of the City, and neither the full faith nor credit for the taxing authority of the City, the state, or any political subdivision thereof is obligated to the payment of principal or interest on the bonds. In essence, the City is acting as a conduit for the private property owners/bondholders in collecting and forwarding the funds. Accordingly, no liability has been recorded in the City's government-wide statement of net assets.

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

State and federal laws and regulations require that the City of San Diego 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 $14,811 reported as landfill closure and post closure care liability at June 30, 2006 represents the cumulative amount reported to date based on the use of 81.6% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post closure care of $3,294 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at June 30, 2006. The City expects to close the landfill in fiscal year 2012. 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 at June 30, 2006, cash or equity in pooled cash and investments of $31,814 was held for this purpose. This 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 determined (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

On October 22, 2001, SDDPC renewed its fiscal year 2002 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 is to provide data processing services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental entity clients. Included in SDDPC's data processing services revenue is approximately $2,624 related to ARJIS for the year ended June 30, 2006.

City of San Diego and San Diego Medical Services Enterprise, LLC

On July 1, 1997, the City entered into an operating agreement with Rural/Metro Corporation, a provider of emergency medical transport services, to form San Diego Medical Services Enterprise, LLC (SDMSE) for the purpose of providing the City with emergency medical and medical transportation services. The operating agreement and related contracts to provide such services were renewed on July 1, 2002 and again on July 1, 2005. The operating agreement will expire on June 30, 2008 unless SDMSE is awarded a new contract after a competitive bidding process. SDMSE made a profit distribution to its partners of $455 during fiscal year 2006.

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 Facility was completed and operational in April 2004. The City and Padres jointly own the facility; the Padres having a 30% divided interest based upon the original Facility cost estimate of $267,500 (or $80,250) with the City owning 70% which is capitalized on the City's books. The City and the Padres have agreed upon the schedule of items and components that constitute the Padres' divided ownership, and the value of that divided ownership may vary from (but does not exceed) 30% due to the calculation of cost overruns for the Ballpark. Following termination of any occupancy agreement for the Ballpark, 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.

22. SUBSEQUENT EVENTS (In Thousands)

On July 3, 2006, the City privately placed a fiscal year 2006-2007 Tax Revenue Anticipation Note in an amount not to exceed $142,000, to meet certain general fund cash flow needs of the City. The fiscal year 2006-2007 Tax Revenue Anticipation Note was repaid in August 2007.

On July 13, 2006, the City issued, on a private placement basis, $16,000 of Community Facilities District No. 3 Special Tax Bonds to finance public improvements required in connection with the district. The Series 2006 A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are limited obligations of the district. The bonds were structured as five term bonds, and were issued on a fixed rate basis. The fixed rate on the term bonds range from 5.0% to 5.75%, and the final maturity date is September 1, 2036.

On August 6, 2006 a lawsuit was filed following a water main break which caused flooding along a private street in the Colony Hills Homeowners Association (HOA) in La Jolla. Claimants allege the water main failure caused soil subsidence, hillside failure, road failure and diminished property values of 40 HOA homes. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $40,000.

On August 6, 2006 a lawsuit arose following a traffic accident between plaintiffs and a San Diego Police officer. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $1,500.

On October 17, 2006, the City Council authorized the 2nd and 3rd Amendments to the Master Lease Agreement with Banc of America Leasing and Capital, LLC. The 2nd Amendment to the Master Lease Agreement authorizes the lease-purchase of Motive Equipment in an amount not to exceed $6,800. The 3rd Amendment to the Master Lease Agreement authorizes the lease-purchase of Fire Apparatus in an amount not to exceed $2,550.

On October 2, 2006, Ace Properties entered into an inverse condemnation case against the City of San Diego. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $3,000.

On October 31, 2006, the Redevelopment Agency of the City of San Diego issued a non-revolving line of credit with Bank of America, N.A. for an aggregate amount of $10,000, comprised of a tax-exempt commitment of $7,534 and a taxable commitment of $2,466. The line of credit is to be used to refinance the North Park Theatre, to pay sums of settlement of eminent domain actions relating to the North Park Redevelopment Area and for other redevelopment activities in the North Park Redevelopment Area. The interest rate on the tax-exempt advances will be at a rate per year equal to 62.347% of the LIBOR Rate plus .90% and the interest rate on the taxable advances will be at a rate per year equal to the LIBOR Rate plus 1.20%, unless the Agency elects to have any of the tax-exempt or taxable advances bear interest at a rate based on the Bank's Prime Rate. The maturity date will be November 1, 2008, unless the Agency issues bonds, notes or other obligations for the North Park Project Area prior to the maturity date.

On December 1, 2006, the Governmental Accounting Standards Board issued GASB 49. Reflecting its intention to ensure that costs and liabilities not specifically addressed by current governmental accounting standards are included in financial reports, the GASB issued a standard that will require state and local governments to provide the public with more extensive information about the financial impact of environmental cleanups effective for financial statements issued for fiscal year 2009. The City has not at this time determined the impact of this accounting standard on its financial statements.

On January 9, 2007, the City Council authorized the Mayor to execute a fifteen-year loan agreement with the California Energy Resources Conservation and Development Commission in the amount of $2,227 at the rate of 4.5% interest, to upgrade mechanical and electrical systems at multiple City facilities to more energy efficient systems. The effective

date of the loan agreement or the date that the loan agreement was executed by both parties was March 3, 2007.

On January 30, 2007, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, $57,000 of Non-Transferable Subordinated Water Revenue Notes to finance upgrades to and expansion of the City's water system and to reimburse for previous costs incurred. The Series 2007A Notes are secured by and payable solely from net system revenues of the Water Utility Fund. The 2007A Notes bear an interest rate of 4.06%, and the maturity date is January 30, 2009.

On March 7, 2007, Grace Church of North County filed a claim against the City alleging State and Federal constitutional violations arising from the City's approval of a five year permit instead of the requested ten year permit. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 – $2,000.

On March 12, 2007, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, $156,560 of Lease Revenue Refunding Bonds to refund the existing Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002. The Series 2007A Bonds are secured by and payable solely from base rental payments payable under the Ballpark Facility Lease. Such base rental payments are a general fund obligation of the City. The interest rates range from 5.0% to 5.25%, and the final maturity date is February 15, 2032.

On March 21, 2007, the City received a State Revolving Fund Loan disbursement from the State of California Water Resources Control Board totaling $3,858 for the Point Loma Fourth Sludge Pump Modifications Project. The repayment period for the loan is 20 years, which begins one year after the completion of the project. The City is required to provide a 16.667% match for the loan, resulting in an effective interest rate of 2.42%.

On March 27, 2007, the Council authorized a Master Lease Agreement with Koch Financial Corporation for the lease-purchase of Motive Equipment and Public Safety Equipment in an amount not to exceed $14,600.

On May 7, 2007, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, $223,830 of Subordinate Sewer Revenue Notes, Series 2007 to finance and reimburse for previous costs incurred from upgrades to the City's sewer system and to refund the outstanding balance on the Series 2004 Subordinated Bonds in the amount of $144,400. The Series 2007 Notes are secured by and payable solely from net system revenues of the Sewer Utility Fund. The notes bear an interest rate of 5.00%, and the maturity date is May 15, 2009.

On May 15, 2007, the Council authorized a Master Lease Agreement with IBM Credit LLC for the lease-purchase of the Enterprise Resource Planning System in an amount not to exceed $29,500.

On July 2, 2007, the City privately placed a fiscal year 2007-2008 Tax Revenue Anticipation Note in an amount not to exceed $116,000 to meet general fund cash flow needs of the City. The City borrowed $116,000 on July 2, 2007 on a 13 month term.

On July 12, 2007, the Public Facilities Financing Authority issued $17,230 Series 2007A taxable pooled financing bonds for Southcrest, Central Imperial and Mount Hope Redevelopment Projects and $17,755 Series 2007B tax-exempt pooled financing Bonds for Southcrest and Central Imperial Redevelopment Projects. The Series A and Series B together were issued to make loans to the Redevelopment Agency of the City of San Diego to be used for financing and refinancing redevelopment activities in the Southcrest, Central Imperial and Mount Hope Redevelopment Project Areas. The issuance was through a public offering. The Series 2007 A and 2007 B Bonds are secured by a Loan Agreement and a Second Supplemental Trust Agreement (Central Imperial Redevelopment Project Area) and a Third Supplemental Trust Agreement (Southcrest Redevelopment Project Area) and a Fourth Supplemental Trust Agreement (Mount Hope Redevelopment Area) and are payable solely from the tax increment revenues derived from

each project area. The fixed rate on the term bonds range from 4.0% to 6.65%, and the final maturity date is October 1, 2037.

On July 26, 2007, the Redevelopment Agency of the City of San Diego executed six separate non-revolving secured three-year term taxable and tax-exempt lines of credit with San Diego National Bank. Four taxable lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas for an aggregate of $34,000. The two additional lines of credit are for non-housing or general purpose for City Heights, which is a taxable line of credit of $20,000 and NTC Redevelopment Project, which is taxable for $6,000 and tax-exempt for $10,000. The Agency may elect to have the taxable advance bear interest at a fixed rate equal to the United States Three-Year Treasury Constant Maturities Index plus 1.90%, which will remain fixed for the entire period of such advance or elect to have the interest set at a fixed rate equal to the One-Month LIBOR Rate plus 1.10%. Tax-exempt advances will bear interest at a fixed rate determined by adding .70% to the product of the One-Month LIBOR Rate multiplied by 90%. Interest will be payable quarterly in arrears along with a .45% per annum loan fee on the unused commitment. Principal is due at maturity with no prepayment penalty.

On September 28, 2007, several current firefighters for the City of San Diego filed suit against the City of San Diego Fire Department alleging sexual harassment, failure to prevent harassment, retaliation, emotional distress and violation of freedom of speech experienced during the 2007 Gay Pride Parade in San Diego. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $3,000.

On October 3, 2007 there was a landslide in La Jolla on Soledad Mountain Road. The cause of the landslide is under investigation by a geological consulting group, and has not been identified as of the issuance of this report.

On October 21, 2007, multiple wild fires began burning throughout the county of San Diego. Fueled by dry Santa Ana winds, these fires prompted the evacuation of an estimated 500,000 residents. As of the issuance of this report, the City estimates that the fire related costs are approximately $24,000. The City has received cash advances of $4,800 to reimburse a portion of these costs and expects to receive additional reimbursements from federal and state agencies and other sources ranging from $0 - $16,000.

On January 18, 2008, the City Council approved, by majority vote, to enter into a plan to pre-fund expenses related to other post employment benefits. The plan, administered by CalPERS, requires the City to pre-fund the plan in an amount not less than $5,000 annually; however, the City intends to make annual contributions to the plan in an amount not less than 50% of the Annual Required Contribution, as calculated by an actuary of the City's choice.

On February 28, 2008, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, $150,000 of Subordinated Water Revenue Notes to finance the acquisition and construction of the City's water system and to reimburse for previous costs incurred. The Series 2008A Notes are secured by and payable solely from net system revenues of the Water Utility Fund. The 2008A Notes bear an interest rate of 3.28%, and the maturity date is August 28, 2009.

Required Supplementary Information
(Unaudited)
Pension Trust Funds Analysis of Funding Progress

The following table shows the funding progress of the full City's portion of SDCERS (excluding the Port and the Airport) for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ** PUC * (b)	UAAL** (b - a)	Funded Ratio ** (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
6/30/2004	$ 2,628,680	$ 4,077,833	$ 1,449,153	64.46%	$ 540,181	268.27%
6/30/2005	2,983,080	4,436,017	1,452,937	67.25%	557,631	260.56%
6/30/2006	3,981,932	4,982,700	1,000,768	79.92%	534,103	187.37%

* Projected Unit Credit method used for determining actuarial accrued liability.

** For fiscal years 2004 and 2005, the actuarial accrued liability, UAAL, and funded ratio have been adjusted to reflect the impact of the Corbett contingent benefit. The Actuarial Valuations provided by the actuary for these years do not include this contingent benefit in the funded ratio. However, the valuation prepared by the actuary for fiscal year 2006 does include the impact of the Corbett contingent benefit.

Required Supplementary Information - General Fund

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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; Use of Money and Property; Aid from Other Governmental 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; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; 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, 2006
(In Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Tax	$ 290,917	$ 308,938	$ 322,087	$ 13,149
Sales Tax	150,230	150,570	110,556	(40,014)
In-Lieu Sales Tax	-	-	45,433	45,433
Transient Occupancy Tax	67,337	67,337	72,126	4,789
Other Local Taxes	78,395	78,396	72,102	(6,294)
Licenses and Permits	28,757	29,350	31,913	2,563
Fines, Forfeitures and Penalties	32,126	32,126	32,346	220
Revenue from Use of Money and Property	32,386	34,523	35,872	1,349
Revenue from Federal Agencies	802	4,641	3,755	(886)
Revenue from Other Agencies	16,434	16,434	12,594	(3,840)
Charges for Current Services	87,266	88,109	91,514	3,405
Other Revenue	13,126	3,196	2,864	(332)
TOTAL REVENUES	797,776	813,620	833,162	19,542
EXPENDITURES				
Current:				
General Government and Support	188,407	197,417	190,117	7,300
Public Safety - Police	338,219	339,952	339,289	663
Public Safety - Fire and Life Safety and Homeland Security	162,219	171,316	170,459	857
Parks, Recreation, Culture and Leisure	116,426	115,247	111,096	4,151
Transportation	23,859	24,814	24,207	607
Sanitation and Health	44,069	43,450	42,909	541
Neighborhood Services	17,768	20,955	20,488	467
Debt Service:				
Principal Retirement	2,956	2,504	2,504	-
Interest	2,000	2,509	3,416	(907)
TOTAL EXPENDITURES	895,923	918,164	904,485	13,679
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(98,147)	(104,544)	(71,323)	33,221
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	3,527	2,280	2,989	709
Transfers from Other Funds	58,851	68,970	71,672	2,702
Transfers to Proprietary Funds	(9,110)	(246)	(246)	-
Transfers to Other Funds	(7,048)	(21,936)	(21,946)	-
Net Income from Joint Venture	-	-	522	522
TOTAL OTHER FINANCING SOURCES (USES)	46,220	49,068	52,991	3,933
NET CHANGE IN FUND BALANCE	(51,927)	(55,476)	(18,332)	37,154
Fund Balance Undesignated at July 1, 2005	41,593	41,593	41,593	-
Reserved for Encumbrances at July 1, 2005	15,659	15,659	15,659	-
Reserved for Minority Interest in Joint Venture at July 1, 2005	-	-	1,542	1,542
Reserved for Minority Interest in Joint Venture at June 30, 2006	-	-	(2,063)	(2,063)
Designated for Subsequent Years' Expenditures at July 1, 2005	1,954	1,954	1,954	-
Designated for Subsequent Years' Expenditures at June 30, 2006	-	-	(469)	(469)
FUND BALANCE UNDESIGNATED AT JUNE 30, 2006	$ 7,279	$ 3,730	$ 39,884	$ 36,164

The accompanying note is an integral part of the financial statements.

Note to Required Supplementary Information
Year Ended June 30, 2006

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 Operation
    - -Environmental Growth Funds:
      - -Two-Thirds Requirement
      - -One-Third Requirement
    - -Police Decentralization
    - -Public Transportation
    - -Qualcomm Stadium Operations
    - -Special Gas Tax Street Improvement
    - -Street Division Operations
    - -Transient Occupancy Tax
    - -Zoological Exhibits
    - -Other Special Revenue
  - -Centre City Development Corporation
  - -Southeastern Economic Development Corporation
- Debt Service Funds:
  - -City of San Diego:
    - -Public Safety Communications Project
  - -San Diego Open Space Park Facilities District #1
- Capital Projects Funds:
  - -City of San Diego:
    - -Underground Surcharge

Public hearings are then conducted to obtain citizen comments on the proposed budget. During the month of July the budget is legally adopted through passage of an appropriation ordinance by the City Council. 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 reserve for 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, proceeds from capital leases, and net income from joint venture.

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, 2006 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	$ 593
Add (Deduct):	
Encumbrances Outstanding, June 30, 2006	(18,916)
Reserved for Advances and Deposits, June 30, 2006	(309)
Reserved for Advances and Deposits, June 30, 2005	300
Net Change in Fund Balances - Budgetary Basis	$ (18,332)

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 reported as reservations of fund balances, since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

Supplementary Information - General Fund

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GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAX					
One Percent Property Tax Allocation	$ -	$ -	$ -	$ 308,465	$ (308,465)
Current Year - Secured	205,077	-	205,077	-	205,077
Current Year Supplemental - Secured	21,973	-	21,973	-	21,973
Current Year - Unsecured	8,258	-	8,258	-	8,258
Current Unsecured Supplemental Roll	391	-	391	-	391
Homeowners' Exemptions - Secured	2,797	-	2,797	-	2,797
Homeowners' Exemptions - Unsecured	2	-	2	-	2
Prior Years' - Secured	6,942	-	6,942	473	6,469
Prior Years' - Unsecured	(15)	-	(15)	-	(15)
In-Lieu Vehicle License Fees	70,566	-	70,566	-	70,566
Interest and Penalties on Delinquent Taxes	699	-	699	-	699
Escapes - Secured	166	-	166	-	166
Escapes - Unsecured	414	-	414	-	414
Other Property Taxes	1,148	-	1,148	-	1,148
State Secured Unitary	3,669	-	3,669	-	3,669
TOTAL PROPERTY TAX	322,087	-	322,087	308,938	13,149
SALES TAX	110,556	-	110,556	150,570	(40,014)
IN-LIEU SALES TAX	45,433	-	45,433	-	45,433
TRANSIENT OCCUPANCY TAX	72,126	-	72,126	67,337	4,789
OTHER LOCAL TAXES					
Franchises	60,390	-	60,390	63,490	(3,100)
Property Transfer Tax	11,712	-	11,712	14,906	(3,194)
TOTAL OTHER LOCAL TAXES	72,102	-	72,102	78,396	(6,294)
LICENSES AND PERMITS					
General Business Licenses	7,689	-	7,689	7,381	308
Refuse Collection Business Licenses	1,837	-	1,837	865	972
Other Regulatory Business Licenses	3,580	-	3,580	3,358	222
Rental Unit Tax	7,372	-	7,372	6,397	975
Parking Meter Revenue	7,123	-	7,123	7,417	(294)
Street and Curb Permits	103	-	103	126	(23)
Other Licenses and Permits	4,209	-	4,209	3,806	403
TOTAL LICENSES AND PERMITS	31,913	-	31,913	29,350	2,563
FINES, FORFEITURES AND PENALTIES					
California Vehicle Code Violations	28,338	-	28,338	27,666	672
Other City Ordinance Code Violations	4,007	-	4,007	4,460	(453)
Other California Statutory Violations	1	-	1	-	1
TOTAL FINES, FORFEITURES AND PENALTIES	32,346	-	32,346	32,126	220
REVENUE FROM USE OF MONEY AND PROPERTY					
Interest on Investments	1,307	-	1,307	3,337	(2,030)
Balboa Park Rents and Concessions	789	-	789	578	211
Mission Bay Park Rents and Concessions	26,978	-	26,978	22,950	4,028
Other Rents and Concessions	6,798	-	6,798	7,658	(860)
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	35,872	-	35,872	34,523	1,349
REVENUE FROM FEDERAL AGENCIES	3,755	-	3,755	4,641	(886)

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GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM OTHER AGENCIES					
State Motor Vehicle License Fees	$ 8,817	$ -	$ 8,817	$ 9,517	$ (700)
Off-Highway Motor Vehicle License Fees	49	-	49	-	49
Local Relief	230	-	230	5,303	(5,073)
Tobacco Revenue	114	-	114	-	114
State Grants	3,384	-	3,384	1,614	1,770
TOTAL REVENUE FROM OTHER AGENCIES	12,594	-	12,594	16,434	(3,840)
CHARGES FOR CURRENT SERVICES					
Administrative Services to Other Agencies	44	-	44	27	17
Cemetery Revenue	795	-	795	905	(110)
Engineering Services	416	-	416	805	(389)
Fire Services	11,004	-	11,004	11,036	(32)
Library Revenue	1,485	-	1,485	1,238	247
Miscellaneous Recreation Revenue	3,043	-	3,043	3,047	(4)
Other Services	455	-	455	487	(32)
Paramedic Services	149	-	149	170	(21)
Planning and Miscellaneous Filing Fees	349	-	349	258	91
Police Services	6,446	-	6,446	5,188	1,258
Swimming Pools Revenue	1,319	-	1,319	1,816	(497)
Services Rendered to Other Funds for:					
General Government and Financial	31,868	-	31,868	36,200	(4,332)
Engineering	22,054	-	22,054	18,302	3,752
Park Design	3,967	-	3,967	2,920	1,047
Miscellaneous Services	8,120	-	8,120	5,710	2,410
TOTAL CHARGES FOR CURRENT SERVICES	91,514	-	91,514	88,109	3,405
OTHER REVENUE					
Other Refunds of Prior Years' Expenditures	564	-	564	235	329
Repairs and Damage Recoveries	244	-	244	82	162
Sale of Personal Property	210	-	210	135	75
Miscellaneous Revenue	1,846	-	1,846	2,744	(898)
TOTAL OTHER REVENUE	2,864	-	2,864	3,196	(332)
TOTAL REVENUES	833,162	-	833,162	813,620	19,542
TRANSFERS FROM PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Environmental Services	63	-	63	-	63
Golf Course	1,622	-	1,622	1,622	-
Internal Service Funds:					
City of San Diego:					
Central Garage and Machine Shop	237	-	237	-	237
Central Stores	18	-	18	-	18
Self Insurance	953	-	953	-	953
Special Engineering	-	-	-	658	(658)
Miscellaneous Internal Service	96	-	96	-	96
TOTAL TRANSFERS FROM PROPRIETARY FUNDS	2,989	-	2,989	2,280	709

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSFERS FROM OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement, & Operations	8	-	8	-	8
Environmental Growth Fund	8,567	-	8,567	8,792	(225)
Police Decentralization	23	-	23	-	23
Special Gas Tax Street Improvement	4,222	-	4,222	4,211	11
Street Division Operations	121	-	121	-	121
Transient Occupancy Tax	38,599	-	38,599	43,758	(5,159)
Zoological Exhibits	31	-	31	-	31
Other Special Revenue-Budgeted	7,765	-	7,765	9,518	(1,753)
Grants	10	-	10	-	10
Other Special Revenue-Unbudgeted	6,909	-	6,909	1,566	5,343
Redevelopment Agency	-	-	-	750	(750)
Capital Projects Funds:					
City of San Diego:					
Other Construction	5,087	-	5,087	-	5,087
Permanent Funds:					
Cemetery Perpetuity	330	-	330	-	330
TOTAL TRANSFERS FROM OTHER FUNDS	71,672	-	71,672	68,970	2,702
PROCEEDS FROM CAPITAL LEASES					
Proceeds from Capital Leases	5,374	(5,374)	-	-	-
NET INCOME (LOSS) FROM JOINT VENTURE	522	-	522	-	522
TOTAL REVENUE AND TRANSFERS	$ 913,719	$ (5,374)	$ 908,345	$ 884,870	$ 23,475

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	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	$ 1,557	$ -	$ 1,557	$ 1,557	$ -
Non-Personnel	1,021	6	1,027	1,027	-
Total Mayor	2,578	6	2,584	2,584	-
City Council District 1					
Salaries and Wages	514	-	514	514	-
Non-Personnel	336	-	336	336	-
Total City Council District 1	850	-	850	850	-
City Council District 2					
Salaries and Wages	493	-	493	493	-
Non-Personnel	279	-	279	279	-
Total City Council District 2	772	-	772	772	-
City Council District 3					
Salaries and Wages	524	-	524	524	-
Non-Personnel	332	-	332	332	-
Total City Council District 3	856	-	856	856	-
City Council District 4					
Salaries and Wages	533	-	533	533	-
Non-Personnel	351	1	352	352	-
Total City Council District 4	884	1	885	885	-
City Council District 5					
Salaries and Wages	449	-	449	449	-
Non-Personnel	305	-	305	305	-
Total City Council District 5	754	-	754	754	-
City Council District 6					
Salaries and Wages	498	-	498	498	-
Non-Personnel	336	-	336	336	-
Total City Council District 6	834	-	834	834	-
City Council District 7					
Salaries and Wages	635	-	635	635	-
Non-Personnel	380	-	380	380	-
Total City Council District 7	1,015	-	1,015	1,015	-
City Council District 8					
Salaries and Wages	486	-	486	486	-
Non-Personnel	317	-	317	317	-
Total City Council District 8	803	-	803	803	-
Council Administration					
Salaries and Wages	857	-	857	857	-
Non-Personnel	531	-	531	531	-
Total Council Administration	1,388	-	1,388	1,388	-
City Attorney					
Salaries and Wages	21,902	-	21,902	21,903	1
Non-Personnel	12,384	66	12,450	12,450	-
Total City Attorney	34,286	66	34,352	34,353	1

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 1,557	$ -	$ 1,557	$ 1,557	$ -
-	-	-	1	1	1,021	6	1,027	1,028	1
-	-	-	1	1	2,578	6	2,584	2,585	1
-	-	-	-	-	514	-	514	514	-
1	-	1	1	-	337	-	337	337	-
1	-	1	1	-	851	-	851	851	-
-	-	-	-	-	493	-	493	493	-
-	-	-	1	1	279	-	279	280	1
-	-	-	1	1	772	-	772	773	1
-	-	-	-	-	524	-	524	524	-
1	-	1	1	-	333	-	333	333	-
1	-	1	1	-	857	-	857	857	-
-	-	-	-	-	533	-	533	533	-
1	-	1	4	3	352	1	353	356	3
1	-	1	4	3	885	1	886	889	3
-	-	-	-	-	449	-	449	449	-
1	-	1	1	-	306	-	306	306	-
1	-	1	1	-	755	-	755	755	-
-	-	-	-	-	498	-	498	498	-
-	-	-	1	1	336	-	336	337	1
-	-	-	1	1	834	-	834	835	1
-	-	-	-	-	635	-	635	635	-
-	-	-	1	1	380	-	380	381	1
-	-	-	1	1	1,015	-	1,015	1,016	1
-	-	-	-	-	486	-	486	486	-
-	-	-	1	1	317	-	317	318	1
-	-	-	1	1	803	-	803	804	1
-	-	-	-	-	857	-	857	857	-
-	-	-	1	1	531	-	531	532	1
-	-	-	1	1	1,388	-	1,388	1,389	1
-	-	-	-	-	21,902	-	21,902	21,903	1
50	28	78	163	85	12,434	94	12,528	12,613	85
50	28	78	163	85	34,336	94	34,430	34,516	86

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Departmental (Continued):					
City Auditor and Comptroller					
Salaries and Wages	$ 6,294	$ -	$ 6,294	$ 6,382	$ 88
Non-Personnel	3,795	74	3,869	3,872	3
Total City Auditor and Comptroller	10,089	74	10,163	10,254	91
City Clerk					
Salaries and Wages	1,976	-	1,976	2,148	172
Non-Personnel	1,477	22	1,499	1,586	87
Total City Clerk	3,453	22	3,475	3,734	259
City Manager					
Salaries and Wages	761	-	761	761	-
Non-Personnel	453	-	453	464	11
Total City Manager	1,214	-	1,214	1,225	11
Engineering and Capital Projects - Administration					
Salaries and Wages	322	-	322	322	-
Non-Personnel	187	6	193	193	-
Total Engineering and Capital Projects - Administration	509	6	515	515	-
Field Engineering					
Salaries and Wages	8,495	-	8,495	8,553	58
Non-Personnel	5,022	24	5,046	5,073	27
Total Field Engineering	13,517	24	13,541	13,626	85
Public Buildings & Parks					
Salaries and Wages	2,675	-	2,675	2,677	2
Non-Personnel	1,608	8	1,616	1,616	-
Total Public Buildings & Parks	4,283	8	4,291	4,293	2
Equal Opportunity Contracting					
Salaries and Wages	1,372	-	1,372	1,379	7
Non-Personnel	886	26	912	1,072	160
Total Equal Opportunity Contracting	2,258	26	2,284	2,451	167
Budget and Management Services					
Salaries and Wages	1,699	-	1,699	1,699	-
Non-Personnel	981	-	981	982	1
Total Budget and Management Services	2,680	-	2,680	2,681	1
City Treasurer					
Salaries and Wages	4,137	-	4,137	4,137	-
Non-Personnel	4,285	777	5,062	5,062	-
Total City Treasurer's	8,422	777	9,199	9,199	-
Financing Services					
Salaries and Wages	673	-	673	1,602	929
Non-Personnel	496	1	497	721	224
Total Financing Services	1,169	1	1,170	2,323	1,153
General Services - Administration					
Salaries and Wages	202	-	202	202	-
Non-Personnel	95	1	96	96	-
Total General Services - Administration	297	1	298	298	-
Station 38					
Salaries and Wages	339	-	339	346	7
Non-Personnel	168	1	169	197	28
Total Station 38	507	1	508	543	35

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 6,294	$ -	$ 6,294	$ 6,382	$ 88
12	2	14	19	5	3,807	76	3,883	3,891	8
12	2	14	19	5	10,101	76	10,177	10,273	96
-	-	-	-	-	1,976	-	1,976	2,148	172
39	12	51	62	11	1,516	34	1,550	1,648	98
39	12	51	62	11	3,492	34	3,526	3,796	270
-	-	-	-	-	761	-	761	761	-
-	-	-	-	-	453	-	453	464	11
-	-	-	-	-	1,214	-	1,214	1,225	11
-	-	-	-	-	322	-	322	322	-
-	-	-	13	13	187	6	193	206	13
-	-	-	13	13	509	6	515	528	13
-	-	-	-	-	8,495	-	8,495	8,553	58
32	45	77	123	46	5,054	69	5,123	5,196	73
32	45	77	123	46	13,549	69	13,618	13,749	131
-	-	-	-	-	2,675	-	2,675	2,677	2
21	174	195	199	4	1,629	182	1,811	1,815	4
21	174	195	199	4	4,304	182	4,486	4,492	6
-	-	-	-	-	1,372	-	1,372	1,379	7
1	-	1	5	4	887	26	913	1,077	164
1	-	1	5	4	2,259	26	2,285	2,456	171
-	-	-	-	-	1,699	-	1,699	1,699	-
24	-	24	32	8	1,005	-	1,005	1,014	9
24	-	24	32	8	2,704	-	2,704	2,713	9
-	-	-	-	-	4,137	-	4,137	4,137	-
187	427	614	701	87	4,472	1,204	5,676	5,763	87
187	427	614	701	87	8,609	1,204	9,813	9,900	87
-	-	-	-	-	673	-	673	1,602	929
-	-	-	25	25	496	1	497	746	249
-	-	-	25	25	1,169	1	1,170	2,348	1,178
-	-	-	-	-	202	-	202	202	-
-	-	-	-	-	95	1	96	96	-
-	-	-	-	-	297	1	298	298	-
-	-	-	-	-	339	-	339	346	7
-	-	-	-	-	168	1	169	197	28
-	-	-	-	-	507	1	508	543	35

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Departmental (Continued):					
Facilities Maintenance					
Salaries and Wages	$ 6,617	$ -	$ 6,617	$ 6,620	$ 3
Non-Personnel	9,611	272	9,883	9,883	-
Total Facilities Maintenance	16,228	272	16,500	16,503	3
Purchasing					
Salaries and Wages	1,129	-	1,129	1,130	1
Non-Personnel	723	-	723	753	30
Total Purchasing	1,852	-	1,852	1,883	31
Storm Water					
Salaries and Wages	1,049	-	1,049	1,080	31
Non-Personnel	1,354	1,496	2,850	3,164	314
Total Storm Water	2,403	1,496	3,899	4,244	345
Governmental Relations					
Salaries and Wages	400	-	400	400	-
Non-Personnel	392	5	397	397	-
Total Governmental Relations	792	5	797	797	-
Human Resources					
Salaries and Wages	540	-	540	544	4
Non-Personnel	271	-	271	287	16
Total Human Resources	811	-	811	831	20
Organizational Effectiveness Program					
Salaries and Wages	382	-	382	382	-
Non-Personnel	314	10	324	326	2
Total Organizational Effectiveness Program	696	10	706	708	2
Personnel					
Salaries and Wages	3,753	-	3,753	3,753	-
Non-Personnel	2,303	159	2,462	2,462	-
Total Personnel	6,056	159	6,215	6,215	-
Public and Media Affairs					
Salaries and Wages	46	-	46	110	64
Non-Personnel	61	-	61	100	39
Total Public and Media Affairs	107	-	107	210	103
Real Estate Assets					
Salaries and Wages	2,143	-	2,143	2,440	297
Non-Personnel	1,333	175	1,508	1,539	31
Total Real Estate Assets	3,476	175	3,651	3,979	328
Special Projects					
Salaries and Wages	514	-	514	652	138
Non-Personnel	508	48	556	658	102
Total Special Projects	1,022	48	1,070	1,310	240
Citizens Assistance					
Salaries and Wages	222	-	222	222	-
Non-Personnel	125	-	125	130	5
Total Citizens Assistance	347	-	347	352	5

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 6,617	$ -	$ 6,617	$ 6,620	$ 3
108	20	128	219	91	9,719	292	10,011	10,102	91
108	20	128	219	91	16,336	292	16,628	16,722	94
-	-	-	-	-	1,129	-	1,129	1,130	1
-	-	-	25	25	723	-	723	778	55
-	-	-	25	25	1,852	-	1,852	1,908	56
-	-	-	-	-	1,049	-	1,049	1,080	31
150	96	246	280	34	1,504	1,592	3,096	3,444	348
150	96	246	280	34	2,553	1,592	4,145	4,524	379
-	-	-	-	-	400	-	400	400	-
1	38	39	70	31	393	43	436	467	31
1	38	39	70	31	793	43	836	867	31
-	-	-	-	-	540	-	540	544	4
-	-	-	-	-	271	-	271	287	16
-	-	-	-	-	811	-	811	831	20
-	-	-	-	-	382	-	382	382	-
-	-	-	-	-	314	10	324	326	2
-	-	-	-	-	696	10	706	708	2
-	-	-	-	-	3,753	-	3,753	3,753	-
87	317	404	404	-	2,390	476	2,866	2,866	-
87	317	404	404	-	6,143	476	6,619	6,619	-
-	-	-	-	-	46	-	46	110	64
-	-	-	-	-	61	-	61	100	39
-	-	-	-	-	107	-	107	210	103
-	-	-	-	-	2,143	-	2,143	2,440	297
1	13	14	90	76	1,334	188	1,522	1,629	107
1	13	14	90	76	3,477	188	3,665	4,069	404
-	-	-	-	-	514	-	514	652	138
85	-	85	100	15	593	48	641	758	117
85	-	85	100	15	1,107	48	1,155	1,410	255
-	-	-	-	-	222	-	222	222	-
-	-	-	-	-	125	-	125	130	5
-	-	-	-	-	347	-	347	352	5

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Departmental (Continued):					
Ethics Commission					
Salaries and Wages	$ 373	$ -	$ 373	$ 425	$ 52
Non-Personnel	209	10	219	245	26
Total Ethics Commission	582	10	592	670	78
Total Departmental	127,790	3,188	130,978	133,938	2,960
Citywide Program:					
Assessments to Public Property					
Non-Personnel	314	35	349	411	62
Citywide Elections					
Non-Personnel	1,969	112	2,081	2,598	517
Employee Personal Property Damage					
Non-Personnel	4	-	4	5	1
Financial Accounting Systems					
Salaries and Wages	69	-	69	69	-
Non-Personnel	(20)	19	(1)	170	171
Total Financial Accounting Systems	49	19	68	239	171
General Government Printing					
Non-Personnel	14	-	14	56	42
Independent Audit					
Non-Personnel	318	127	445	445	-
Total Financial Accounting Systems	318	127	445	445	-
Insurance					
Non-Personnel	1,171	-	1,171	1,414	243
Labor Relations					
Salaries and Wages	142	-	142	193	51
Non-Personnel	98	-	98	99	1
Total Labor Relations	240	-	240	292	52
Management Compensation Plan					
Non-Personnel	277	-	277	306	29
Total Management Compensation Plan	277	-	277	306	29

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 373	$ -	$ 373	$ 425	$ 52
-	2	2	3	1	209	12	221	248	27
-	2	2	3	1	582	12	594	673	79
802	1,174	1,976	2,546	570	128,592	4,362	132,954	136,484	3,530
-	-	-	-	-	314	35	349	411	62
-	57	57	58	1	1,969	169	2,138	2,656	518
-	-	-	-	-	4	-	4	5	1
-	-	-	-	-	69	-	69	69	-
-	-	-	-	-	(20)	19	(1)	170	171
-	-	-	-	-	49	19	68	239	171
-	-	-	-	-	14	-	14	56	42
33	392	425	428	3	351	519	870	873	3
33	392	425	428	3	351	519	870	873	3
-	76	76	76	-	1,171	76	1,247	1,490	243
-	-	-	-	-	142	-	142	193	51
-	-	-	-	-	98	-	98	99	1
-	-	-	-	-	240	-	240	292	52
1	-	1	2	1	278	-	278	308	30
1	-	1	2	1	278	-	278	308	30

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Citywide Program (Continued):					
Memberships					
Non-Personnel	$ 604	$ -	$ 604	$ 604	$ -
Municipal Activities					
Non-Personnel	24	-	24	24	-
Property Tax Administration					
Non-Personnel	3,088	-	3,088	3,088	-
Public Liability					
Non-Personnel	27,526	-	27,526	27,526	-
Public Works Projects					
Salaries and Wages	5	-	5	8	3
Non-Personnel	394	219	613	620	7
Total Public Works Projects	399	219	618	628	10
Random Drug Testing					
Salaries and Wages	37	-	37	42	5
Non-Personnel	74	61	135	136	1
Total Random Drug Testing	111	61	172	178	6
San Diego Geographic Info Source					
Non-Personnel	337	132	469	551	82
Total San Diego Geographic Info Source	337	132	469	551	82
Space Rental					
Salaries and Wages	-	-	-	-	-
Non-Personnel	6,710	183	6,893	7,054	161
Total Space Rental	6,710	183	6,893	7,054	161
Other Special Projects					
Salaries and Wages	453	-	453	474	21
Non-Personnel	10,483	399	10,882	12,865	1,983
Total Other Special Projects	10,936	399	11,335	13,339	2,004
Total Citywide Program	54,091	1,287	55,378	58,758	3,380
TOTAL GENERAL GOVERNMENT AND SUPPORT	181,881	4,475	186,356	192,696	6,340

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 604	$ -	$ 604	$ 604	$ -
-	24	24	24	-	24	24	48	48	-
-	-	-	-	-	3,088	-	3,088	3,088	-
-	-	-	-	-	27,526	-	27,526	27,526	-
-	-	-	-	-	5	-	5	8	3
103	102	205	290	85	497	321	818	910	92
103	102	205	290	85	502	321	823	918	95
-	-	-	-	-	37	-	37	42	5
17	-	17	73	56	91	61	152	209	57
17	-	17	73	56	128	61	189	251	62
2	-	2	2	-	339	132	471	553	82
2	-	2	2	-	339	132	471	553	82
-	-	-	-	-	-	-	-	-	-
23	536	559	650	91	6,733	719	7,452	7,704	252
23	536	559	650	91	6,733	719	7,452	7,704	252
-	-	-	-	-	453	-	453	474	21
281	138	419	572	153	10,764	537	11,301	13,437	2,136
281	138	419	572	153	11,217	537	11,754	13,911	2,157
460	1,325	1,785	2,175	390	54,551	2,612	57,163	60,933	3,770
1,262	2,499	3,761	4,721	960	183,143	6,974	190,117	197,417	7,300

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PUBLIC SAFETY - POLICE					
Departmental:					
Police					
Salaries and Wages	$ 195,964	$ -	$ 195,964	$ 195,963	$ (1)
Non-Personnel	138,164	3,711	141,875	141,876	1
Total Police	334,128	3,711	337,839	337,839	-
Citywide Program:					
Police Review Board					
Salaries and Wages	157	-	157	157	-
Non-Personnel	110	3	113	114	1
Total Police Review Board	267	3	270	271	1
Total Citywide Program	267	3	270	271	1
TOTAL PUBLIC SAFETY - POLICE	334,395	3,714	338,109	338,110	1
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY					
Departmental:					
Fire-Rescue					
Salaries and Wages	103,854	-	103,854	103,853	(1)
Non-Personnel	66,950	(4,479)	62,471	62,592	121
Total Fire-Rescue	170,804	(4,479)	166,325	166,445	120
Homeland Security					
Salaries and Wages	625	-	625	625	-
Non-Personnel	464	1	465	548	83
Total Homeland Security	1,089	1	1,090	1,173	83
Citywide Program:					
Emergency Medical Services					
Salaries and Wages	166	-	166	173	7
Non-Personnel	290	27	317	644	327
Total Emergency Medical Services	456	27	483	817	334
Total Citywide Program	456	27	483	817	334
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY	172,349	(4,451)	167,898	168,435	537

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 195,964	$ -	$ 195,964	$ 195,963	$ (1)
900	280	1,180	1,842	662	139,064	3,991	143,055	143,718	663
900	280	1,180	1,842	662	335,028	3,991	339,019	339,681	662
-	-	-	-	-	157	-	157	157	-
-	-	-	-	-	110	3	113	114	1
-	-	-	-	-	267	3	270	271	1
-	-	-	-	-	267	3	270	271	1
900	280	1,180	1,842	662	335,295	3,994	339,289	339,952	663
-	-	-	-	-	103,854	-	103,854	103,853	(1)
1,604	941	2,545	2,864	319	68,554	(3,538)	65,016	65,456	440
1,604	941	2,545	2,864	319	172,408	(3,538)	168,870	169,309	439
-	-	-	-	-	625	-	625	625	-
-	-	-	1	1	464	1	465	549	84
-	-	-	1	1	1,089	1	1,090	1,174	84
-	-	-	-	-	166	-	166	173	7
16	-	16	16	-	306	27	333	660	327
16	-	16	16	-	472	27	499	833	334
16	-	16	16	-	472	27	499	833	334
1,620	941	2,561	2,881	320	173,969	(3,510)	170,459	171,316	857

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PARKS, RECREATION, CULTURE AND LEISURE					
Departmental:					
Reservoir Concessions					
Salaries and Wages	$ 665	$ -	$ 665	$ 765	$ 100
Non-Personnel	626	3	629	794	165
Total Reservoir Concessions	1,291	3	1,294	1,559	265
Park and Rec-Administrative Services					
Salaries and Wages	847	-	847	848	1
Non-Personnel	483	-	483	484	1
Total Park and Rec - Administration Services	1,330	-	1,330	1,332	2
Community Parks I					
Salaries and Wages	5,138	-	5,138	5,220	82
Non-Personnel	7,801	665	8,466	8,945	479
Total Community Parks I	12,939	665	13,604	14,165	561
Community Parks II					
Salaries and Wages	9,038	-	9,038	9,038	-
Non-Personnel	9,304	164	9,468	9,468	-
Total Community Parks II	18,342	164	18,506	18,506	-
Developed Regional Parks					
Salaries and Wages	13,151	-	13,151	13,605	454
Non-Personnel	17,704	627	18,331	18,479	148
Total Developed Regional Parks	30,855	627	31,482	32,084	602
Open Space Division					
Salaries and Wages	1,756	-	1,756	1,857	101
Non-Personnel	2,404	244	2,648	2,932	284
Total Open Space Division	4,160	244	4,404	4,789	385
Park and Planning Development					
Salaries and Wages	2,772	-	2,772	2,773	1
Non-Personnel	1,626	20	1,646	1,646	-
Total Park and Planning Development	4,398	20	4,418	4,419	1
Library					
Salaries and Wages	18,394	-	18,394	18,481	87
Non-Personnel	15,703	348	16,051	16,737	686
Total Library	34,097	348	34,445	35,218	773
Total Departmental	107,412	2,071	109,483	112,072	2,589
Citywide Program:					
Park and Recreation Programs					
Non-Personnel	1	3	4	254	250
TOTAL PARKS, RECREATION CULTURE AND LEISURE	107,413	2,074	109,487	112,326	2,839

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 665	$ -	$ 665	$ 765	$ 100
2	-	2	108	106	628	3	631	902	271
2	-	2	108	106	1,293	3	1,296	1,667	371
-	-	-	-	-	847	-	847	848	1
-	-	-	-	-	483	-	483	484	1
-	-	-	-	-	1,330	-	1,330	1,332	2
-	-	-	-	-	5,138	-	5,138	5,220	82
70	33	103	561	458	7,871	698	8,569	9,506	937
70	33	103	561	458	13,009	698	13,707	14,726	1,019
-	-	-	-	-	9,038	-	9,038	9,038	-
167	-	167	167	-	9,471	164	9,635	9,635	-
167	-	167	167	-	18,509	164	18,673	18,673	-
-	-	-	-	-	13,151	-	13,151	13,605	454
61	47	108	444	336	17,765	674	18,439	18,923	484
61	47	108	444	336	30,916	674	31,590	32,528	938
-	-	-	-	-	1,756	-	1,756	1,857	101
230	450	680	776	96	2,634	694	3,328	3,708	380
230	450	680	776	96	4,390	694	5,084	5,565	481
-	-	-	-	-	2,772	-	2,772	2,773	1
54	307	361	363	2	1,680	327	2,007	2,009	2
54	307	361	363	2	4,452	327	4,779	4,782	3
-	-	-	-	-	18,394	-	18,394	18,481	87
156	32	188	502	314	15,859	380	16,239	17,239	1,000
156	32	188	502	314	34,253	380	34,633	35,720	1,087
740	869	1,609	2,921	1,312	108,152	2,940	111,092	114,993	3,901
-	-	-	-	-	1	3	4	254	250
740	869	1,609	2,921	1,312	108,153	2,943	111,096	115,247	4,151

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSPORTATION					
Departmental:					
Parking Management					
Salaries and Wages	$ 4,564	$ -	$ 4,564	$ 4,567	$ 3
Non-Personnel	4,061	330	4,391	4,392	1
Total Parking Management	8,625	330	8,955	8,959	4
Transportation Design					
Salaries and Wages	4,548	-	4,548	4,548	-
Non-Personnel	2,613	26	2,639	2,694	55
Total Transportation Design	7,161	26	7,187	7,242	55
Traffic Engineering					
Salaries and Wages	3,454	-	3,454	3,455	1
Non-Personnel	3,091	411	3,502	3,754	252
Total Traffic Engineering	6,545	411	6,956	7,209	253
Total Departmental	22,331	767	23,098	23,410	312
Citywide Program:					
Transportation					
Non-Personnel	278	151	429	429	-
TOTAL TRANSPORTATION	22,609	918	23,527	23,839	312
SANITATION AND HEALTH					
Departmental:					
Collection Services					
Salaries and Wages	6,736	-	6,736	6,750	14
Non-Personnel	27,105	507	27,612	27,802	190
Total Collection Services	33,841	507	34,348	34,552	204
Environmental Protection					
Salaries and Wages	277	-	277	277	-
Non-Personnel	365	-	365	366	1
Total Environmental Protection	642	-	642	643	1
Resource Management					
Salaries and Wages	219	-	219	219	-
Non-Personnel	122	-	122	122	-
Total Resource Management	341	-	341	341	-
Mt. Hope Cemetery					
Salaries and Wages	489	-	489	510	21
Non-Personnel	922	123	1,045	1,102	57
Total Mt. Hope Cemetery	1,411	123	1,534	1,612	78
Total Departmental	36,235	630	36,865	37,148	283

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 4,564	$ -	$ 4,564	$ 4,567	$ 3
117	101	218	400	182	4,178	431	4,609	4,792	183
117	101	218	400	182	8,742	431	9,173	9,359	186
-	-	-	-	-	4,548	-	4,548	4,548	-
9	49	58	93	35	2,622	75	2,697	2,787	90
9	49	58	93	35	7,170	75	7,245	7,335	90
-	-	-	-	-	3,454	-	3,454	3,455	1
77	107	184	262	78	3,168	518	3,686	4,016	330
77	107	184	262	78	6,622	518	7,140	7,471	331
203	257	460	755	295	22,534	1,024	23,558	24,165	607
220	-	220	220	-	498	151	649	649	-
423	257	680	975	295	23,032	1,175	24,207	24,814	607
-	-	-	-	-	6,736	-	6,736	6,750	14
134	134	268	460	192	27,239	641	27,880	28,262	382
134	134	268	460	192	33,975	641	34,616	35,012	396
-	-	-	-	-	277	-	277	277	-
-	-	-	-	-	365	-	365	366	1
-	-	-	-	-	642	-	642	643	1
-	-	-	-	-	219	-	219	219	-
-	-	-	-	-	122	-	122	122	-
-	-	-	-	-	341	-	341	341	-
-	-	-	-	-	489	-	489	510	21
2	13	15	19	4	924	136	1,060	1,121	61
2	13	15	19	4	1,413	136	1,549	1,631	82
136	147	283	479	196	36,371	777	37,148	37,627	479

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Citywide Program:					
Animal Regulation					
Non-Personnel	$ 5,205	$ 86	$ 5,291	$ 5,291	$ -
Health Services Furnished by County					
Non-Personnel	43	30	73	74	1
Refuse Container Fund					
Non-Personnel	-	-	-	-	-
Total Citywide Program	5,248	116	5,364	5,365	1
TOTAL SANITATION AND HEALTH	41,483	746	42,229	42,513	284
NEIGHBORHOOD SERVICES:					
Departmental:					
Community and Economic Development					
Salaries and Wages	2,933	-	2,933	2,933	-
Non-Personnel	2,441	545	2,986	3,004	18
Total Community and Economic Development	5,374	545	5,919	5,937	18
Development Services					
Non-Personnel	-	-	-	2	2
Total Development Services	-	-	-	2	2
Family Justice Center					
Salaries and Wages	342	-	342	342	-
Non-Personnel	272	-	272	272	-
Total Family Justice Center	614	-	614	614	-
Neighborhood Code Compliance					
Salaries and Wages	3,784	-	3,784	3,784	-
Non-Personnel	2,623	30	2,653	2,656	3
Total Neighborhood Code Compliance	6,407	30	6,437	6,440	3
Planning					
Salaries and Wages	4,182	-	4,182	4,184	2
Non-Personnel	2,525	2	2,527	2,637	110
Total Planning	6,707	2	6,709	6,821	112
Total Departmental	19,102	577	19,679	19,814	135
Citywide Program:					
Community and Economic Development Special Projects					
Salaries and Wages	-	-	-	-	-
Non-Personnel	-	-	-	11	11
Total Community and Economic Development Special Projects	-	-	-	11	11
Total Citywide Program	-	-	-	11	11
TOTAL NEIGHBORHOOD SERVICES	19,102	577	19,679	19,825	146
DEBT SERVICE:					
Principal	2,504	-	2,504	2,504	-
Interest	3,416	-	3,416	2,509	(907)
TOTAL DEBT SERVICE	5,920	-	5,920	5,013	(907)
TOTAL EXPENDITURES	885,152	8,053	893,205	902,757	9,552

Prior Year					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)
$ 101	$ 295	$ 396	$ 457	$ 61	$ 5,306	$ 381	$ 5,687	$ 5,748	$ 61
-	-	-	-	-	43	30	73	74	1
-	1	1	1	-	-	1	1	1	-
101	296	397	458	61	5,349	412	5,761	5,823	62
237	443	680	937	257	41,720	1,189	42,909	43,450	541
-	-	-	-	-	2,933	-	2,933	2,933	-
563	92	655	786	131	3,004	637	3,641	3,790	149
563	92	655	786	131	5,937	637	6,574	6,723	149
-	48	48	48	-	-	48	48	50	2
-	48	48	48	-	-	48	48	50	2
-	-	-	-	-	342	-	342	342	-
-	-	-	-	-	272	-	272	272	-
-	-	-	-	-	614	-	614	614	-
-	-	-	-	-	3,784	-	3,784	3,784	-
12	8	20	20	-	2,635	38	2,673	2,676	3
12	8	20	20	-	6,419	38	6,457	6,460	3
-	-	-	-	-	4,182	-	4,182	4,184	2
25	61	86	276	190	2,550	63	2,613	2,913	300
25	61	86	276	190	6,732	63	6,795	7,097	302
600	209	809	1,130	321	19,702	786	20,488	20,944	456
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-	11	11
600	209	809	1,130	321	19,702	786	20,488	20,955	467
-	-	-	-	-	2,504	-	2,504	2,504	-
-	-	-	-	-	3,416	-	3,416	2,509	(907)
-	-	-	-	-	5,920	-	5,920	5,013	(907)
5,782	5,498	11,280	15,407	4,127	890,934	13,551	904,485	918,164	13,679

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Current Year				
	Actual	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:					
Central Garage and Machine Shop	$ 40	$ -	$ 40	$ 40	$ -
Print Shop	6	-	6	6	-
Miscellaneous Internal Service	200	-	200	200	-
Total Internal Service Funds	246	-	246	246	-
TOTAL TRANSFERS TO PROPRIETARY FUNDS	246	-	246	246	-
TRANSFERS TO OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement and Operation	768	-	768	768	-
Qualcomm Stadium Operations	8	-	8	8	-
Other Special Revenue - Budgeted	1,627	-	1,627	1,627	-
Grants	372	-	372	362	(10)
Other Special Revenue - Unbudgeted	7,938	-	7,938	7,938	-
Total Special Revenue Funds	10,713	-	10,713	10,703	(10)
Capital Projects Funds:					
City of San Diego:					
Capital Outlay	69	-	69	69	-
Other Construction	11,164	-	11,164	11,164	-
Total Capital Projects Funds	11,233	-	11,233	11,233	-
TOTAL TRANSFERS TO OTHER FUNDS	21,946	-	21,946	21,936	(10)
TOTAL EXPENDITURES AND TRANSFERS	$ 907,344	$ 8,053	$ 915,397	$ 924,939	$ 9,542

Prior Year					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)
$ -	$ -	$ -	$ -	$ -	$ 40	$ -	$ 40	$ 40	$ -
-	-	-	-	-	6	-	6	6	-
-	-	-	-	-	200	-	200	200	-
-	-	-	-	-	246	-	246	246	-
-	-	-	-	-	246	-	246	246	-
-	-	-	-	-	768	-	768	768	-
-	-	-	-	-	8	-	8	8	-
-	-	-	-	-	1,627	-	1,627	1,627	-
-	-	-	-	-	372	-	372	362	(10)
-	-	-	-	-	7,938	-	7,938	7,938	-
-	-	-	-	-	10,713	-	10,713	10,703	(10)
-	-	-	-	-	69	-	69	69	-
-	-	-	-	-	11,164	-	11,164	11,164	-
-	-	-	-	-	11,233	-	11,233	11,233	-
-	-	-	-	-	21,946	-	21,946	21,936	(10)
$ 5,782	$ 5,498	$ 11,280	$ 15,407	$ 4,127	$ 913,126	$ 13,551	$ 926,677	$ 940,346	$ 13,669

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Non-major Governmental Funds

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 416,795	$ -	$ 505,130	$ 590	$ 922,515
Receivables:					
Taxes - Net	23,168	27	6,006	-	29,201
Accounts - Net of Allowance for Uncollectibles (Special Revenue $408)	8,835	4,804	310	15	13,964
Claims - Net	68	-	-	-	68
Special Assessments - Net	623	708	15	-	1,346
Notes	43,690	-	8,899	-	52,589
Accrued Interest	3,437	314	3,262	31	7,044
Grants	33,863	-	24,845	-	58,708
From Other Funds	6,630	134	8,600	-	15,364
Advances to Other Funds	4,114	-	300	-	4,414
Advances to Other Agencies	3,545	-	-	-	3,545
Land Held for Resale	16,081	-	16,052	-	32,133
Prepaid Items	198	34	-	-	232
Restricted Cash and Investments	-	121,772	-	14,588	136,360
TOTAL ASSETS	$ 561,047	$ 127,793	$ 573,419	$ 15,224	$ 1,277,483
LIABILITIES					
Accounts Payable	$ 33,003	$ -	$ 15,179	$ -	$ 48,182
Accrued Wages and Benefits	1,323	-	-	-	1,323
Other Accrued Liabilities	21	-	-	-	21
Due to Other Funds	11,558	-	13,265	-	24,823
Due to Other Agencies	245	-	954	-	1,199
Unearned Revenue	28,585	-	5,433	-	34,018
Deferred Revenue	39,707	5,336	32,090	-	77,133
Interfund Interest Payable	-	-	773	-	773
Interfund Loan Payable	-	-	5,873	-	5,873
Advances from Other Funds	2,550	-	2,164	-	4,714
Sundry Trust Liabilities	94	-	3,732	-	3,826
TOTAL LIABILITES	117,086	5,336	79,463	-	201,885
FUND EQUITY:					
Fund Balances:					
Reserved for Land Held for Resale	16,081	-	14,725	-	30,806
Reserved for Encumbrances	55,913	-	72,801	-	128,714
Reserved for Advances and Deposits	7,659	-	300	-	7,959
Reserved for Low and Moderate Income Housing	96,732	-	-	-	96,732
Reserved for Permanent Endowments	-	-	-	14,568	14,568
Reserved for Debt Service	-	122,240	-	-	122,240
Unreserved:					
Designated for Unrealized Gains	5	166	-	590	761
Designated for Debt Service	11,482	-	-	-	11,482
Designated for Subsequent Years' Expenditures	147,382	-	284,892	11	432,285
Undesignated	108,707	51	121,238	55	230,051
TOTAL FUND EQUITY	443,961	122,457	493,956	15,224	1,075,598
TOTAL LIABILITIES AND FUND EQUITY	$ 561,047	$ 127,793	$ 573,419	$ 15,224	$ 1,277,483

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	$ 133,410	$ 2,411	$ -	$ -	$ 135,821
Special Assessments	18,368	17,648	683	-	36,699
Sales Taxes	83,182	-	33,279	-	116,461
Transient Occupancy Taxes	64,675	-	-	-	64,675
Other Local Taxes	75,899	-	-	-	75,899
Licenses and Permits	1,306	-	8,898	-	10,204
Fines, Forfeitures and Penalties	3,095	-	-	-	3,095
Revenue from Use of Money and Property	30,885	3,554	18,441	686	53,566
Revenue from Federal Agencies	35,314	-	4,501	-	39,815
Revenue from Other Agencies	33,384	-	12,311	-	45,695
Revenue from Private Sources	31,163	-	60,008	116	91,287
Charges for Current Services	35,474	-	32	101	35,607
Other Revenue	19,405	-	3,654	-	23,059
TOTAL REVENUES	565,560	23,613	141,807	903	731,883
EXPENDITURES					
Current:					
General Government and Support	78,844	2,760	25,802	1	107,407
Public Safety - Police	73,108	-	71	-	73,179
Public Safety - Fire and Life Safety	37,749	-	351	-	38,100
Parks, Recreation, Culture and Leisure	99,277	-	8,432	176	107,885
Transportation	123,240	-	1,705	-	124,945
Sanitation and Health	6,204	-	1,170	-	7,374
Neighborhood Services	65,633	-	26,745	-	92,378
Capital Projects	17,993	-	108,590	-	126,583
Debt Service:					
Principal Retirement	3,978	38,536	8,275	-	50,789
Interest	2,554	62,476	286	-	65,316
TOTAL EXPENDITURES	508,580	103,772	181,427	177	793,956
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	56,980	(80,159)	(39,620)	726	(62,073)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	3,986	-	-	-	3,986
Transfers from Other Funds	169,358	86,773	84,322	-	340,453
Transfers to Proprietary Funds	(1,044)	-	(494)	-	(1,538)
Transfers to Other Funds	(325,866)	(6,041)	(57,797)	(475)	(390,179)
Capital Leases	14,713	-	-	-	14,713
Contracts/Notes Issued	-	-	900	-	900
Loans Issued	5,245	-	3,926	-	9,171
Section 108 Loans Issued	2,151	-	-	-	2,151
SANDAG Loans Issued	-	-	1,651	-	1,651
Tax Allocation Bonds Issued	33,760	-	76,225	-	109,985
Tobacco Settlement Bonds Issued	90,980	14,420	-	-	105,400
Discount on Bonds Issued	(97)	-	-	-	(97)
Premium on Bonds Issued	-	-	2,509	-	2,509
TOTAL OTHER FINANCING SOURCES (USES)	(6,814)	95,152	111,242	(475)	199,105
NET CHANGE IN FUND BALANCES	50,166	14,993	71,622	251	137,032
Fund Balances at Beginning of Year	393,795	107,464	422,334	14,973	938,566
FUND BALANCES AT END OF YEAR	$ 443,961	$ 122,457	$ 493,956	$ 15,224	$ 1,075,598

Non-major Governmental Funds - Special Revenue

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SPECIAL REVENUE FUNDS

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

POLICE DECENTRALIZATION

This Fund accounts for monies allocated for Police department decentralization expenditures for temporary facilities and to devise future capital improvement projects. Revenues are derived from sales tax allocations.

PUBLIC TRANSPORTATION

This Fund was established to account for funds set aside as reserves to be used for transportation-related purposes. Fund transfers and interest derived there from are the main sources of revenue.

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

CENTRE CITY DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Centre City Development Corporation ("CCDC"). CCDC is a non-profit corporation that administers certain redevelopment projects in downtown San Diego and provides redevelopment advisory services to the Redevelopment Agency (the "Agency") of the City of San Diego. CCDC is primarily funded by the Agency and by the City of San Diego.

PUBLIC FACILITIES FINANCING AUTHORITY

This Fund was established to account for the activities of the Public Facilities Financing Authority (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing, acquisition and construction of public capital facility improvements of the Agency or the City. The Authority's special revenue account is generally used to account for revenues from the Reassessment District Bond Fund and investment income used to pay for costs of issuance and administrative expenses related to debt redemption.

REDEVELOPMENT AGENCY

This Fund was established to account for the activities of the Redevelopment Agency of the City of San Diego (the "Agency"). The Agency was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The Agency's 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.

SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This Fund was established to account for revenues and expenditures of the San Diego Industrial Development Authority (the "Authority"). The Authority 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 the Redevelopment Agency of the City of San Diego (the "Agency"). SEDC is primarily funded by the Agency 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 (The “Corporation”). The Corporation 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 Corporation’s special revenue fund is used to account for the expenditures incurred for administrative services provided by the City of San Diego.

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2006
(In Thousands)

	City of San Diego	Centre City Development Corporation
ASSETS		
Cash and Investments	$ 209,050	$ 236
Receivables:		
Taxes - Net	19,048	-
Accounts - Net of Allowance for Uncollectibles (City of San Diego $408)	7,987	659
Claims - Net	68	-
Special Assessments - Net	623	-
Notes	1,004	-
Accrued Interest	1,830	-
Grants	33,863	-
From Other Funds	6,024	-
Advances to Other Funds	4,114	-
Advances to Other Agencies	3,545	-
Land Held for Resale	-	-
Prepaid Items	161	31
TOTAL ASSETS	$ 287,317	$ 926
LIABILITIES		
Accounts Payable	$ 30,117	$ 45
Accrued Wages and Benefits	1,323	-
Other Accrued Liabilities	-	21
Due to Other Funds	11,481	-
Due to Other Agencies	245	-
Unearned Revenue	28,585	-
Deferred Revenue	33,323	-
Advances from Other Funds	300	-
Sundry Trust Liabilities	-	-
TOTAL LIABILITIES	105,374	66
FUND EQUITY:		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Encumbrances	22,067	-
Reserved for Advances and Deposits	7,659	-
Reserved for Low and Moderate Income Housing	-	-
Unreserved:		
Designated for Unrealized Gains	5	-
Designated for Debt Service	-	-
Designated for Subsequent Years' Expenditures	44,903	-
Undesignated	107,309	860
TOTAL FUND EQUITY	181,943	860
TOTAL LIABILITIES AND FUND EQUITY	$ 287,317	$ 926

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
$ 60	$ 207,089	$ 55	$ 105	$ 200	$ 416,795
-	4,120	-	-	-	23,168
-	-	-	189	-	8,835
-	-	-	-	-	68
-	-	-	-	-	623
-	42,686	-	-	-	43,690
1	1,605	1	-	-	3,437
-	-	-	-	-	33,863
-	606	-	-	-	6,630
-	-	-	-	-	4,114
-	-	-	-	-	3,545
-	16,081	-	-	-	16,081
-	-	-	6	-	198
$ 61	$ 272,187	$ 56	$ 300	$ 200	$ 561,047
$ -	$ 2,838	$ -	$ 3	$ -	$ 33,003
-	-	-	-	-	1,323
-	-	-	-	-	21
2	75	-	-	-	11,558
-	-	-	-	-	245
-	-	-	-	-	28,585
-	6,384	-	-	-	39,707
-	2,250	-	-	-	2,550
-	94	-	-	-	94
2	11,641	-	3	-	117,086
-	16,081	-	-	-	16,081
15	33,831	-	-	-	55,913
-	-	-	-	-	7,659
-	96,732	-	-	-	96,732
-	-	-	-	-	5
-	11,482	-	-	-	11,482
44	102,420	15	-	-	147,382
-	-	41	297	200	108,707
59	260,546	56	297	200	443,961
$ 61	$ 272,187	$ 56	$ 300	$ 200	$ 561,047

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
(In Thousands)

	City of San Diego	Centre City Development Corporation
REVENUES		
Property Taxes	$ 7,750	$ -
Special Assessments	18,368	-
Sales Taxes	83,182	-
Transient Occupancy Taxes	64,675	-
Other Local Taxes	75,899	-
Licenses and Permits	1,306	-
Fines, Forfeitures and Penalties	3,095	-
Revenue from Use of Money and Property	26,536	1
Revenue from Federal Agencies	35,314	-
Revenue from Other Agencies	26,798	6,586
Revenue from Private Sources	31,163	-
Charges for Current Services	33,470	-
Other Revenue	19,373	32
TOTAL REVENUES	426,929	6,619
EXPENDITURES		
Current:		
General Government and Support	49,055	6,619
Public Safety - Police	73,108	-
Public Safety - Fire and Life Safety	37,749	-
Parks, Recreation, Culture and Leisure	99,277	-
Transportation	123,240	-
Sanitation and Health	6,204	-
Neighborhood Services	44,842	-
Capital Projects	17,993	-
Debt Service:		
Principal Retirement	3,978	-
Interest	2,554	-
TOTAL EXPENDITURES	458,000	6,619
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,071)	-
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	3,986	-
Transfers from Other Funds	163,406	215
Transfers to Proprietary Funds	(1,044)	-
Transfers to Other Funds	(147,236)	-
Capital Leases	14,713	-
Tobacco Settlement Bonds Issued	-	-
Tax Allocation Bonds Issued	-	-
Loans Issued	-	-
Section 108 Loans issued	2,151	-
Discount on Bonds Issued	-	-
TOTAL OTHER FINANCING SOURCES (USES)	35,976	215
NET CHANGE IN FUND BALANCES	4,905	215
Fund Balances at Beginning of Year	177,038	645
FUND BALANCES AT END OF YEAR	$ 181,943	$ 860

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
$ -	$ 125,660	$ -	$ -	$ -	$ 133,410
-	-	-	-	-	18,368
-	-	-	-	-	83,182
-	-	-	-	-	64,675
-	-	-	-	-	75,899
-	-	-	-	-	1,306
-	-	-	-	-	3,095
3	4,343	2	-	-	30,885
-	-	-	-	-	35,314
-	-	-	-	-	33,384
-	-	-	-	-	31,163
-	104	-	1,900	-	35,474
-	-	-		-	19,405
3	130,107	2	1,900	-	565,560
435	20,810	-	1,925	-	78,844
-	-	-	-	-	73,108
-	-	-	-	-	37,749
-	-	-	-	-	99,277
-	-	-	-	-	123,240
-	-	-	-	-	6,204
-	20,791	-	-	-	65,633
-	-	-	-	-	17,993
-	-	-	-	-	3,978
-	-	-	-	-	2,554
435	41,601	-	1,925	-	508,580
(432)	88,506	2	(25)	-	56,980
-	-	-	-	-	3,986
294	5,308	-	135	-	169,358
-	-	-	-	-	(1,044)
-	(87,850)	-	-	(90,780)	(325,866)
-	-	-	-	-	14,713
-	-	-	-	90,980	90,980
-	33,760	-	-	-	33,760
-	5,245	-	-	-	5,245
-	-	-	-	-	2,151
-	(97)	-	-	-	(97)
294	(43,634)	-	135	200	(6,814)
(138)	44,872	2	110	200	50,166
197	215,674	54	187	-	393,795
$ 59	$ 260,546	$ 56	$ 297	$ 200	$ 443,961

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	City of San Diego	
	Actual on Budgetary Basis	Final Budget
REVENUES		
Property Taxes	$ 7,716	$ 19,682
Special Assessments	18,334	5,804
Sales Taxes	81,142	69,713
Transient Occupance Taxes	64,675	61,216
Other Local Taxes	75,899	79,967
Licenses and Permits	1,306	1,306
Fines, Forfeitures and Penalties	1,197	1,165
Revenue from Use of Money and Property	11,788	11,778
Revenue from Federal Agencies	2	-
Revenue from Other Agencies	6,769	5,412
Revenue from Private Sources	562	326
Charges for Current Services	31,810	18,095
Other Revenue	886	3,316
TOTAL REVENUES	302,086	277,780
EXPENDITURES		
Current:		
General Government and Support	12,765	12,838
Public Safety - Police	12,116	12,671
Public Safety - Fire and Life Safety	8,336	8,337
Parks, Recreation, Culture and Leisure	80,119	88,300
Transportation	97,611	93,222
Sanitation and Health	3,629	3,992
Neighborhood Services	11,982	9,826
Capital Projects	8,993	19,773
Debt Service:		
Principal Retirement	608	640
Interest	59	46
TOTAL EXPENDITURES	236,218	249,645
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	65,868	28,135
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	1,031	920
Transfers from Other Funds	59,475	100,062
Transfers to Proprietary Funds	(576)	(451)
Transfers to Other Funds	(136,629)	(164,108)
TOTAL OTHER FINANCING SOURCES (USES)	(76,699)	(63,577)
NET CHANGE IN FUND BALANCES	(10,831)	(35,442)
Fund Balances Undesignated at July 1, 2005	78,269	74,491
Reserved for Encumbrances at July 1, 2005	14,080	13,901
Designated for Subsequent Years' Expenditures at July 1, 2005	10,710	10,198
Designated for Subsequent Years' Expenditures at June 30, 2006	(6,275)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2006	$ 85,952	$ 63,147

Centre City Development Corporation		Southeastern Economic Development Corporation		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ 7,716	$ 19,682	$ (11,966)
-	-	-	-	18,334	5,804	12,530
-	-	-	-	81,142	69,713	11,429
-	-	-	-	64,675	61,216	3,459
-	-	-	-	75,899	79,967	(4,068)
-	-	-	-	1,306	1,306	-
-	-	-	-	1,197	1,165	32
1	-	-	-	11,789	11,778	11
-	-	-	-	2	-	2
6,586	7,182	1,900	1,962	15,255	14,556	699
-	-	-	-	562	326	236
-	-	-	-	31,810	18,095	13,715
32	-	135	-	1,053	3,316	(2,263)
6,619	7,182	2,035	1,962	310,740	286,924	23,816
6,619	7,182	1,925	1,962	21,309	21,982	673
-	-	-	-	12,116	12,671	555
-	-	-	-	8,336	8,337	1
-	-	-	-	80,119	88,300	8,181
-	-	-	-	97,611	93,222	(4,389)
-	-	-	-	3,629	3,992	363
-	-	-	-	11,982	9,826	(2,156)
-	-	-	-	8,993	19,773	10,780
-	-	-	-	608	640	32
-	-	-	-	59	46	(13)
6,619	7,182	1,925	1,962	244,762	258,789	14,027
-	-	110	-	65,978	28,135	37,843
-	-	-	-	1,031	920	111
215	-	-	-	59,690	100,062	(40,372)
-	-	-	-	(576)	(451)	(125)
-	-	-	-	(136,629)	(164,108)	27,479
215	-	-	-	(76,484)	(63,577)	(12,907)
215	-	110	-	(10,506)	(35,442)	24,936
645	645	187	187	79,101	75,323	3,778
-	-	-	-	14,080	13,901	179
-	-	-	-	10,710	10,198	512
-	-	-	-	(6,275)	-	(6,275)
$ 860	$ 645	$ 297	$ 187	$ 87,109	$ 63,979	$ 23,131

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2006
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
ASSETS					
Cash and Investments	$ 18,104	$ 1,995	$ 1,249	$ 2,177	$ 3,098
Receivables:					
Taxes - Net	-	2,873	-	-	-
Accounts - Net of Allowance for Uncollectibles (Transient Occupancy Tax $408)	340	-	-	-	454
Claims - Net	24	-	-	-	-
Special Assessments - Net	420	-	-	-	-
Notes	-	-	-	-	-
Accrued Interest	159	80	-	18	21
Grants	-	-	-	-	-
From Other Funds	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Advances to Other Agencies	1,071	-	-	-	-
Prepaid Items	-	-	-	-	5
TOTAL ASSETS	$ 20,118	$ 4,948	$ 1,249	$ 2,195	$ 3,578
LIABILITIES					
Accounts Payable	$ 1,479	$ 4	$ 845	$ 2	$ 130
Accrued Wages and Benefits	55	-	-	-	59
Due to Other Funds	30	-	-	-	-
Due to Other Agencies	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Deferred Revenue	638	-	-	-	335
Advances from Other Funds	-	-	-	-	-
TOTAL LIABILITIES	2,202	4	845	2	524
FUND EQUITY:					
Fund Balances:					
Reserved for Encumbrances	949	379	-	5	451
Reserved for Advances and Deposits	1,071	-	-	-	-
Unreserved:					
Designated for Unrealized Gains	-	-	-	-	-
Designated for Subsequent Years' Expenditures	738	666	-	-	838
Undesignated	15,158	3,899	404	2,188	1,765
TOTAL FUND EQUITY	17,916	4,944	404	2,193	3,054
TOTAL LIABILITIES AND FUND EQUITY	$ 20,118	$ 4,948	$ 1,249	$ 2,195	$ 3,578

							Unbudgeted		
Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Other Special Revenue	Total
$ 2,974	$ 6,742	$ 29,271	$ 15,877	$ 1,228	$ 12,343	$ 1,024	$ 112,968	$ 209,050
-	-	5,283	-	81	10,809	-	2	19,048
2,173	455	203	-	-	1,804	1,170	1,388	7,987
1	43	-	-	-	-	-	-	68
-	-	-	-	-	-	-	203	623
-	-	-	-	-	-	-	1,004	1,004
121	3	138	136	-	426	(3)	731	1,830
-	-	-	-	-	-	33,706	157	33,863
-	-	5,961	-	-	-	61	2	6,024
-	-	-	-	-	-	-	4,114	4,114
-	-	1,996	-	-	-	280	198	3,545
-	-	137	-	-	10	2	7	161
$ 5,269	$ 7,243	$ 42,989	$ 16,013	$ 1,309	$ 25,392	$ 36,240	$ 120,774	$ 287,317
$ -	$ 796	$ 723	$ 13,749	$ -	$ 171	$ 10,891	$ 1,327	$ 30,117
3	692	15	26	-	459	11	3	1,323
-	-	31	-	-	-	8,021	3,399	11,481
-	-	-	-	-	-	246	(1)	245
-	-	-	-	-	-	17,993	10,592	28,585
41	497	203	-	-	230	29,160	2,219	33,323
-	-	-	-	-	-	-	300	300
44	1,985	972	13,775	-	860	66,322	17,839	105,374
28	3,791	5,333	2,020	-	840	1	8,270	22,067
-	-	1,996	-	-	-	280	4,312	7,659
-	-	-	-	-	-	-	5	5
51	798	2,964	218	-	2	-	38,628	44,903
5,146	669	31,724	-	1,309	23,690	(30,363)	51,720	107,309
5,225	5,258	42,017	2,238	1,309	24,532	(30,082)	102,935	181,943
$ 5,269	$ 7,243	$ 42,989	$ 16,013	$ 1,309	$ 25,392	$ 36,240	$ 120,774	$ 287,317

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	18,334	-	-	-	-
Sales Taxes	924	-	8,919	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	11,708	-	-	-
Licenses and Permits	1,306	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	381	183	23	71	8,166
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	60	-	-	-	-
Charges for Current Services	3,312	-	-	-	-
Other Revenue	220	-	-	-	-
TOTAL REVENUES	24,537	11,891	8,942	71	8,166
EXPENDITURES					
Current:					
General Government and Support	1,898	-	-	-	-
Public Safety - Police	-	-	8,732	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	12,026	1,820	-	-	17,342
Transportation	19	-	-	32	
Sanitation and Health	-	-	-	-	-
Neighborhood Services	8,427	-	-	-	-
Capital Projects	94	135	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	172
Interest	-	-	-	-	46
TOTAL EXPENDITURES	22,464	1,955	8,732	32	17,560
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,073	9,936	210	39	(9,394)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	13	8	-	-	-
Transfers from Other Funds	2,154	-	-	4,079	4,308
Transfers to Proprietary Funds	(8)	-	-	-	-
Transfers to Other Funds	(27)	(9,469)	(23)	(4,062)	(5,814)
Capital Leases	-	-	-	-	10,028
Section 108 Loans Issued	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,132	(9,461)	(23)	17	8,522
NET CHANGE IN FUND BALANCES	4,205	475	187	56	(872)
Fund Balances at Beginning of Year	13,711	4,469	217	2,137	3,926
FUND BALANCES AT END OF YEAR	$ 17,916	$ 4,944	$ 404	$ 2,193	$ 3,054

Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted Grants	Unbudgeted Other Special Revenue	Total
$ -	$ -	$ -	$ -	$ 7,716	$ -	$ -	$ 34	$ 7,750
-	-	-	-	-	-	-	34	18,368
-	17,020	37,291	-	-	16,988	-	2,040	83,182
-	-	64,675	-	-	-	-	-	64,675
23,845	-	-	40,346	-	-	-	-	75,899
-	-	-	-	-	-	-	-	1,306
-	1	-	-	-	1,196	-	1,898	3,095
261	134	1,859	468	31	211	(398)	15,146	26,536
-	-	-	-	-	2	34,982	330	35,314
-	69	4,500	-	-	2,200	19,430	599	26,798
-	148	354	-	-	-	-	30,601	31,163
14	2,619	27	-	-	25,838	2	1,658	33,470
150	39	41	23	-	413	242	18,245	19,373
24,270	20,030	108,747	40,837	7,747	46,848	54,258	70,585	426,929
209	-	160	894	-	9,370	1,886	34,638	49,055
-	-	-	-	-	7,905	19,654	36,817	73,108
-	-	-	-	-	8,117	12,363	17,269	37,749
-	-	46,667	-	6,633	184	1,276	13,329	99,277
16	47,136	-	46,135		-	-	29,902	123,240
-	337	112	-	-	2,821	1,294	1,640	6,204
-	-	-	-	-	2,679	22,620	11,116	44,842
30	395	1,630	3,658	-	-	3,784	8,267	17,993
-	436	-	-	-	-	1,802	1,568	3,978
-	13	-	-	-	-	1,944	551	2,554
255	48,317	48,569	50,687	6,633	31,076	66,623	155,097	458,000
24,015	(28,287)	60,178	(9,850)	1,114	15,772	(12,365)	(84,512)	(31,071)
179	-	-	-	-	831	-	2,955	3,986
201	29,100	17,114	-	-	2,475	1,333	102,642	163,406
-	(114)	-	-	-	(454)	-	(468)	(1,044)
(23,633)	(239)	(82,314)	(4)	(31)	(11,013)	(825)	(9,782)	(147,236)
-	-	-	-	-	4,685	-	-	14,713
-	-	-	-	-	-	-	2,151	2,151
(23,253)	28,747	(65,200)	(4)	(31)	(3,476)	508	97,498	35,976
762	460	(5,022)	(9,854)	1,083	12,296	(11,857)	12,986	4,905
4,463	4,798	47,039	12,092	226	12,236	(18,225)	89,949	177,038
$ 5,225	$ 5,258	$ 42,017	$ 2,238	$ 1,309	$ 24,532	$ (30,082)	$ 102,935	$ 181,943

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Acquisition, Improvement and Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ 13,160	$ (13,160)
Special Assessments	18,334	-	18,334	5,804	12,530
Sales Taxes	924	-	924	923	1
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	1,306	-	1,306	1,306	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	381	-	381	246	135
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	60	-	60	76	(16)
Charges for Current Services	3,312	-	3,312	3,042	270
Other Revenue	220	-	220	201	19
TOTAL REVENUES	24,537	-	24,537	24,758	(221)
EXPENDITURES					
Current:					
General Government and Support	1,898	7	1,905	2,638	733
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	12,026	922	12,948	24,503	11,555
Transportation	19	-	19	21	2
Sanitation and Health	-	-	-	-	-
Neighborhood Services	8,427	876	9,303	9,826	523
Capital Projects	94	-	94	912	818
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	22,464	1,805	24,269	37,900	13,631
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,073	(1,805)	268	(13,142)	13,410
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	13	-	13	-	13
Transfers from Other Funds	2,154	44	2,198	3,318	(1,120)
Transfers to Proprietary Funds	(8)	-	(8)	-	(8)
Transfers to Other Funds	(27)	-	(27)	(148)	121
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,132	44	2,176	3,170	(994)
NET CHANGE IN FUND BALANCES	$ 4,205	$ (1,761)	2,444	(9,972)	12,416
Fund Balances Undesignated at July 1, 2005			11,865	11,865	-
Reserved for Encumbrances at July 1, 2005			604	604	-
Designated for Subsequent Years' Expenditures at July 1, 2005			983	983	-
Designated for Subsequent Years' Expenditures at June 30, 2006			(738)	-	(738)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2006			$ 15,158	$ 3,480	$ 11,678

Environmental Growth					Police Decentralization				
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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,919	-	8,919	8,919	-
-	-	-	-	-	-	-	-	-	-
11,708	-	11,708	12,691	(983)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
183	-	183	107	76	23	-	23	-	23
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
11,891	-	11,891	12,798	(907)	8,942	-	8,942	8,919	23
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,732	-	8,732	8,936	204
-	-	-	-	-	-	-	-	-	-
1,820	279	2,099	2,072	(27)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
135	100	235	902	667	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,955	379	2,334	2,974	640	8,732	-	8,732	8,936	204
9,936	(379)	9,557	9,824	(267)	210	-	210	(17)	227
8	-	8	-	8	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(9,469)	-	(9,469)	-	(9,469)	(23)	-	(23)	-	(23)
-	-	-	-	-	-	-	-	-	-
(9,461)	-	(9,461)	-	(9,461)	(23)	-	(23)	-	(23)
$ 475	$ (379)	96	9,824	(9,728)	$ 187	$ -	187	(17)	204
		3,778	-	3,778			217	217	-
		179	-	179			-	-	-
		512	-	512			-	-	-
		(666)	-	(666)			-	-	-
		$ 3,899	$ 9,824	$ (5,925)			$ 404	$ 200	$ 204

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Public Transportation				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	71	-	71	-	71
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	71	-	71	-	71
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	32	5	37	48	11
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	32	5	37	48	11
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39	(5)	34	(48)	82
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	4,079	-	4,079	4,079	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(4,062)	-	(4,062)	(4,079)	17
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	17	-	17	-	17
NET CHANGE IN FUND BALANCES	$ 56	$ (5)	51	(48)	99
Fund Balances Undesignated at July 1, 2005			2,133	2,133	-
Reserved for Encumbrances at July 1, 2005			4	4	-
Designated for Subsequent Years' Expenditures at July 1, 2005			-	-	-
Designated for Subsequent Years' Expenditures at June 50, 2006			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 50, 2006			$ 2,188	$ 2,089	$ 99

Qualcomm Stadium Operations					Special Gas Tax Street Improvement				
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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	23,845	-	23,845	23,539	306
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
8,166	-	8,166	9,530	(1,364)	261	-	261	339	(78)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	10	(10)	14	-	14	-	14
-	-	-	-	-	150	-	150	-	150
8,166	-	8,166	9,540	(1,374)	24,270	-	24,270	23,878	392
-	-	-	-	-	209	-	209	263	54
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
17,342	(9,577)	7,765	8,144	379	-	-	-	-	-
-	-	-	-	-	16	17	33	33	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	1,034	1,034	30	11	41	46	5
172	-	172	172	-	-	-	-	-	-
46	-	46	46	-	-	-	-	-	-
17,560	(9,577)	7,983	9,396	1,413	255	28	283	342	59
(9,394)	9,577	183	144	39	24,015	(28)	23,987	23,536	451
-	-	-	-	-	179	-	179	-	179
4,308	-	4,308	3,000	1,308	201	-	201	-	201
-	-	-	-	-	-	-	-	-	-
(5,814)	-	(5,814)	(5,854)	40	(23,633)	-	(23,633)	(23,628)	(5)
10,028	(10,028)	-	-	-	-	-	-	-	-
8,522	(10,028)	(1,506)	(2,854)	1,348	(23,253)	-	(23,253)	(23,628)	375
$ (872)	$ (451)	(1,323)	(2,710)	1,387	$ 762	$ (28)	734	(92)	826
		3,228	3,228	-			4,371	4,371	-
		375	375	-			40	40	-
		323	323	-			52	52	-
		(838)	-	(838)			(51)	-	(51)
		$ 1,765	$ 1,216	$ 549			$ 5,146	$ 4,371	$ 775

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Street Division Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Sales Taxes	17,020	-	17,020	17,020	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	1	-	1	-	1
Revenue from Use of Money and Property	134	-	134	-	134
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	69	-	69	20	49
Revenue from Private Sources	148	-	148	60	88
Charges for Current Services	2,619	-	2,619	855	1,764
Other Revenue	39	-	39	-	39
TOTAL REVENUES	20,030	-	20,030	17,955	2,075
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	47,136	3,691	50,827	49,865	(962)
Sanitation and Health	337	26	363	432	69
Neighborhood Services	-	-	-	-	-
Capital Projects	395	74	469	963	494
Debt Service:					
Principal Retirement	436	-	436	468	32
Interest	13	-	13	-	(13)
TOTAL EXPENDITURES	48,317	3,791	52,108	51,728	(380)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(28,287)	(3,791)	(32,078)	(33,773)	1,695
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	29,100	-	29,100	30,941	(1,841)
Transfers to Proprietary Funds	(114)	-	(114)	(451)	337
Transfers to Other Funds	(239)	-	(239)	(105)	(134)
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	28,747	-	28,747	30,385	(1,638)
NET CHANGE IN FUND BALANCES	$ 460	$ (3,791)	(3,331)	(3,388)	57
Fund Balances Undesignated at July 1, 2005			1,410	1,410	-
Reserved for Encumbrances at July 1, 2005			2,530	2,530	-
Designated for Subsequent Years' Expenditures at July 1, 2005			858	858	-
Designated for Subsequent Years' Expenditures at June 50, 2006			(798)	-	(798)
FUND BALANCES UNDESIGNATED AT JUNE 50, 2006			$ 669	$ 1,410	$ (741)

Transient Occupancy Tax					Underground Surcharge				
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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
37,291	-	37,291	42,851	(5,560)	-	-	-	-	-
64,675	-	64,675	61,216	3,459	-	-	-	-	-
-	-	-	-	-	40,346	-	40,346	42,090	(1,744)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,859	-	1,859	1,504	355	468	-	468	-	468
-	-	-	-	-	-	-	-	-	-
4,500	-	4,500	4,500	-	-	-	-	-	-
354	-	354	190	164	-	-	-	-	-
27	-	27	-	27	-	-	-	-	-
41	-	41	2,700	(2,659)	23	-	23	-	23
108,747	-	108,747	112,961	(4,214)	40,837	-	40,837	42,090	(1,253)
160	4	164	228	64	894	56	950	1,355	405
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
46,667	3,819	50,486	46,731	(3,755)	-	-	-	-	-
-	-	-	-	-	46,135	560	46,695	43,255	(3,440)
112	48	160	158	(2)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,630	1,462	3,092	7,665	4,573	3,658	1,404	5,062	8,251	3,189
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
48,569	5,333	53,902	54,782	880	50,687	2,020	52,707	52,861	154
60,178	(5,333)	54,845	58,179	(3,334)	(9,850)	(2,020)	(11,870)	(10,771)	(1,099)
-	-	-	-	-	-	-	-	-	-
17,114	-	17,114	49,411	(32,297)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(82,314)	-	(82,314)	(118,840)	36,526	(4)	-	(4)	(4)	-
-	-	-	-	-	-	-	-	-	-
(65,200)	-	(65,200)	(69,429)	4,229	(4)	-	(4)	(4)	-
$ (5,022)	$ (5,333)	(10,355)	(11,250)	895	$ (9,854)	$ (2,020)	(11,874)	(10,775)	(1,099)
		36,532	36,532	-			4,436	4,436	-
		5,645	5,645	-			2,764	2,764	-
		2,866	2,866	-			4,892	4,892	-
		(2,964)	-	(2,964)			(218)	-	(218)
		$ 31,724	$ 33,793	$ (2,069)			$ -	$ 1,317	$ (1,317)

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Zoological Exhibits				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ 7,716	$ -	$ 7,716	$ 6,522	$ 1,194
Special Assessments	-	-	-	-	-
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	31	-	31	-	31
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	7,747	-	7,747	6,522	1,225
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	6,633	-	6,633	6,642	9
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	6,633	-	6,633	6,642	9
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,114	-	1,114	(120)	1,234
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(31)	-	(31)	-	(31)
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(31)	-	(31)	-	(31)
NET CHANGE IN FUND BALANCES	$ 1,083	$ -	1,083	(120)	1,203
Fund Balances Undesignated at July 1, 2005			226	226	-
Reserved for Encumbrances at July 1, 2005			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2005			-	-	-
Designated for Subsequent Years' Expenditures at June 50, 2006			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 50, 2006			$ 1,309	$ 106	$ 1,203

Other Special Revenue					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)
$ -	$ -	$ -	$ -	$ -	$ 7,716	$ -	$ 7,716	$ 19,682	$ (11,966)
-	-	-	-	-	18,334	-	18,334	5,804	12,530
16,988	-	16,988	-	16,988	81,142	-	81,142	69,713	11,429
-	-	-	-	-	64,675	-	64,675	61,216	3,459
-	-	-	1,647	(1,647)	75,899	-	75,899	79,967	(4,068)
-	-	-	-	-	1,306	-	1,306	1,306	-
1,196	-	1,196	1,165	31	1,197	-	1,197	1,165	32
211	-	211	52	159	11,788	-	11,788	11,778	10
2	-	2	-	2	2	-	2	-	2
2,200	-	2,200	892	1,308	6,769	-	6,769	5,412	1,357
-	-	-	-	-	562	-	562	326	236
25,838	-	25,838	14,188	11,650	31,810	-	31,810	18,095	13,715
413	-	413	415	(2)	886	-	886	3,316	(2,430)
46,848	-	46,848	18,359	28,489	302,086	-	302,086	277,780	24,306
9,370	167	9,537	8,354	(1,183)	12,531	234	12,765	12,838	73
7,905	(4,521)	3,384	3,735	351	16,637	(4,521)	12,116	12,671	555
8,117	219	8,336	8,337	1	8,117	219	8,336	8,337	1
184	4	188	208	20	84,672	(4,553)	80,119	88,300	8,181
-	-	-	-	-	93,338	4,273	97,611	93,222	(4,389)
2,821	285	3,106	3,402	296	3,270	359	3,629	3,992	363
2,679	-	2,679	-	(2,679)	11,106	876	11,982	9,826	(2,156)
-	-	-	-	-	5,942	3,051	8,993	19,773	10,780
-	-	-	-	-	608	-	608	640	32
-	-	-	-	-	59	-	59	46	(13)
31,076	(3,846)	27,230	24,036	(3,194)	236,280	(62)	236,218	249,645	13,427
15,772	3,846	19,618	(5,677)	25,295	65,806	62	65,868	28,135	37,733
831	-	831	920	(89)	1,031	-	1,031	920	111
2,475	-	2,475	9,313	(6,838)	59,431	44	59,475	100,062	(40,587)
(454)	-	(454)	-	-	(576)	-	(576)	(451)	(125)
(11,013)	-	(11,013)	(11,450)	437	(136,629)	-	(136,629)	(164,108)	27,479
4,685	(4,685)	-	-	-	14,713	(14,713)	-	-	-
(3,476)	(4,685)	(8,161)	(1,217)	(6,490)	(62,030)	(14,669)	(76,699)	(63,577)	(13,122)
$ 12,296	$ (839)	11,457	(6,894)	18,805	$ 3,776	$ (14,607)	(10,831)	(35,442)	24,611
		10,073	10,073	-			78,269	74,491	3,778
		1,939	1,939	-			14,080	13,901	179
		224	224	-			10,710	10,198	512
		(2)	-	(2)			(6,275)	-	(6,275)
		$ 23,690	$ 5,341	$ 18,803			$ 85,952	$ 63,147	$ 22,805

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING BALANCE SHEET
JUNE 30, 2006
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 1,452	$ 543	$ 1,995
Receivables:			
Taxes - Net	1,915	958	2,873
Accrued Interest	58	22	80
TOTAL ASSETS	$ 3,425	$ 1,523	$ 4,948
LIABILITIES			
Accounts Payable	$ -	$ 4	$ 4
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	-	379	379
Unreserved:			
Designated for Subsequent Years' Expenditures	-	666	666
Undesignated	3,425	474	3,899
TOTAL FUND EQUITY	3,425	1,519	4,944
TOTAL LIABILITIES AND FUND EQUITY	$ 3,425	$ 1,523	$ 4,948

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
REVENUES			
Other Local Taxes	$ 7,788	$ 3,920	$ 11,708
Revenue from Use of Money and Property	129	54	183
TOTAL REVENUES	7,917	3,974	11,891
EXPENDITURES			
Current:			
Parks, Recreation, Culture and Leisure	9	1,811	1,820
Capital Projects	-	135	135
TOTAL EXPENDITURES	9	1,946	1,955
EXCESS OF REVENUES OVER EXPENDITURES	7,908	2,028	9,936
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	5	3	8
Transfers to Other Funds	(7,315)	(2,154)	(9,469)
NET CHANGE IN FUND BALANCES	598	(123)	475
Fund Balances at Beginning of Year	2,827	$ 1,642	$ 4,469
FUND BALANCES AT END OF YEAR	$ 3,425	$ 1,519	$ 4,944

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Two-Thirds Requirement				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Other Local Taxes	$ 7,788	$ -	$ 7,788	$ 8,461	$ (673)
Revenue from Use of Money and Property	129	-	129	53	76
TOTAL REVENUES	7,917	-	7,917	8,514	(597)
EXPENDITURES					
Current:					
Parks, Recreation, Culture and Leisure	9	-	9	9	-
Capital Projects	-	-	-	-	-
TOTAL EXPENDITURES	9	-	9	9	-
EXCESS OF REVENUES OVER EXPENDITURES	7,908	-	7,908	8,505	(597)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	5	-	5	-	5
Transfers to Other Funds	(7,315)	-	(7,315)	(7,315)	-
NET CHANGE IN FUND BALANCES	$ 598	$ -	598	1,190	(592)
Fund Balances Undesignated at July 1, 2005			2,827	2,827	-
Reserved for Encumbrances at July 1, 2005			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2005			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2006			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2006			$ 3,425	$ 4,017	$ (592)

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)
$ 3,920	$ -	$ 3,920	$ 4,230	$ (310)	$ 11,708	$ -	$ 11,708	$ 12,691	$ (983)
54	-	54	54	-	183	-	183	107	76
3,974	-	3,974	4,284	(310)	11,891	-	11,891	12,798	(907)
1,811	279	2,090	2,063	(27)	1,820	279	2,099	2,072	(27)
135	100	235	902	667	135	100	235	902	667
1,946	379	2,325	2,965	640	1,955	379	2,334	2,974	640
2,028	(379)	1,649	1,319	330	9,936	(379)	9,557	9,824	(267)
3	-	3	-	3	8	-	8	-	8
(2,154)	-	(2,154)	(2,154)	-	(9,469)	-	(9,469)	(9,469)	-
$ (123)	$ (379)	(502)	(835)	333	$ 475	$ (379)	96	355	(259)
		951	951	-			3,778	3,778	-
		179	179	-			179	179	-
		512	512	-			512	512	-
		(666)	-	(666)			(666)	-	(666)
		$ 474	$ 807	$ (333)			$ 3,899	$ 4,824	$ (925)

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Non-major Governmental Funds - Debt Service

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DEBT SERVICE FUNDS

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

OTHER SPECIAL ASSESSMENTS

This fund was established to account for the payment of principal and interest for bonds issued under the Improvement Bond Act of 1915 and the Mello-Roos Community Facilities Act of 1982. These bonds are serviced by assessments and special taxes levied on property owners within each district.

BLENDED COMPONENT UNITS

CITY OF SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY

This fund was established to account for the debt service activities of the City of San Diego Metropolitan Transit Development Board Authority (the "Authority"). The Authority was created to acquire and construct mass public transit guideways, systems and related facilities. The Authority'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 (the "Authority"). The Authority, created by the City of San Diego and the San Diego Unified Port District, facilitates the financing, acquisition and construction of an expansion to the existing convention center. The Authority'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 (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing, acquisition and construction of public capital facility improvements of the Agency or the City. The Authority'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 (the "Agency"). The Agency 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.

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 (the "Corporation"). The Corporation 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.

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1

This fund was established for the purpose of acquiring open space properties to implement the Open Space element of the City of San Diego General Plan, and accounts for financial resources accumulated for the payment of long-term debt principal and interest. This fund is serviced by City contributions and investment income.

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, 2006
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority	Public Facilities Financing Authority
ASSETS				
Receivables:				
Taxes - Net	$ 27	$ -	$ -	$ -
Accounts - Net	-	-	-	-
Special Assessments - Net	708	-	-	-
Accrued Interest	96	10	-	141
From Other Funds				
Prepaid Items	-	-	-	-
Restricted Cash and Investments	28,742	5,908	12	16,339
TOTAL ASSETS	$ 29,573	$ 5,918	$ 12	$ 16,480
LIABILITIES				
Deferred Revenue	$ 532	$ -	$ -	$ -
TOTAL LIABILITIES	532	-	-	-
FUND EQUITY				
Fund Balances:				
Reserved for Debt Service	29,041	5,918	12	16,461
Unreserved:				
Designated for Unrealized Gains	-	-	-	19
Undesignated	-	-	-	-
TOTAL FUND EQUITY	29,041	5,918	12	16,480
TOTAL LIABILITIES AND FUND EQUITY	$ 29,573	$ 5,918	$ 12	$ 16,480

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006
(In Thousands)

REVENUES				
Property Taxes	$ 2,411	$ -	$ -	$ -
Special Assessments	17,648	-	-	-
Revenue from Use of Money and Property	847	116	45	620
TOTAL REVENUES	20,906	116	45	620
EXPENDITURES				
Current:				
General Government and Support	1,333	-	-	-
Debt Service:				
Principal Retirement	5,190	5,265	4,680	5,955
Interest	8,295	1,227	9,020	19,626
TOTAL EXPENDITURES	14,818	6,492	13,700	25,581
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,088	(6,376)	(13,655)	(24,961)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	1,455	4,062	13,660	26,067
Transfers to Other Funds	(4,162)	-	-	(1,595)
Tobacco Settlement Bonds Issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,707)	4,062	13,660	24,472
NET CHANGE IN FUND BALANCES	3,381	(2,314)	5	(489)
Fund Balances at Beginning of Year	25,660	8,232	7	16,969
FUND BALANCES AT END OF YEAR	$ 29,041	$ 5,918	$ 12	$ 16,480

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	San Diego Open Space Park Facilities District #1	Tobacco Settlement Revenue Funding Corporation	Total
$ -	$ -	$ -	$ -	$ 27
-	-	-	4,804	4,804
-	-	-	-	708
62	-	4	1	314
134				134
-	-	34	-	34
57,413	3	358	12,997	121,772
$ 57,609	$ 3	$ 396	$ 17,802	$ 127,793
$ -	$ -	$ -	$ 4,804	$ 5,336
-	-	-	4,804	5,336
57,415	3	396	12,994	122,240
143	-	-	4	166
51	-	-	-	51
57,609	3	396	12,998	122,457
$ 57,609	$ 3	$ 396	$ 17,802	$ 127,793
$ -	$ -	$ -	$ -	$ 2,411
-	-	-	-	17,648
1,881	5	35	5	3,554
1,881	5	35	5	23,613
-	-	-	1,427	2,760
12,416	4,680	350	-	38,536
22,326	1,894	88	-	62,476
34,742	6,574	438	1,427	103,772
(32,861)	(6,569)	(403)	(1,422)	(80,159)
34,245	6,569	715	-	86,773
(284)	-	-	-	(6,041)
-	-	-	14,420	14,420
33,961	6,569	715	14,420	95,152
1,100	-	312	12,998	14,993
56,509	3	84	-	107,464
$ 57,609	$ 3	$ 396	$ 12,998	$ 122,457

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2006
(In Thousands)

	Budgeted	Unbudgeted	
	Public Safety Communications Project	Other Special Assessments	Total
ASSETS			
Receivables:			
Taxes - Net	$ 27	$ -	$ 27
Special Assessments - Net	-	708	708
Accrued Interest	18	78	96
Restricted Cash and Investments	2,360	26,382	28,742
TOTAL ASSETS	$ 2,405	$ 27,168	$ 29,573
LIABILITIES			
Deferred Revenue	$ -	$ 532	$ 532
TOTAL LIABILITIES	-	532	532
FUND EQUITY			
Fund Balances:			
Reserved for Debt Service	2,405	26,636	29,041
TOTAL FUND EQUITY	2,405	26,636	29,041
TOTAL LIABILITIES AND FUND EQUITY	$ 2,405	$ 27,168	$ 29,573

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006
(In Thousands)

REVENUES			
Property Taxes	$ 2,411	$ -	$ 2,411
Special Assessments	-	17,648	17,648
Revenue from Use of Money and Property	32	815	847
TOTAL REVENUES	2,443	18,463	20,906
EXPENDITURES			
Current:			
General Government and Support	1	1,332	1,333
Debt Service:			
Principal Retirement	1,490	3,700	5,190
Interest	839	7,456	8,295
TOTAL EXPENDITURES	2,330	12,488	14,818
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	113	5,975	6,088
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	1,455	1,455
Transfers to Other Funds	-	(4,162)	(4,162)
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,707)	(2,707)
NET CHANGE IN FUND BALANCES	113	3,268	3,381
Fund Balances at Beginning of Year	2,292	23,368	25,660
FUND BALANCES AT END OF YEAR	$ 2,405	$ 26,636	$ 29,041

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2006
(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	$ 2,411	$ -	$ 2,411	$ 2,411	$ -
Revenue from Use of Money and Property	32	-	32	32	-
TOTAL REVENUES	2,443	-	2,443	2,443	-
EXPENDITURES					
Current:					
General Government and Support	1	-	1	1	-
Debt Service:					
Principal Retirement	1,490	-	1,490	1,490	-
Interest	839	-	839	839	-
TOTAL EXPENDITURES	2,330	-	2,330	2,330	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	113	-	113	113	-
NET CHANGE IN FUND BALANCES	$ 113	$ -	113	113	-
Reserved for Debt Service at July 1, 2005			2,292	2,292	-
Reserved for Debt Service at June 30, 2006			(2,405)	(2,405)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2006			$ -	$ -	$ -

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Non-major Governmental Funds - Capital Projects

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CAPITAL PROJECTS FUNDS

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

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.

BLENDED 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 (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the “Agency”), facilitates the financing and construction of public capital improvements of the City or the Agency. 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 (the "Agency"). The Agency 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.

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the capital improvement activities of the San Diego Facilities and Equipment Leasing Corporation (the "Corporation"). The Corporation 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. This fund accounts for proceeds from the issuance of Certificates of Participation used to finance construction projects in Balboa and Mission Bay parks.

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2006
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
ASSETS		
Cash or Equity in Pooled Cash and Investments	$ 279,593	$ 4,284
Receivables:		
Taxes Net	6,006	
Accounts	310	-
Special Assesments	15	
Notes	-	-
Accrued Interest	2,462	13
Grants	24,845	-
From Other Funds	8,600	-
Advances to Other Funds	300	-
Land Held for Resale	1,327	-
TOTAL ASSETS	$ 323,458	$ 4,297
LIABILITIES		
Accounts Payable	$ 10,326	$ 13
Due to Other Funds	12,600	-
Due to Other Agencies	954	-
Unearned Revenue	5,433	-
Deferred Revenue	25,773	-
Interfund Interest Payable	773	-
Interfund Loan Payable	5,873	-
Advances from Other Funds	300	-
Sundry Trust Liabilities	-	-
TOTAL LIABILITIES	62,032	13
FUND EQUITY		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Encumbrances	43,121	1,422
Reserved for Advances and Deposits	300	-
Unreserved:		
Designated for Subsequent Years' Expenditures	134,581	1,300
Undesignated	83,424	1,562
TOTAL FUND EQUITY	261,426	4,284
TOTAL LIABILITIES AND FUND EQUITY	$ 323,458	$ 4,297

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ 221,249	$ 4	$ 505,130
		6,006
-	-	310
		15
8,899	-	8,899
787	-	3,262
-	-	24,845
-	-	8,600
-	-	300
14,725	-	16,052
$ 245,660	$ 4	$ 573,419
$ 4,840	$ -	$ 15,179
665	-	13,265
-	-	954
-	-	5,433
6,317	-	32,090
-	-	773
-	-	5,873
1,864	-	2,164
3,732	-	3,732
17,418	-	79,463
14,725	-	14,725
28,258	-	72,801
-	-	300
149,007	4	284,892
36,252	-	121,238
228,242	4	493,956
$ 245,660	$ 4	$ 573,419

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
REVENUES		
Special Assessments	$ 683	$ -
Sales Taxes	33,279	-
Licenses and Permits	8,898	-
Revenue from Use of Money and Property	9,713	217
Revenue from Federal Agencies	4,501	-
Revenue from Other Agencies	12,311	-
Revenue from Private Sources	44,715	-
Charges for Services	32	-
Other Revenue	-	-
TOTAL REVENUES	114,132	217
EXPENDITURES		
Current:		
General Government and Support	6,167	-
Public Safety - Police	71	-
Public Safety - Fire & Life Safety	47	304
Parks, Recreation, Culture and Leisure	8,432	-
Transportation	1,705	-
Sanitation and Health	1,170	-
Neighborhood Services	145	-
Capital Projects	86,981	3,837
Debt Service:		
Principal Retirement	8,275	-
Interest	286	-
TOTAL EXPENDITURES	113,279	4,141
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	853	(3,924)
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds	13,863	17,066
Transfers to Proprietary Funds	(494)	-
Transfers to Other Funds	(17,306)	(16,978)
Tax Allocation Bonds Issued	-	-
SANDAG Loans Issued	1,651	-
Contracts/Notes Issued	-	-
Loans Issued	-	-
Premium on Bonds Issued	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,286)	88
NET CHANGE IN FUND BALANCES	(1,433)	(3,836)
Fund Balances at Beginning of Year	262,859	8,120
FUND BALANCES AT END OF YEAR	$ 261,426	$ 4,284

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ -	$ -	$ 683
-	-	33,279
-	-	8,898
8,511	-	18,441
-	-	4,501
-	-	12,311
15,293	-	60,008
-	-	32
3,654	-	3,654
27,458	-	141,807
19,635	-	25,802
-	-	71
-	-	351
-	-	8,432
-	-	1,705
-	-	1,170
26,600	-	26,745
17,772	-	108,590
-	-	8,275
-	-	286
64,007	-	181,427
(36,549)	-	(39,620)
53,393	-	84,322
-	-	(494)
(23,513)	-	(57,797)
76,225	-	76,225
-	-	1,651
900	-	900
3,926	-	3,926
2,509	-	2,509
113,440	-	111,242
76,891	-	71,622
151,351	4	422,334
$ 228,242	$ 4	$ 493,956

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2006
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments
ASSETS			
Cash and Investments	$ 429	$ 7,808	$ 172,370
Receivables:			
Taxes Net			
Accounts	85	-	-
Special Assesments			
Accrued Interest	(12)	76	1,635
Grants	24,763	-	-
From Other Funds	-	-	-
Advances to Other Funds	300	-	-
Land Held for Resale	1,327	-	-
TOTAL ASSETS	$ 26,892	$ 7,884	$ 174,005
LIABILITIES			
Accounts Payable	$ 866	$ -	$ 5,648
Due to Other Funds	12,600	-	-
Due to Other Agencies	16	-	-
Unearned Revenue	4,348	-	-
Deferred Revenue	24,356	-	-
Interfund Interest Payable	773	-	-
Interfund Loan Payable	2,386	-	3,487
Advances from Other Funds	-	-	-
TOTAL LIABILITIES	45,345	-	9,135
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	273	88	24,429
Reserved for Advances and Deposits	300	-	-
Unreserved:			
Designated for Subsequent Years' Expenditures	2,897	2,944	94,291
Undesignated	(21,923)	4,852	46,150
TOTAL FUND EQUITY	(18,453)	7,884	164,870
TOTAL LIABILITIES AND FUND EQUITY	$ 26,892	$ 7,884	$ 174,005

Impact Fees	Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ 34,970	$ 14,636	$ 3,764	$ 45,616	$ 279,593
		6,006		6,006
-	-	7	218	310
	15			15
334	80	100	249	2,462
-	-	-	82	24,845
-	-	8,600	-	8,600
-	-	-	-	300
-	-	-	-	1,327
$ 35,304	$ 14,731	$ 18,477	$ 46,165	$ 323,458
$ 271	$ -	$ 469	$ 3,072	10,326
-	-	-	-	12,600
-	-	-	938	954
-	-	992	93	5,433
-	8	-	1,409	25,773
-	-	-	-	773
-	-	-	-	5,873
-	-	-	300	300
271	8	1,461	5,812	62,032
3,505	283	9,275	5,268	43,121
-	-	-	-	300
6,790	16	7,741	19,902	134,581
24,738	14,424	-	15,183	83,424
35,033	14,723	17,016	40,353	261,426
$ 35,304	$ 14,731	$ 18,477	$ 46,165	$ 323,458

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments	Impact Fees
REVENUES				
Special Assessments	$ -	$ -	$ -	$ -
Sales Taxes	125	-	-	-
Licenses and Permits				8,897
Revenue from Use of Money and Property	973	234	5,170	993
Revenue from Federal Agencies	4,104			
Revenue from Other Agencies	9,110	-		
Revenue from Private Sources	-	53	39,828	-
Charges for Current Services	-			
TOTAL REVENUES	14,312	287	44,998	9,890
EXPENDITURES				
Current:				
General Government and Support	78	-	1,274	581
Public Safety - Police	-	-	-	
Public Safety - Fire & Life Safety	30	-	6	
Parks, Recreation, Culture and Leisure	882	7	-	39
Transportation	56	-	-	164
Sanitation and Health				
Neighborhood Services	145	-	-	-
Capital Projects	17,510	153	43,346	6,362
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	18,701	160	44,626	7,146
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,389)	127	372	2,744
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	69	-	-	-
Transfers to Proprietary Funds	-	-	-	-
Transfers to Other Funds	-	-	(724)	-
SANDAG Loans Issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	69	-	(724)	-
NET CHANGE IN FUND BALANCES	(4,320)	127	(352)	2,744
Fund Balances at Beginning of Year	(14,133)	7,757	165,222	32,289
FUND BALANCES AT END OF YEAR	$ (18,453)	$ 7,884	$ 164,870	$ 35,033

Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ 683	$ -	$ -	$ 683
-	33,154	-	33,279
		1	8,898
552	400	1,391	9,713
	267	130	4,501
		3,201	12,311
60	-	4,774	44,715
		32	32
1,295	33,821	9,529	114,132
3,997	212	25	6,167
		71	71
		11	47
-	33	7,471	8,432
-	1,095	390	1,705
	729	441	1,170
-	-	-	145
-	7,445	12,165	86,981
-	8,275	-	8,275
-	286	-	286
3,997	18,075	20,574	113,279
(2,702)	15,746	(11,045)	853
214	725	12,855	13,863
-	(494)	-	(494)
(123)	(15,266)	(1,193)	(17,306)
-	1,651	-	1,651
91	(13,384)	11,662	(2,286)
(2,611)	2,362	617	(1,433)
17,334	14,654	39,736	262,859
$ 14,723	$ 17,016	$ 40,353	$ 261,426

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Non-major Governmental Funds - Permanent

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PERMANENT FUNDS

Permanent funds are used to report resources that are legally 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.

MONTEZUMA ROAD MEDIAN MAINTENANCE

This fund was established to account for an endowment from San Diego State University. Investment earnings derived there from are used to finance the maintenance of medians along Montezuma Road.

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.

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CITY OF SAN DIEGO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
JUNE 30, 2006
(In Thousands)

	Carmel Valley Sewer Maintenance	Cemetery Perpetuity	Effie Sergeant
ASSETS			
Cash and Investments	$ -	$ 562	$ 1
Receivables:			
Accounts - Net	-	15	-
Accrued Interest	1	17	-
Restricted Cash and Investments	42	9,069	484
TOTAL ASSETS	$ 43	$ 9,663	$ 485
FUND EQUITY:			
Fund Balances:			
Reserved for Permanent Endowments	$ -	$ 9,101	$ 484
Unreserved:			
Designated for Unrealized Gains	-	562	1
Designated for Subsequent Years' Expenditures	-	-	-
Undesignated	43	-	-
TOTAL FUND EQUITY	$ 43	$ 9,663	$ 485

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006
(In Thousands)

REVENUES			
Revenue from Use of Money and Property	$ 1	$ 374	$ 34
Revenue from Private Sources	-	-	-
Charges for Current Services	-	101	-
TOTAL REVENUES	1	475	34
EXPENDITURES			
Current:			
General Government & Support	-	-	-
Parks, Recreation, Culture and Leisure	-	-	19
TOTAL EXPENDITURES	-	-	19
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1	475	15
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	-	(330)	-
NET CHANGE IN FUND BALANCES	1	145	15
Fund Balances at Beginning of Year	42	9,518	470
FUND BALANCES AT END OF YEAR	$ 43	$ 9,663	$ 485

Figg Estate Endowment	Gladys Edna Peters	Jane Cameron Estate	Los Penasquitos Canyon	Montezuma Road Median Maintenance	Southcrest Park Estates II	Sycamore Estates	Zoological Society - Mission Trails	Total
$ -	$ 6	$ -	$ 21	$ -	$ -	$ -	$ -	$ 590
-	-	-	-	-	-	-	-	15
-	-	12	-	1	-	-	-	31
317	343	1,225	2,667	110	12	250	69	14,588
$ 317	$ 349	$ 1,237	$ 2,688	$ 111	$ 12	$ 250	$ 69	$ 15,224
$ 317	$ 343	$ 1,237	$ 2,667	$ 100	$ -	$ 250	$ 69	$ 14,568
-	6	-	21	-	-	-	-	590
-	-	-	-	11	-	-	-	11
-	-	-	-	-	12	-	-	55
$ 317	$ 349	$ 1,237	$ 2,688	$ 111	$ 12	$ 250	$ 69	$ 15,224
$ 7	$ 24	$ 37	$ 195	$ 3	$ 1	$ 8	$ 2	$ 686
-	-	116	-	-	-	-	-	116
-	-	-	-	-	-	-	-	101
7	24	153	195	3	1	8	2	903
-	-	-	1	-	-	-	-	1
-	18	138	-	1	-	-	-	176
-	18	138	1	1	-	-	-	177
7	6	15	194	2	1	8	2	726
(7)	-	-	(128)	-	-	(8)	(2)	(475)
-	6	15	66	2	1	-	-	251
317	343	1,222	2,622	109	11	250	69	14,973
$ 317	$ 349	$ 1,237	$ 2,688	$ 111	$ 12	$ 250	$ 69	$ 15,224

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Non-major Business-Type Funds - Enterprise

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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.

CITY STORE

This fund was established to account for activities of the City's entrepreneurial program. This program operates retail store outlets for the purpose of selling surplus city materials and other items promoting the City of San Diego.

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 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, 2006
(In Thousands)

	Airports	City Store
ASSETS		
Cash and Investments	$ 5,629	$ 103
Receivables:		
Accounts	548	-
Accrued Interest	52	-
Grants	637	-
From Other Funds	-	-
Inventories	-	90
Prepaid Expenses	-	-
Restricted Cash and Investments	-	-
Capital Assets - Non-Depreciable	2,581	-
Capital Assets - Depreciable	8,678	8
TOTAL ASSETS	18,125	201
LIABILITIES		
Accounts Payable	248	11
Accrued Wages and Benefits	23	-
Other Accrued Liabilities	60	-
Interest Accrued on Long-Term Debt	-	-
Long Term Debt Due Within One Year	32	-
Unearned Revenue	-	-
Contract Deposits	-	-
Deposits/Advances from Others	-	-
Compensated Absences	37	-
Capital Lease Obligations	-	-
Estimated Landfill Closure and Postclosure Care	-	-
Net Pension Obligation	220	-
TOTAL LIABILITIES	620	11
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	11,259	8
Restricted for Closure/Postclosure maintenance	-	-
Unrestricted	6,246	182
TOTAL NET ASSETS	$ 17,505	$ 190

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 18,150	$ 41,889	$ 15,745	$ 7,557	$ 89,073
20	1,269	13	43	1,893
318	754	157	73	1,354
-	-	-	29	666
3,399	-	-	-	3,399
-	-	1	-	91
-	14	-	13	27
-	31,814	-	-	31,814
177	18,078	1,683	-	22,519
1,719	42,406	7,965	4,643	65,419
23,783	136,224	25,564	12,358	216,255
489	1,198	445	233	2,624
1,559	485	133	342	2,542
-	-	-	-	60
-	-	-	20	20
1,502	561	173	1,322	3,590
5,960	-	-	27	5,987
-	230	60	15	305
-	30	-	-	30
1,746	653	201	321	2,958
-	-	-	1,006	1,006
-	14,811	-	-	14,811
6,833	2,295	662	1,488	11,498
18,089	20,263	1,674	4,774	45,431
1,896	60,484	9,648	2,592	85,887
-	32,115	-	-	32,115
3,798	23,362	14,242	4,992	52,822
$ 5,694	$ 115,961	$ 23,890	$ 7,584	$ 170,824

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended June 30, 2006
(In Thousands)

	Airports	City Store
OPERATING REVENUES		
Charges for Services	$ -	$ 837
Usage Fees	4,194	-
Other	191	-
TOTAL OPERATING REVENUES	4,385	837
OPERATING EXPENSES		
Maintenance and Operations	2,818	384
Cost of Materials Issued	-	322
Administration	635	103
Depreciation	468	1
TOTAL OPERATING EXPENSES	3,921	810
OPERATING INCOME (LOSS)	464	27
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	140	1
Federal Grant Assistance	-	-
Other Agency Grant Assistance	-	-
Gain (Loss) on Sale/Retirement of Capital Assets	(177)	-
Debt Service Interest Expense	-	-
Other	7	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(30)	1
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	434	28
Capital Contributions	1,364	-
Transfers from Other Funds	4	-
Transfers from Governmental Funds	-	-
Transfers to Other Funds	-	-
Transfers to Governmental Funds	(14)	-
CHANGE IN NET ASSETS	1,788	28
Net Assets at Beginning of Year	15,717	162
NET ASSETS AT END OF YEAR	$ 17,505	$ 190

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 54,833	$ 1,175	$ 11,922	$ 2,986	$ 71,753
-	38,399	1,169	14,244	58,006
178	276	28	4,115	4,788
55,011	39,850	13,119	21,345	134,547
29,785	31,748	7,725	18,791	91,251
-	-	-	-	322
28,440	5,312	1,155	1,479	37,124
214	6,604	670	1,062	9,019
58,439	43,664	9,550	21,332	137,716
(3,428)	(3,814)	3,569	13	(3,169)
426	2,103	432	208	3,310
-	-	-	130	130
-	92	-	443	535
-	(810)	(9)	-	(996)
-	-	-	(117)	(117)
-	2,145	-	101	2,253
426	3,530	423	765	5,115
(3,002)	(284)	3,992	778	1,946
-	-	-	-	1,364
6	106	33	75	224
962	-	-	-	962
(31)	(70)	-	-	(101)
(265)	(241)	(1,629)	(104)	(2,253)
(2,330)	(489)	2,396	749	2,142
8,024	116,450	21,494	6,835	168,682
$ 5,694	$ 115,961	$ 23,890	$ 7,584	$ 170,824

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2006
(In Thousands)

	Airports	City Store
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	$ 4,483	$ 834
Receipts from Interfund Services Provided	-	3
Payments to Suppliers	(1,504)	(838)
Payments to Employees	(1,233)	-
Payments for Interfund Services Used	(668)	(3)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,078	(4)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In	4	-
Transfers from Governmental Funds	-	-
Transfers Out	-	-
Transfers to Governmental Funds	(4)	-
Operating Grants Received	(627)	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(627)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	1,364	-
Acquisition of Capital Assets	(1,172)	-
Principal Payments on Capital Leases	-	-
Interest Paid on Long-Term Debt	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	192	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments	122	1
NET CASH PROVIDED BY INVESTING ACTIVITIES	122	1
Net Increase (Decrease) in Cash and Cash Equivalents	765	(3)
Cash and Cash Equivalents at Beginning of Year	4,864	106
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,629	$ 103
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Operating Income (Loss)	$ 464	$ 27
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	468	1
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net	91	-
From Other Funds	-	-
(Increase) Decrease in Inventories	-	(5)
(Increase) Decrease in in Prepaid Expenses	-	-
Increase (Decrease) in Accounts Payable	95	(27)
Increase (Decrease) in Accrued Wages and Benefits	(37)	-
Increase (Decrease) in Compensated Absences	(16)	-
Increase (Decrease) in Due to Other Agencies	-	-
Increase (Decrease) in Unearned Revenue	-	-
Increase (Decrease) in Contract Deposits	-	-
Increase (Decrease) in Net Pension Obligation	6	-
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care	-	-
Other Nonoperating Revenue (Expenses)	7	-
Total Adjustments	614	(31)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 1,078	$ (4)

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 37,717	$ 40,014	$ 13,272	$ 18,571	$ 114,891
18,357	3,147	-	3,145	24,652
(10,229)	(15,166)	(3,218)	(6,773)	(37,728)
(48,391)	(15,247)	(5,361)	(10,697)	(80,929)
(1,102)	(6,249)	(437)	(2,961)	(11,420)
(3,648)	6,499	4,256	1,285	9,466
6	106	33	75	224
962	-	-	-	962
(31)	(70)	-	-	(101)
(265)	(241)	(1,629)	(104)	(2,243)
-	92	-	620	85
672	(113)	(1,596)	591	(1,073)
-	-	-	-	1,364
(142)	(1,813)	(740)	(9)	(3,876)
-	-	-	(1,470)	(1,470)
-	-	-	(134)	(134)
(142)	(1,813)	(740)	(1,613)	(4,116)
347	1,852	375	206	2,903
347	1,852	375	206	2,903
(2,771)	6,425	2,295	469	7,180
20,921	67,278	13,450	7,088	113,707
$ 18,150	$ 73,703	$ 15,745	$ 7,557	$ 120,887
$ (3,428)	$ (3,814)	$ 3,569	$ 13	$ (3,169)
214	6,604	670	1,062	9,019
13	1,062	198	379	1,743
(235)	-	-	-	(235)
-	-	-	-	(5)
3	(14)	1	16	6
(103)	(223)	(96)	116	(238)
(1,483)	(471)	(97)	(302)	(2,390)
(159)	(121)	28	(32)	(300)
-	-	-	(17)	(17)
1,285	(17)	-	(109)	1,159
-	121	(45)	-	76
245	81	28	58	418
-	1,146	-	-	1,146
-	2,145	-	101	2,253
(220)	10,313	687	1,272	12,635
$ (3,648)	$ 6,499	$ 4,256	$ 1,285	$ 9,466

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Internal Service Funds

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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

CENTRAL GARAGE AND MACHINE SHOP

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment (excluding fire and police vehicles).

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.

SPECIAL ENGINEERING

This fund was established to provide project planning, design, engineering systems management and support, and construction management and inspection services for water and wastewater capital improvements.

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 the Corporation. The Corporation 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, 2006
(In Thousands)

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
ASSETS		
Cash and Investments	$ 46,287	$ 1,641
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Self Insurance $715)	76	765
Claims - Net	9	-
Contributions	-	-
Accrued Interest	-	1
Inventories	-	2,761
Prepaid Expenses	596	-
Restricted Cash and Investments	-	-
Capital Assets - Non-Depreciable	-	-
Capital Assets - Depreciable	60,499	161
TOTAL ASSETS	107,467	5,329
LIABILITIES		
Accounts Payable	1,514	1,512
Accrued Wages and Benefits	463	39
Interest Accrued on Long-Term Debt	138	-
Long-Term Debt Due Within One Year	4,953	21
Unearned Revenue	-	-
Compensated Absences	563	27
Liability Claims	-	-
Capital Lease Obligations	6,040	-
Net Pension Obligation	1,953	233
TOTAL LIABILITIES	15,624	1,832
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	49,924	161
Unrestricted	41,919	3,336
TOTAL NET ASSETS	$ 91,843	$ 3,497

Publishing Services	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 54	$ 41,228	$ 4,677	$ 8,383	$ 3,921	$ 106,191
19	244	1	5	4,235	5,345
-	8	-	-	-	17
-	-	-	184	-	184
-	-	35	51	-	87
-	-	-	-	9	2,770
-	-	1	-	1,036	1,633
-	-	-	-	133	133
-	-	-	-	1,984	1,984
627	-	279	-	9,440	71,006
700	41,480	4,993	8,623	20,758	189,350
489	7,371	362	327	4,962	16,537
37	121	478	2,082	580	3,800
-	-	-	-	-	138
49	32,390	448	1,791	1,001	40,653
-	-	-	-	105	105
65	-	520	2,420	120	3,715
-	170,092	-	-	-	170,092
-	-	-	-	-	6,040
309	-	2,834	1,039	-	6,368
949	209,974	4,642	7,659	6,768	247,448
627	-	279	-	11,424	62,415
(876)	(168,494)	72	964	2,566	(120,513)
$ (249)	$ (168,494)	$ 351	$ 964	$ 13,990	$ (58,098)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2006
(In Thousands)

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
OPERATING REVENUES		
Charges for Services	$ 2,737	$ 27,209
Usage Fees	44,061	-
Other	446	138
TOTAL OPERATING REVENUES	47,244	27,347
OPERATING EXPENSES		
Benefit and Claim Payments	-	-
Maintenance and Operations	30,023	1,454
Cost of Materials Issued	-	25,645
Administration	1,701	329
Depreciation	18,304	21
TOTAL OPERATING EXPENSES	50,028	27,449
OPERATING INCOME (LOSS)	(2,784)	(102)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	1,362	20
Gain on Sale/Retirement of Capital Assets	1,212	-
Debt Service Interest Expense	(499)	-
Other	392	-
TOTAL NONOPERATING REVENUES (EXPENSES)	2,467	20
INCOME (LOSS) BEFORE TRANSFERS	(317)	(82)
Transfers from Other Funds	243	4
Transfers from Governmental Funds	162	-
Transfers to Other Funds	(929)	-
Transfers to Governmental Funds	(592)	(24)
CHANGE IN NET ASSETS	(1,433)	(102)
Net Assets at Beginning of Year	93,276	3,599
NET ASSETS AT END OF YEAR	$ 91,843	$ 3,497

Publishing Services	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 4,553	$ 57,660	$ 22,271	$ 22,168	$ 42,102	$ 178,700
-	-	-	-	-	44,061
-	932	-	2	1,162	2,680
4,553	58,592	22,271	22,170	43,264	225,441
-	40,820	-	13,511	-	54,331
4,706	-	12,743	-	-	48,926
-	-	-	-	-	25,645
276	-	10,046	9,288	36,361	58,001
156	-	50	-	3,412	21,943
5,138	40,820	22,839	22,799	39,773	208,846
(585)	17,772	(568)	(629)	3,491	16,595
(5)	952	84	248	83	2,744
-	-	-	-	2	1,214
-	-	-	-	(5)	(504)
-	-	3	-	18	413
(5)	952	87	248	98	3,867
(590)	18,724	(481)	(381)	3,589	20,462
-	-	-	403	-	650
6	454	-	200	-	822
-	(240)	-	-	-	(1,169)
(11)	(952)	(319)	(143)	-	(2,041)
(595)	17,986	(800)	79	3,589	18,724
346	(186,480)	1,151	885	10,401	(76,822)
$ (249)	$ (168,494)	$ 351	$ 964	$ 13,990	$ (58,098)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006
(In Thousands)

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	$ 44,358	$ 27,643
Receipts from Interfund Services Provided	3,287	38
Payments to Suppliers	(17,920)	(25,453)
Payments to Employees	(14,174)	(1,869)
Payments for Interfund Services Used	(501)	(245)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	15,050	114
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In	243	4
Transfers from Governmental Funds	162	-
Transfers Out	(929)	-
Transfers to Governmental Funds	(592)	(24)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(1,116)	(20)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(7,359)	(41)
Proceeds from the Sale of Capital Assets	1,553	-
Principal Payments on Capital Leases	(6,222)	-
Interest Paid on Long-Term Debt	(506)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(12,534)	(41)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments	1,362	19
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,362	19
Net Increase (Decrease) in Cash and Cash Equivalents	2,762	72
Cash and Cash Equivalents at Beginning of Year	43,525	1,569
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 46,287	$ 1,641
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Operating Income (Loss)	$ (2,784)	$ (102)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	18,304	21
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net	16	334
Claims - Net	(7)	-
Contributions	-	-
(Increase) Decrease in Inventories	-	(159)
(Increase) Decrease in Prepaid Expenses	(194)	-
Increase (Decrease) in Accounts Payable	(359)	67
Increase (Decrease) in Accrued Wages and Benefits	(353)	(41)
(Increase) Decrease in Unearned Revenue	-	-
Increase (Decrease) in Liability Claims	-	-
Increase (Decrease) in Compensated Absences	(35)	(13)
Increase (Decrease) in Net Pension Obligation	70	7
Other Nonoperating Revenue (Expenses)	392	-
Total Adjustments	17,834	216
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 15,050	$ 114

Publishing Services	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 4,468	$ 58,530	$ 4,732	$ 21,684	$ 42,144	$ 203,559
94	-	17,541	553	-	21,513
(3,175)	(27,002)	(6,611)	(2,220)	(12,895)	(95,276)
(1,735)	(24,842)	(16,251)	(20,606)	(23,958)	(103,435)
(56)	-	(579)	(524)	-	(1,905)
(404)	6,686	(1,168)	(1,113)	5,291	24,456
-	-	-	402	-	649
6	454	-	200	-	822
-	(240)	-	-	-	(1,169)
(11)	(952)	(319)	(143)	-	(2,041)
(5)	(738)	(319)	459	-	(1,739)
-	-	-	-	(2,342)	(9,742)
-	-	-	-	69	1,622
-	-	-	-	-	(6,222)
-	-	-	-	(5)	(511)
-	-	-	-	(2,278)	(14,853)
(5)	952	70	236	83	2,717
(5)	952	70	236	83	2,717
(414)	6,900	(1,417)	(418)	3,096	10,581
468	34,328	6,094	8,801	958	95,743
$ 54	$ 41,228	$ 4,677	$ 8,383	$ 4,054	$ 106,324
$ (585)	$ 17,772	$ (568)	$ (629)	$ 3,491	$ 16,595
156	-	50	-	3,412	21,943
9	(63)	(1)	-	(1,177)	(882)
-	-	-	-	-	(7)
-	-	-	66		66
-	-	-	-	11	(148)
-	-	(1)	-	101	(94)
95	4,880	136	151	(290)	4,680
(54)	(18)	(678)	(738)	(333)	(2,215)
-	-	-	-	58	58
-	(15,884)	-	-	-	(15,884)
(33)	-	(193)	4	-	(270)
8	-	84	32	-	201
-	-	3	-	18	413
181	(11,085)	(600)	(485)	1,800	7,861
$ (404)	$ 6,687	$ (1,168)	$ (1,114)	$ 5,291	$ 24,456

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Fiduciary Funds

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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.

PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

CITY EMPLOYEES' RETIREMENT SYSTEM

The City Employees' Retirement System ("CERS") fund is under the control of the Retirement Board of Administration. It is a defined benefit plan, whereby funds are accumulated from contributions from both the City and employees, plus earnings from fund investments. Disbursements are made for retirements, disability and death benefit payments, and refunds.

RETIREE HEALTH INSURANCE TRUST FUND

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(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, and employee benefit plans.

FIDUCIARY FUNDS
PENSION AND EMPLOYEE SAVINGS TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006
(In Thousands)

	City Employees' Retirement System	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(k) Plan	Total
ASSETS					
Cash or Equity in Pooled Cash and Investments	$ 3,960	$ 20	$ 6	$ 434	$ 4,420
Cash with Custodian/Fiscal Agent	489,233	-	-	-	489,233
Investments at Fair Value:					
Short Term Investments	192,172	-	-	-	192,172
Domestic Fixed Income Securities (Bonds)	774,125	-	-	-	774,125
International Fixed Income Securities (Bonds)	166,743	-	-	-	166,743
Domestic Equity Securities (Stocks)	1,605,508	-	-	-	1,605,508
International Equity Securities (Stocks)	703,112	-	-	-	703,112
Mortgages	6	-	-	-	6
Real Estate Equity and Real Estate Securities	385,200	-	-	-	385,200
Defined Contribution Investments	-	-	458,294	188,727	647,021
Receivables:					
Contributions	30,099	-	1,900	-	31,999
Accrued Interest	13,132	(13)	-		13,119
Loans	-	-	18,784	7,224	26,008
Securities Sold	48,576	-	-	-	48,576
Prepaid and Reimbursable Items and Deposits	9	-	-	-	9
Securities Lending Collateral	581,290	-	-	-	581,290
Capital Assets - Depreciable	116	-	-	-	116
TOTAL ASSETS	4,993,281	7	478,984	196,385	5,668,657
LIABILITIES					
Accounts Payable	5,512	287	-	-	5,799
Accrued Wages and Benefits	513	-	-	-	513
DROP Liabilities	225,570	-	-	-	225,570
Net Pension Obligation	239	-	-	-	239
Securities Lending Obligations	581,290	-	-	-	581,290
Securities Purchased	166,332	-	-	-	166,332
TOTAL LIABILITIES	979,456	287	-	-	979,743
NET ASSETS					
Held in Trust for Pension Benefits and Other Purposes	4,013,825	(280)	478,984	196,385	4,688,914

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2006
(In Thousands)

ADDITIONS					
Employer Contributions	$ 306,403	$ 17,431	$ 24,622	$ -	$ 348,456
Employee Contributions	42,605	-	25,528	26,870	95,003
Retiree Contributions	-	6,374	-	-	6,374
Earnings on Investments:					
Investment Income	474,511	(15)	33,849	14,893	523,238
Investment Expense	(18,316)	-	-	-	(18,316)
Net Investment Income	456,195	(15)	33,849	14,893	504,922
Securities Lending:					
Gross Earnings	21,261	-	-	-	21,261
Borrow Rebates	(19,406)	-	-	-	(19,406)
Administrative Expenses (Lending Agent)	(498)	-	-	-	(498)
Net Securities Lending Income	1,357	-	-	-	1,357
Other Income:					
Litigation Proceeds	15,500	-	-	-	15,500
TOTAL OPERATING ADDITIONS	822,060	23,790	83,999	41,763	971,612
DEDUCTIONS					
DROP Interest Expense	17,749	-	-	-	17,749
Benefit and Claim Payments	219,265	24,070	48,364	14,543	306,242
Administration	22,973	-	(104)	-	22,869
TOTAL OPERATING DEDUCTIONS	259,987	24,070	48,260	14,543	346,860
CHANGE IN NET ASSETS	562,073	(280)	35,739	27,220	624,752
Net Assets at Beginning of Year	3,451,752	-	443,245	169,165	4,064,162
NET ASSETS AT END OF YEAR	$ 4,013,825	$ (280)	$ 478,984	$ 196,385	$ 4,688,914

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006
(In Thousands)

	Employee Benefits	Other Miscellaneous Agency	Total
ASSETS			
Cash and Investments	$ 7,241	$ 29,637	$ 36,878
Receivables:			
Accounts - Net	80	2	82
Accrued Interest	7	13	20
Restricted Cash and Investments	-	14,273	14,273
TOTAL ASSETS	$ 7,328	$ 43,925	$ 51,253
LIABILITIES			
Due to Component Unit	$ -	$ 3,578	$ 3,578
Deposits/Advances from Others	-	18,224	18,224
Sundry Trust Liabilities	7,328	22,123	29,451
TOTAL LIABILITIES	$ 7,328	$ 43,925	$ 51,253

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2006
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Employee Benefits				
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 8,072	$ 64,648	$ 65,479	$ 7,241
Receivables:				
Accounts - Net	70	893	883	80
Accrued Interest	4	72	69	7
TOTAL ASSETS	$ 8,146	$ 65,613	$ 66,431	$ 7,328
LIABILITIES				
Sundry Trust Liabilities	$ 8,146	$ 77,042	$ 77,860	$ 7,328
TOTAL LIABILITIES	$ 8,146	$ 77,042	$ 77,860	$ 7,328
Other Miscellaneous Agency				
ASSETS				
Cash and Investments	$ 21,655	$ 756,834	$ 748,852	$ 29,637
Receivables:				
Accounts - Net	2	1	1	2
Accrued Interest	6	150	143	13
Accrued Taxes - Net	3	-	3	-
Restricted Cash and Investments	24,752	5,605	16,084	14,273
TOTAL ASSETS	$ 46,418	$ 762,590	$ 765,083	$ 43,925
LIABILITIES				
Due to Component Unit	$ 2,869	$ 8,818	$ 8,109	$ 3,578
Deposits/Advances from Others	15,628	7,603	5,007	18,224
Sundry Trust Liabilities	27,921	719,890	725,688	22,123
TOTAL LIABILITIES	$ 46,418	$ 736,311	$ 738,804	$ 43,925
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Investments	$ 29,727	$ 821,482	$ 814,331	$ 36,878
Receivables:				
Accounts - Net	72	894	884	82
Accrued Interest	10	222	212	20
Accrued Taxes - Net	3	-	3	-
Restricted Cash and Investments	24,752	5,605	16,084	14,273
TOTAL ASSETS	$ 54,564	$ 828,203	$ 831,514	$ 51,253
LIABILITIES				
Due to Component Unit	$ 2,869	$ 8,818	$ 8,109	$ 3,578
Deposits/Advances from Others	15,628	7,603	5,007	18,224
Sundry Trust Liabilities	36,067	796,932	803,548	29,451
TOTAL LIABILITIES	$ 54,564	$ 813,353	$ 816,664	$ 51,253

Statistical Section [Not Audited]

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City of San Diego
Net Assets by Category (Unaudited)
Last Five Fiscal Years (In Thousands)
(accrual basis of accounting)

Table 1

	Fiscal Year				
	2002 (restated)	2003	2004	2005	2006
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	$ 3,013,292	$ 3,106,168	$ 3,200,262	$ 3,600,989	$ 3,472,531
Restricted for:					
Capital Projects	231,964	250,452	274,664	90,390	273,575
Debt Service	70,029	154,926	74,268	37,522	-
Low-Moderate Income Housing	-	-	-	-	64,493
Permanent	15,860	11,857	13,104	13,908	14,568
Other	137,071	78,743	129,686	104,488	96,537
Unrestricted	5,450	(53,988)	(146,793)	(215,719)	(140,126)
Total Governmental Activities Net Assets	$ 3,473,666	$ 3,548,158	$ 3,545,191	$ 3,631,578	$ 3,781,578
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	2,348,754	2,624,846	2,818,690	2,863,136	2,867,469
Restricted for:					
Capital Projects	-	-	-	-	-
Debt Service	70,011	72,567	3,674	3,517	2,970
Permanent	-	-	-	-	-
Other	24,385	25,275	26,735	29,412	32,115
Unrestricted	616,624	373,143	317,358	271,943	308,575
Total Business-type Activities Net Assets	$ 3,059,774	$ 3,095,831	$ 3,166,457	$ 3,168,008	$ 3,211,129
Primary Government					
Invested in Capital Assets, Net of Related Debt	5,362,046	5,731,014	6,018,952	6,464,125	6,340,000
Restricted for:					
Capital Projects	231,964	250,452	274,664	90,390	273,575
Debt Service	140,040	227,493	77,942	41,039	2,970
Low-Moderate Income Housing	-	-	-	-	64,493
Permanent	15,860	11,857	13,104	13,908	14,568
Other	161,456	104,018	156,421	133,900	128,652
Unrestricted	622,074	319,155	170,565	56,224	168,449
Total Primary Government Net Assets	$ 6,533,440	$ 6,643,989	$ 6,711,648	$ 6,799,586	$ 6,992,707

City of San Diego
Changes in Net Assets (Unaudited)
Last Five Fiscal Years (In Thousands)
(accrual basis of accounting)

Table 2

	Fiscal Year				
	2002 (restated)	2003	2004	2005	2006
Expenses					
Governmental Activities					
General Government and Support	$ 181,722	$ 204,072	$ 221,752	$ 247,038	$ 252,295
Public Safety - Police	298,176	334,461	361,501	372,230	370,990
Public Safety - Fire and Life Safety	139,699	147,897	173,311	186,203	194,074
Parks, Recreation, Culture and Leisure	181,762	202,567	204,736	218,601	237,375
Transportation	153,002	154,603	197,152	220,095	200,883
Sanitation and Health	57,227	37,615	44,925	45,088	48,774
Neighborhood Services	116,397	95,267	100,568	89,162	111,886
Interest on Long-Term Debt	59,952	68,410	71,588	73,381	71,109
Total Governmental Activities Expenses	1,187,937	1,244,892	1,375,533	1,451,798	1,487,386
Business-type Activities					
Airports	3,085	4,281	7,384	3,196	4,100
City Store	731	731	858	808	810
Development Services	46,920	47,278	52,970	60,240	57,893
Environmental Services	35,684	40,306	40,602	43,711	44,493
Golf Course	6,433	6,963	7,572	8,585	9,563
Recycling	16,161	19,141	19,497	21,426	21,853
Sewer Utility	277,833	352,075	312,929	348,327	319,274
Water Utility	255,160	267,855	270,940	300,665	302,996
Total Business-type Activities Expenses	642,007	738,630	712,752	786,958	760,982
Total Primary Government Expenses	$ 1,829,944	$ 1,983,522	$ 2,088,285	$ 2,238,756	$ 2,248,368
Program Revenues					
Governmental Activities					
Charges for Services:					
General Government and Support	$ 72,067	$ 80,782	$ 81,167	$ 100,887	$ 96,345
Public Safety - Police	18,812	21,498	23,699	23,496	24,256
Public Safety - Fire and Life Safety	16,492	21,014	19,940	21,381	18,572
Parks, Recreation, Culture and Leisure	20,136	9,187	12,466	35,314	51,196
Transportation	35,673	44,020	47,709	30,625	52,375
Sanitation and Health	7,571	9,009	9,087	8,651	10,697
Neighborhood Services	21,801	17,748	20,033	48,623	25,440
Operating Grants and Contributions	99,541	95,882	95,202	109,268	101,723
Capital Grants and Contributions	136,461	115,748	91,981	134,702	100,564
Total Governmental Activities Program Revenues	428,554	414,888	401,284	512,947	481,168
Business-type Activities					
Charges for Services:					
Airports	3,346	3,461	3,827	4,151	4,385
City Store	694	771	852	807	837
Development Services	46,860	46,656	58,412	61,299	55,011
Environmental Services	33,315	36,889	38,377	41,944	39,850
Golf Course	10,143	10,311	11,911	12,625	13,119
Recycling	15,870	17,640	16,169	19,883	21,345
Sewer Utility	233,980	256,947	267,294	288,972	290,568
Water Utility	213,577	222,462	239,533	267,649	280,567
Operating Grants and Contributions	5,981	3,616	1,483	2,028	1,909
Capital Grants and Contributions	170,943	143,444	133,586	63,830	77,602
Total Business-type Activities Program Revenues	734,710	742,197	771,444	763,188	785,193
Total Primary Government Program Revenues	$ 1,163,264	$ 1,157,085	$ 1,172,728	$ 1,276,135	$ 1,266,361
Net (Expense)/Revenue					
Governmental Activities	$ (759,383)	$ (830,004)	$ (974,249)	$ (938,851)	$ (1,006,218)
Business-type Activities	92,703	3,567	58,692	(23,770)	24,211
Total Primary Government Net Expense	$ (666,680)	$ (826,437)	$ (915,557)	$ (962,621)	$ (982,007)

City of San Diego
Changes in Net Assets (Unaudited)
Last Five Fiscal Years (In Thousands)
(accrual basis of accounting)

Table 2

	Fiscal Year				
	2002 (restated)	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Property Taxes	$ 222,778	$ 248,659	$ 278,804	$ 329,659	$ 459,777
Transient Occupancy Taxes	95,175	105,263	113,209	120,792	136,803
Other Local Taxes	106,723	98,783	139,748	152,577	148,001
Developer Contributions and Fees	36,879	39,577	33,363	47,063	53,502
Grants and Contributions not Restricted to Specific Programs	93,824	91,556	101,086	141,934	64,039
Sales Taxes	233,864	223,594	238,616	197,198	227,017
Investment Income	90,073	84,448	57,537	29,473	40,108
Gain on Sale of Capital Assets	480	92	467	684	1,214
Permanent Fund Contributions	280	870	250	-	-
Miscellaneous	6,983	6,243	4,396	5,232	21,227
Transfers	47,953	5,411	3,806	626	4,530
Total Governmental Activities General Revenues	935,012	904,496	971,282	1,025,238	1,156,218
Business-type Activities					
Investment Income	34,918	31,760	10,289	17,132	16,938
Gain on Sale of Capital Assets	-	(1,761)	8	-	-
Miscellaneous	(1,036)	7,902	5,443	8,815	6,502
Transfers	(47,953)	(5,411)	(3,806)	(626)	(4,530)
Total Business-type Activities General Revenues	(14,071)	32,490	11,934	25,321	18,910
Total Primary Government General Revenues	$ 920,941	$ 936,986	$ 983,216	$ 1,050,559	$ 1,175,128
Change in Net Assets					
Governmental Activities	$ 175,629	$ 74,492	$ (2,967)	$ 86,387	$ 150,000
Business-type Activities	78,632	36,057	70,626	1,551	43,121
Total Primary Government Change in Net Assets	$ 254,261	$ 110,549	$ 67,659	$ 87,938	$ 193,121

City of San Diego
Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years (In Thousands)
(modified accrual basis of accounting)

	Fiscal Year			
	1997[1]	1998	1999[1]	2000
General Fund:				
Reserved	$ 15,072	$ 14,497	$ 16,663	$ 21,898
Unreserved	13,442	25,937	22,988	32,508
Total General Fund	$ 28,514	$ 40,434	$ 39,651	$ 54,406
All Other Governmental Funds:				
Reserved	$ 375,999	$ 311,622	$ 490,696	$ 593,837
Unreserved, reported in:				
Special Revenue Funds	106,169	108,323	142,000	119,272
Debt Service Funds	-	-	575	562
Capital Projects Funds	266,262	173,728	653,505	357,522
Permanent Funds	-	-	-	-
Total All Other Governmental Funds	$ 748,430	$ 593,673	$ 1,286,776	$ 1,071,193

Footnotes:
[1] Amounts have been subsequently restated in future periods.

Table 3

Fiscal Year					
2001[1]	2002[1]	2003	2004	2005	2006
$ 22,128	$ 26,298	$ 21,482	$ 18,550	$ 17,501	$ 21,288
55,579	43,705	45,570	42,672	43,547	40,353
$ 77,707	$ 70,003	$ 67,052	$ 61,222	$ 61,048	$ 61,641
$ 445,752	$ 574,974	$ 386,652	$ 277,968	$ 372,806	$ 401,019
137,040	202,651	185,219	305,909	284,818	267,576
1,194	3,740	864	1,650	13	217
320,563	283,250	275,591	287,259	279,866	406,130
-	-	461	879	1,063	656
$ 904,549	$ 1,064,615	$ 848,787	$ 873,665	$ 938,566	$ 1,075,598

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				
	1997	1998	1999	2000	2001
Revenues:					
Property Taxes	$ 162,318	$ 150,409	$ 160,658	$ 179,048	$ 201,801
Special Assessments (1)	-	17,573	19,630	18,457	18,775
Sales Taxes (2)	-	174,615	179,037	198,622	221,724
In-Lieu Sales Taxes (3)	-	-	-	-	-
Transient Occupancy Taxes (4)	-	-	-	-	-
Other Local Taxes	289,555	155,587	161,928	171,141	193,177
Licenses and Permits	26,553	30,735	34,854	30,381	34,803
Fines, Forfeitures and Penalties	18,370	17,949	25,541	31,141	32,902
Revenue from Use of Money and Property	88,239	97,996	112,558	120,966	108,345
Revenue from Federal Agencies	103,375	108,131	124,191	52,889	40,136
Revenue from Other Agencies	99,416	126,326	166,334	214,559	222,868
Revenue from Private Sources	48,320	40,906	50,394	82,382	77,583
Charges for Current Services	80,275	78,209	82,427	95,000	101,781
Other Revenue	19,406	23,640	10,544	15,462	11,544
Total Revenues	935,827	1,022,076	1,128,096	1,210,048	1,265,439
Expenditures:					
Current:					
General Government	71,379	73,045	77,751	83,351	95,992
Public Safety - Police (5)	292,981	311,844	356,358	395,942	406,580
Public Safety - Fire & Life Safety	-	-	-	-	-
Parks, Recreation and Culture	83,654	88,687	99,464	106,227	116,195
Public Transportation (6)	21	41	30	14	8
Sanitation and Health (6)	-	-	-	-	-
Neighborhood Services (6)	-	-	-	-	-
Capital Projects	381,991	288,909	439,885	413,107	467,769
Debt Service					
Principal Retirement	29,311	42,512	39,470	43,027	54,233
Interest	62,849	81,016	90,717	127,620	125,330
Arbitrage Rebate	-	-	-	-	-
Total Expenditures	1,192,992	1,159,075	1,399,369	1,387,793	1,505,350
Excess (Deficiency) of Revenues Over Expenditures	(257,165)	(136,999)	(271,273)	(177,745)	(239,911)
Other Financing Sources (Uses):					
Transfers In	132,050	8,572	4,424	5,286	7,130
Transfers Out	(149,117)	(14,911)	(18,932)	(32,476)	(28,013)
Issuance of Bonds	363,575	-	1,042,238	23,459	117,229
Issuance of Loans	-	-	-	3,711	222
Payment to Escrow Agent	-	-	(64,137)	-	-
Other Income	-	-	-	-	-
Restatements	-	501	-	(23,063)	-
Total Other Financing Sources (Uses)	346,508	(5,838)	963,593	(23,083)	96,568
Net Change in Fund Balances	$ 89,343	$ (142,837)	$ 692,320	$ (200,828)	$ (143,343)
Debt Service as a Percentage of Noncapital Expenditures	11.4%	14.2%	13.6%	17.5%	17.3%

Footnotes:
(1) The City began reporting Special Assessments separate from Property Taxes beginning with the fiscal year ended June 30, 1998.
(2) The City began reporting Sales Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 1998.
(3) The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with the fiscal year ended June 30, 2005.
(4) The City began reporting Transient Occupancy Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 2004.
(5) Amounts reported as Public Safety - Police prior to the fiscal year ended June 30, 2002 includes Public Safety - Fire & Life Safety.
(6) Multiple classification adjustments were imposed as a result of implementation of GASB Statement No. 34.

Table 4

Fiscal Year					
	2002	2003	2004	2005	2006
$	223,100	$ 248,276	$ 279,090	$ 325,857	$ 457,908
	22,491	25,748	26,816	30,263	36,699
	221,383	223,023	238,430	197,198	227,017
	-	-	-	48,220	45,433
	-	-	113,209	121,612	136,801
	202,364	203,493	140,016	152,576	148,001
	25,194	29,268	30,592	40,724	42,117
	25,854	26,679	33,870	33,906	35,441
	97,213	86,789	63,268	77,514	89,438
	42,635	56,851	50,493	66,283	43,570
	171,681	136,359	154,559	143,639	58,289
	140,841	82,410	62,143	91,354	91,287
	110,418	123,461	129,350	138,794	127,121
	10,074	10,594	10,462	11,518	25,923
	1,293,248	1,252,951	1,332,298	1,479,458	1,565,045
	189,128	193,980	198,826	236,706	290,550
	288,809	301,839	313,387	347,359	408,474
	131,974	141,967	152,073	178,553	212,069
	174,485	177,584	170,163	180,327	216,038
	91,746	89,653	117,619	140,604	147,977
	36,851	38,031	42,184	44,327	49,094
	72,087	98,050	104,205	102,235	112,080
	208,083	229,496	174,346	175,493	126,583
	39,831	49,858	49,118	77,952	53,293
	49,140	65,216	68,800	68,201	68,732
	-	-	421	-	-
	1,282,134	1,385,674	1,391,142	1,551,757	1,684,890
	11,114	(132,723)	(58,844)	(72,299)	(119,845)
	6,338	11,660	7,373	10,634	6,975
	(16,749)	(8,676)	(16,474)	(2,366)	(1,784)
	253,181	89,340	66,168	152,056	219,448
	-	3,891	27,507	5,435	12,222
	-	(53,974)	(10,132)	(32,011)	-
	2,622	8,237	3,450	3,278	20,609
	(104,144)	(136,534)	-	-	-
	141,248	(86,056)	77,892	137,026	257,470
$	152,362	$ (218,779)	$ 19,048	$ 64,727	$ 137,625
	8.3%	10.0%	9.7%	10.6%	7.8%

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
1997	$ 63,562,588	$ 4,988,950	$ (2,910,753)	$ 65,640,785
1998	68,648,609	5,337,916	(2,994,814)	70,991,711
1999	75,788,751	5,852,822	(2,987,620)	78,653,953
2000	82,195,239	6,347,101	(3,249,480)	85,292,860
2001	89,259,317	6,838,926	(3,572,188)	92,526,055
2002	96,534,652	6,959,602	(3,189,764)	100,304,490
2003	105,602,893	7,230,861	(4,006,246)	108,827,508
2004	115,116,772	6,842,254	(4,271,203)	117,687,823
2005	128,611,940	7,191,819	(4,497,084)	131,306,675
2006	124,598,322	7,063,201	(5,678,208)	125,983,315

Notes:
1. Effective July 1, 1988, Assembly Bill 454, Chapter 921 eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

2. In 1978 the voters of the State of California passed Proposition 13, which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: MuniServices, LLC, County of San Diego

Table 5

Redevelopment Agency				
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
$ 4,139,438	$ 210,919	$ (211,726)	$ 4,138,631	0.209%
4,426,121	283,966	(262,115)	4,447,972	0.199%
6,064,771	435,459	(305,697)	6,194,533	0.189%
6,637,895	466,314	(361,440)	6,742,769	0.195%
7,420,900	482,155	(352,739)	7,550,316	0.202%
8,287,824	526,423	(412,869)	8,401,378	0.205%
9,662,606	593,738	(434,701)	9,821,643	0.209%
9,558,045	483,522	(482,525)	9,559,042	0.219%
10,222,644	505,380	(524,636)	10,203,388	0.230%
14,574,228	633,220	(691,376)	14,516,072	0.326%

City of San Diego Table 6
Direct and Overlapping Property Tax Rates (Unaudited)
($1 Per $100 of Assessed Value)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Direct Rate	Overlapping		
	Basic County/ City Rate	City of San Diego	Education	Total
1997	1.00000%	0.00830%	0.10020%	1.10850%
1998	1.00000%	0.00840%	0.09930%	1.10770%
1999	1.00000%	0.00790%	0.09630%	1.10420%
2000	1.00000%	0.00760%	0.09580%	1.10340%
2001	1.00000%	0.00740%	0.09580%	1.10320%
2002	1.00000%	0.00730%	0.09580%	1.10310%
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%

Source: MuniServices, LLC, County of San Diego

City of San Diego
Principal Property Tax Payers (Unaudited)
Current Year and Nine Years Ago (In Thousands)

Table 7

Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
For the Fiscal Year Ended June 30, 2006		
Kilroy Realty, LP	$ 679,312	0.48%
Qualcomm, Inc.	646,693	0.46%
Pfizer, Inc.	470,414	0.33%
Fashion Valley Mall, LLC	428,018	0.30%
San Diego Family Housing, LLC	407,398	0.29%
Irvine Co.	372,631	0.27%
Sea World, Inc.	358,828	0.26%
Manchester Resorts, LP	341,093	0.24%
Pacific Gateway, Ltd	265,295	0.19%
University Towne Centre, LLC	205,156	0.15%
For the Fiscal Year Ended June 30, 1997		
Qualcomm, Inc.	$ 332,016	0.53%
Pardee Construction	214,898	0.34%
Equitable Life Assurance	272,038	0.43%
Pacific Gateway, Ltd	227,049	0.36%
Sony Corp of America	228,425	0.36%
Hewlett-Packard	218,492	0.35%
Sea World, Inc.	205,556	0.33%
Solar Turbines	170,157	0.27%
Manchaster Resorts, LP	123,181	0.20%
Miramar Ranch North	44,006	0.07%

Source: MuniServices, LLC, County of San Diego

City of San Diego
Property Tax Levies and Collections (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
1997	$ 111,719	$ 108,676	97.28%	$ 1,887	$ 110,563	98.97%
1998	116,912	114,311	97.78%	3,118	117,429	100.44%
1999	127,846	124,267	97.20%	2,656	126,923	99.28%
2000	141,963	137,859	97.11%	2,366	140,225	98.78%
2001	155,060	150,900	97.32%	2,506	153,406	98.93%
2002	167,077	163,357	97.77%	2,089	165,446	99.02%
2003	181,687	175,943	96.84%	2,398	178,341	98.16%
2004	199,630	191,224	95.79%	3,175	194,399	97.38%
2005	227,422	213,173	93.73%	3,152	216,325	95.12%
2006	255,211	240,895	94.39%	4,563	245,458	96.18%

Source: County of San Diego

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City of San Diego
Ratios of Outstanding Debt by Type (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Governmental Activities				
	General Obligation Bonds	Revenue Bonds/ Lease Revenue Bonds/ Certificates of Part icipation	Special Assessment/ Special Tax Bonds	Tax Allocation Bonds	Contracts Payable
1997	82,625	224,715	120,900	113,925	1,182
1998	78,600	213,801	113,105	109,445	1,013
1999	74,255	446,885	72,690	164,215	717
2000	68,700	448,000	70,550	171,101	1,697
2001	63,595	434,365	128,545	222,751	3,848
2002	58,095	609,235	125,955	275,471	3,597
2003	52,165	609,785	123,130	283,310	1,882
2004	45,775	591,620	140,545	314,333	1,715
2005	14,530	571,285	137,305	415,778	1,715
2006	12,690	549,850	133,605	514,845	2,615

Fiscal Year Ended June 30	Business-Type Activities				
	Notes Payable	Loans Payable	Bonds Payable	Capital Lease Obligations	Line of Credit
1997	838,311	100	-	5,247	-
1998	818,760	100	-	10,242	-
1999	1,118,740	100	-	18,656	-
2000	1,485,497	17,256	-	25,807	3,569
2001	1,463,290	60,222	-	28,885	4,169
2002*	63,786	-	1,433,465	7,612	-
2003	-	69,093	1,612,200	6,465	-
2004	-	67,054	1,731,825	5,008	-
2005	-	63,803	1,698,060	3,521	-
2006	-	91,247	1,662,705	2,051	-

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
*In fiscal year 2002, loans payable were reclassified as notes payable, and notes payable were reclassified as bond payable.
(a) Ratio is calculated using assessed property values. Personal income date is not available.
(b) Ratio is calculated using population data.

Source: previously published CAFR Reports (2004-05 and prior)

Table 9

Governmental Activities					
Notes Payable	Loans	Capital Lease Obligations	Arbitrage Liability	Tobacco Settlement Asset-Backed Bonds	Total Governmental Activities
105,996	-	14,534	-	-	663,877
107,351	-	17,571	-	-	640,886
99,230	-	17,551	-	-	875,543
33,606	5,972	14,284	-	-	813,910
37,962	3,250	13,233	-	-	907,549
15,521	28,255	38,345	-	-	1,154,474
8,416	46,117	37,701	363	-	1,162,869
5,998	69,084	30,619	262	-	1,199,951
7,924	62,024	30,647	-	-	1,241,208
7,294	64,199	40,541	-	105,400	1,431,039

Arbitrage Liability	Total Business-Type Activities	Total Primary Government	Percentage of Assessed Value (a)	Debt Per Capita (b)
-	843,658	1,507,535	2.30%	1.26
-	829,102	1,469,988	2.07%	1.20
-	1,137,496	2,013,039	2.56%	1.60
-	1,532,129	2,346,039	2.75%	1.84
-	1,556,566	2,464,115	2.66%	1.97
-	1,504,863	2,659,337	2.65%	2.12
1,812	1,689,570	2,852,439	2.62%	2.24
221	1,804,108	3,004,059	2.55%	2.32
213	1,765,597	3,006,805	2.29%	2.30
193	1,756,196	3,187,235	2.53%	2.43

City of San Diego Table 10
Ratios of General Bonded Debt Outstanding (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)	Percentage of Assessed Value (a)	Population	Debt Per Capita (b)
1997	82,625	65,640,785	0.13%	1,197,077	69.02
1998	78,600	70,991,711	0.11%	1,224,848	64.17
1999	74,255	78,653,953	0.09%	1,254,281	59.20
2000	68,700	85,292,860	0.08%	1,277,168	53.79
2001	63,595	92,526,055	0.07%	1,250,700	50.85
2002	58,095	100,304,490	0.06%	1,255,742	46.26
2003	52,165	108,827,508	0.05%	1,275,112	40.91
2004	45,775	117,687,823	0.04%	1,294,000	35.37
2005	14,530	131,306,675	0.01%	1,306,000	11.13
2006	12,690	125,983,315	0.01%	1,311,162	9.68

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(a) Ratio is calculated using assessed property values. Personal income date is not available.
(b) Ratio is calculated using population data.

Source: previously published CAFR Reports (2004-05 and prior)

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City of San Diego
Direct and Overlapping Debt (Unaudited)
June 30, 2006 (In Thousands)

Table 11

2005-06 Assessed Valuation:	$	142,010,987
Redevelopment Incremental Valuation:		10,710,394
Adjusted Assessed Valuation:	$	131,300,593

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/06	% Applicable (1)	City's Share of Debt, 6/30/06
Metropolitan Water District	$ 389,565	8.982%	$ 34,991
San Diego Community College District	61,235	99.903%	61,176
Southwestern Community College District	90,570	17.968%	16,274
Poway Unified School District School Facilities Improvement District No. 2002-1	64,165	67.500%	43,311
San Diego Unified School District	1,455,979	99.907%	1,454,625
Sweetwater Union High School District	82,615	21.080%	17,415
San Ysidro School District	57,784	93.892%	54,255
Other School, High School and Community College Districts	576,721	Various	15,048
Palomar Pomerado Hospital District	80,000	31.293%	25,034
City of San Diego	11,520	100.000%	11,520
San Diego Open Space Park Facilities District No. 1	19,930	100.000%	19,930
City of San Diego Community Facilities District No. 1	46,600	100.000%	46,600
City of San Diego Community Facilities District No. 2, Improvement Area Nos. 1, 3 and 4	73,510	100.000%	73,510
City of San Diego 1915 Act Bonds	37,499	100.000%	37,499
Del Mar Unified School District Community Facilities District No. 99-1	10,485	100.000%	10,485
North City West School District Community Facilities District	101,663	100.000%	101,663
Poway Unified School District Community Facilities Districts	254,881	99.609-100.000%	254,624
San Dieguito Union High School District Community Facilities Districts	95,993	39.731-81.063%	33,475
Sweetwater Union High School District Community Facilities Districts	30,339	8.935-100.000%	23,342
Other Special District 1915 Act Bonds	19,830	Various	884
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 2,335,661
Less: San Diego Open Space Park Facilities District No. 1 (100% self-supporting)			19,930
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 2,315,731
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	$ 387,535	46.242%	$ 179,204
San Diego County Pension Obligations	1,231,283	46.242%	569,370
San Diego Superintendent of Schools Certificates of Participation	12,495	46.242%	5,778
Poway Unified School District Certificates of Participation	100,000	73.328%	73,328
Sweetwater Union High School District Certificates of Participation	16,040	21.080%	3,381
Chula Vista School District General Fund Obligations	1,395,985	5.809%	7,899
Del Mar Union School District Certificates of Participation	11,700	81.843%	9,517
San Ysidro School District Certificates of Participation	26,185	93.892%	24,586
Other School, High School and Community College District Certificates of Participation	41,935	Various	5,758
City of San Diego General Fund Obligations and MTDB Authority	498,040	100.000%	498,040
Otay Municipal Water District Certificates of Participation	24,925	6.053%	1,509
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 1,378,370
Less: Otay Municipal Water District Certificates of Participation			1,509
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 1,376,861
GROSS COMBINED TOTAL DEBT (2)			$ 3,714,031
NET COMBINED TOTAL DEBT			$ 3,692,592

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

City of San Diego
Direct and Overlapping Debt (Unaudited)
June 30, 2006 (In Thousands)
(Continued)

Table 11

Ratios to 2005-06 Assessed Valuation:	
Direct Debt ($11,520,000)	0.01%
Total Gross Direct and Overlapping Tax and Assessment Debt	1.64%
Total Net Direct and Overlapping Tax and Assessment Debt	1.63%
Ratios to Adjusted Assessed Valuation:	
Gross Combined Direct Debt ($529,490,000) (1)	0.40%
Net Combined Direct Debt ($509,560,000)	0.39%
Gross Combined Total Debt	2.83%
Net Combined Total Debt	2.81%

(1) City	$ 11,520
City Authorities and Certificates of Participation	498,040
San Diego Open Space Park Facilities District No. 1	19,930
	$ 529,490

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: $9,240

Source: California Municipal Statistics, Inc.

City of San Diego
Legal Debt Margin Schedule (Unaudited)
Last Ten Fiscal Years (In Thousands)

	Fiscal Year			
	1997	1998	1999	2000
Assessed valuation	$ 65,640,785	$ 70,991,711	$ 78,653,953	$ 85,292,860
Conversion percentage *	25%	25%	25%	25%
Adjusted assessed valuation	16,410,196	17,747,928	19,663,488	21,323,215
Debt limit percentage **	25%	25%	25%	25%
Debt limit	4,102,549	4,436,982	4,915,872	5,330,804
Total net debt applicable to limit:				
General Obligation Bonds	28,400	21,175	20,200	19,170
Legal debt margin	4,074,149	4,415,807	4,895,672	5,311,634
Total debt applicable to the limit as a percentage of the debt limit	0.69%	0.48%	0.41%	0.36%

* 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 the 1981-82 fiscal year, 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.

** 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.

Source: previously published CAFR Reports (2004-05 and prior)

Table 12

Fiscal Year					
2001	2002	2003	2004	2005	2006
$ 92,526,055	$ 100,304,490	$ 108,827,508	$ 117,687,823	$ 131,305,675	$ 125,983,315
25%	25%	25%	25%	25%	25%
23,131,514	25,076,123	27,206,877	29,421,956	32,826,419	31,495,829
25%	25%	25%	25%	25%	25%
5,782,878	6,269,031	6,801,719	7,355,489	8,206,605	7,873,957
18,075	16,920	15,690	14,390	13,010	11,520
5,764,803	6,252,111	6,786,029	7,341,099	8,193,595	7,862,437
0.31%	0.27%	0.23%	0.20%	0.16%	0.15%

City of San Diego
Pledged-Revenue Coverage - Water Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Less: Interest Earnings on Reserve Fund - Parity Obligations	Adjusted Net System Revenue
1999	$ 210,490	$ 195,407	$ 15,083	$ (884)	$ 14,199
2000	255,736	213,358	42,378	-	42,378
2001	255,974	214,056	41,918	(54)	41,864
2002	261,333	222,104	39,229	(3,444)	35,785
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

Note: The Water Utility had no bonded debt for fiscal years 1997-1998.

Source: previously published CAFR Reports (2004-05 and prior)

Table 13-1

Debt Service					
Principal	Interest	Total	Less: Parity Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage
$ -	$ 9,365	$ 9,365	$ (884)	$ 8,481	1.67
-	18,730	18,730	-	18,730	2.26
-	18,730	18,730	(54)	18,676	2.24
6,780	18,594	25,374	(3,444)	21,930	1.63
7,055	16,308	23,363	(1,305)	22,058	1.34
7,345	14,010	21,355	(1,296)	20,059	1.70
7,645	13,710	21,355	(1,262)	20,093	2.95
7,965	13,390	21,355	(1,228)	20,127	2.98

City of San Diego
Pledged-Revenue Coverage - Sewer Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Table 13-2

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Debt Service			Debt Service Coverage
				Principal	Interest	Total	
1997	$ 310,352	$ 188,704	$ 121,648	$ 4,660	$ 32,781	$ 37,441	3.25
1998	279,463	162,404	117,059	14,865	41,672	56,537	2.07
1999	256,163	138,880	117,283	15,430	41,108	56,538	2.07
2000	291,238	137,007	154,231	18,300	58,755	77,055	2.00
2001	283,228	168,853	114,375	22,150	54,905	77,055	1.48
2002	310,392	170,022	140,370	23,045	54,009	77,054	1.82
2003	334,551	241,822	92,729	24,000	53,046	77,046	1.20
2004	295,881	196,823	99,058	25,030	52,020	77,050	1.29
2005	322,716	204,163	118,553	26,120	50,935	77,055	1.54
2006	320,151	202,111	118,040	27,390	49,662	77,052	1.53

Source: previously published CAFR Report (2004-05 and prior)

City of San Diego
Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years

Table 14

Fiscal Year Ended June 30	Population	Personal Income (Thousands $)	Per Capita Personal Income ($)	Unemployment Rate
1997	1,197,077	N/A	N/A	4.8%
1998	1,224,848	N/A	N/A	3.8%
1999	1,254,281	N/A	N/A	3.5%
2000	1,277,168	N/A	N/A	3.2%
2001	1,250,700	N/A	N/A	2.3%
2002	1,255,742	31,859,430	25,371	3.7%
2003	1,275,112	32,794,606	25,719	4.4%
2004	1,294,000	35,896,854	27,741	5.0%
2005	1,306,000	38,523,082	29,497	4.5%
2006	1,311,162	37,749,536	28,791	4.3%

Notes:
Population Projections are provided by the California Department of Finance Projections.
Income Data is provided by the United States Census Data and is adjusted for inflation.
Unemployment and Total Employment Data are provided by the EDD's Bureau of Labor Statistics Department.

Sources: 2005-06 MuniServices, LLC, and previously published CAFR Reports (2004-05 and prior).

City of San Diego
Principal Employers (Unaudited)
Calendar Year-End 2006

Table 15

Employer	Number of Employees (1)	Percentage of Total Employment (2)
Federal Government	40,200	6.11%
University of California, San Diego	27,200	4.13%
San Diego Unified School District	19,777	3.01%
County of San Diego	15,715	2.39%
Sharp Healthcare	13,377	2.03%
San Diego State University	11,114	1.69%
Scripps Health	10,932	1.66%
City of San Diego (3)	10,990	1.67%
Kaiser Permanente	7,432	1.13%
Qualcomm Inc.	6,960	1.06%
Total Top Employers	163,697	24.88%

Notes:
(1) Principal employers and number of employees based on data as of calendar year-end 2006, Source: San Diego Business Journal.
(2) Percentage based on total employment of 657,900 reported by the EDD for December 2006.
(3) Number of Employees for the City as of 06/30/06.

City of San Diego Table 16
Full-time and Part-time City Employees by Function (Unaudited)
Last Six Fiscal Years*

Function	Fiscal Year 2001	2002	2003	2004	2005	2006
General Government and Support	1,864	2,015	2,039	1,990	1,944	1,816
Public Safety - Police	2,854	2,875	2,836	2,730	2,774	2,628
Public Safety - Fire and Life Safety	1,286	1,314	1,355	1,352	1,373	1,322
Parks, Recreation, Culture and Leisure	2,041	2,023	2,052	1,822	1,777	1,701
Transportation	490	517	513	501	461	447
Sanitation and Health	164	163	161	161	148	144
Neighborhood Services	267	259	260	235	234	177
Airports	19	20	21	19	17	14
Development Services	480	498	463	524	535	482
Environmental Services	209	222	225	219	219	196
Golf Course	69	70	73	82	81	88
Recycling	99	118	120	119	116	121
Sewer Utility	972	1,052	1,108	1,071	1,050	976
Water Utility	967	997	979	975	943	878
Total Employees	11,781	12,143	12,205	11,800	11,672	10,990

Notes:
*Only data for the last six fiscal years was readily available

Source: Office of the Comptroller, Payroll Division

City of San Diego
Operating Indicators by Function (Unaudited)
Fiscal Year 2006*

Table 17

Function	2006
Public Safety - Police	
Calls for police services dispatched	623,940
Calls for 9-1-1 emergencies	518,291
Public Safety - Fire and Life Safety	
Fire Department:	
Emergency calls - fire	3,579
Emergency calls - medical/rescue	84,882
Emergency calls - other	12,918
Lifeguard:	
Water rescues	5,075
Other rescues	4,490
Parks, Recreation, Culture and Leisure	
Parks and Recreation:	
Therapeutic recreation services - participants**	70,000
Senior services - participants**	50,000
Library:	
Circulation	7,003,040
Total attendance - all libraries	6,017,790
Sewer Utility	
Average daily sewage flow (millions of gallons)	180.95
Water Utility	
Average daily consumption (millions of gallons)	204.74

Notes:
*Historical data for prior years is unavailable.
**Estimated figure
Source: Citywide departments

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City of San Diego
Capital Asset Statistics by Function (Unaudited)
Last Ten Fiscal Years

Function	Fiscal Year 1997	1998	1999	2000
Public Safety - Police				
Stations	12	9	9	9
Public Safety - Fire and Life Safety				
Fire stations	43	43	43	43
Parks, Recreation, Culture and Leisure				
Park and recreation sites*	344	345	416	416
Transportation				
Miles of streets -asphalt,concrete, & dirt**	2,781	2,974	2,974	3,820
Airports				
Municipal airports	2	2	2	2
Golf Course				
Municipal golf courses	9	9	9	9
Sewer Utility				
Miles of sewers	2,544	2,554	2,554	2,592
Sewer service laterals	262,739	259,666	259,666	263,107
Water Utility				
Miles of water distribution mains	2,728	2,729	3,098	3,125
Fire hydrants	22,458	22,771	23,035	23,399

Notes:
*Statistics for fiscal years 1997-2003 were based on the number of parks, squares, and recreation centers. The department updated the statistics for overall park and recreation sites for fiscal years 2004-2006.
**In prior years, miles of streets also included alleys and dirt streets. For FY 2006, Transportation provided the statistic only for miles of asphalt and concrete streets.

Source: previously published CAFR Reports (2004-05 and prior), Citywide departments

Table 18

Fiscal Year					
2001	2002	2003	2004	2005	2006
10	10	10	10	10	10
43	43	43	45	45	45
416	444	460	363	367	370
3,820	3,112	2,985	2,985	2,800	2,685
2	2	2	2	2	2
9	9	10	10	10	10
2,610	2,620	2,950	3,028	3,030	2,993
265,212	266,342	268,372	270,365	271,284	271,445
3,139	3,157	3,280	3,317	3,319	3,336
23,476	23,844	24,145	24,428	24,600	24,661

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