

City of San Diego

State of California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

City of San Diego

State of California



Prepared Under the Supervision of

Rolando Charvel, CPA, Comptroller

Scott Clark, CPA, Deputy Director

Sarah Mayen, CPA, Deputy Director

Office of the City Comptroller

Table of Contents

Fiscal Year Ended June 30, 2014

INTRODUCTORY SECTION

| | |
|--------------------------------------------------------|----|
| Letter of Transmittal..... | 13 |
| City of San Diego Current Officials..... | 22 |
| City of San Diego Legislative Organization Chart | 23 |
| City of San Diego Operations Organization Chart..... | 24 |

FINANCIAL SECTION

| | |
|--------------------------------------------------------------------------------------------|----|
| Independent Auditor's Report..... | 27 |
| Management's Discussion and Analysis (Required Supplementary Information - Unaudited)..... | 31 |

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

| | |
|---------------------------------|----|
| Statement of Net Position | 50 |
| Statement of Activities | 52 |

Governmental Funds Financial Statements:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Balance Sheet | 54 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 56 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 57 |

Proprietary Funds Financial Statements:

| | |
|-----------------------------------------------------------------------|----|
| Statement of Net Position | 58 |
| Statement of Revenues, Expenses and Changes in Fund Net Position..... | 59 |
| Statement of Cash Flows..... | 60 |

Fiduciary Funds Financial Statements:

| | |
|------------------------------------------------------|----|
| Statement of Fiduciary Net Position | 62 |
| Statement of Changes in Fiduciary Net Position | 63 |

Notes to the Basic Financial Statements:

| | |
|--------------------------------------------------------------------------|----|
| 1. Summary of Significant Accounting Policies..... | 64 |
| 2. Reconciliation of Government-Wide and Fund Financial Statements | 79 |

Table of Contents

Fiscal Year Ended June 30, 2014

| | |
|-------------------------------------------------------------------------------------------------------------------------|-----|
| 3. Cash and Investments | 84 |
| 4. Capital Assets | 111 |
| 5. Governmental Activities Long-Term Liabilities | 115 |
| 6. Business-Type Activities Long-Term Liabilities | 120 |
| 7. Discretely Presented Component Units Long-Term Liabilities | 125 |
| 8. Jointly Governed Organizations | 132 |
| 9. Lease Commitments | 133 |
| 10. Deferred Compensation Plan | 135 |
| 11. Pension Plans | 136 |
| 12. Other Postemployment Benefits | 146 |
| 13. Interfund Receivables, Payables and Transfers | 150 |
| 14. Risk Management | 151 |
| 15. Fund Balance / Net Position Deficits | 153 |
| 16. Commitments | 154 |
| 17. Contingencies | 156 |
| 18. Debt Without Government Commitment | 160 |
| 19. Closure and Postclosure Care Cost | 168 |
| 20. Operating Agreements | 169 |
| 21. Fund Balances | 170 |
| 22. Extraordinary Gain (Loss) | 172 |
| 23. Restatements of Fund Balance / Net Position | 173 |
| 24. Subsequent Events | 176 |
| REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) | |
| Pension and OPEB Trust Funds Schedules of Funding Progress / OPEB Schedule of Employer Contributions | 183 |
| General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) | 188 |
| Note to Required Supplementary Information | 199 |

Table of Contents

Fiscal Year Ended June 30, 2014

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

General Fund:

Schedule of Revenues and Transfers - Budget and Actual (Budgetary Basis)..... 205

Schedule of Expenditures and Transfers - Budget and Actual (Budgetary Basis)..... 208

Nonmajor Governmental Funds:

Combining Balance Sheet 217

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 218

Nonmajor Governmental Funds - Special Revenue:

Combining Balance Sheet 224

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 225

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)..... 226

City of San Diego Combining Balance Sheet 228

City of San Diego Combining Statement of Revenues, Expenditures and Changes in Fund Balances 230

City of San Diego Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) 232

Nonmajor Governmental Funds - Debt Service:

Combining Balance Sheet 240

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 242

City of San Diego Combining Statement of Revenues, Expenditures and Changes in Fund Balances 244

Nonmajor Governmental Funds - Capital Projects:

Combining Balance Sheet 250

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 251

City of San Diego Combining Balance Sheet 252

City of San Diego Combining Statement of Revenues, Expenditures and Changes in Fund Balances 254

City of San Diego Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) 256

Table of Contents

Fiscal Year Ended June 30, 2014

Nonmajor Governmental Funds - Permanent:

| | |
|----------------------------------------------------------------------------------|-----|
| Combining Balance Sheet | 264 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 264 |

Nonmajor Business-Type Funds - Enterprise:

| | |
|----------------------------------------------------------------------------------|-----|
| Combining Statement of Net Position | 270 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position | 272 |
| Combining Statement of Cash Flows | 274 |

Internal Service Funds:

| | |
|----------------------------------------------------------------------------------|-----|
| Combining Statement of Net Position | 280 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position | 282 |
| Combining Statement of Cash Flows | 284 |

Fiduciary Funds:

| | |
|--------------------------------------------------------------------------------------|-----|
| Combining Statement of Fiduciary Net Position - Pension Trust Funds | 290 |
| Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds | 292 |
| Combining Statement of Fiduciary Net Position - Agency Funds | 294 |
| Combining Statement of Changes in Assets and Liabilities - Agency Funds | 295 |

STATISTICAL SECTION (UNAUDITED)

| | |
|-----------------------------------------------------------------------|-----|
| Table 1: Net Position by Category | 300 |
| Table 2: Changes in Net Position | 302 |
| Table 3: Fund Balances of Governmental Funds | 306 |
| Table 4: Changes in Fund Balances of Governmental Funds | 308 |
| Table 5: Assessed Value and Estimated Value of Taxable Property | 310 |
| Table 6: Direct and Overlapping Property Tax Rates | 312 |
| Table 7: Principal Property Tax Payers | 313 |
| Table 8: Property Tax Levies and Collections | 315 |
| Table 9: Ratios of Outstanding Debt by Type | 316 |

Table of Contents

Fiscal Year Ended June 30, 2014

| | |
|--------------------------------------------------------------------|-----|
| Table 10: Ratios of General Bonded Debt Outstanding..... | 319 |
| Table 11: Direct and Overlapping Debt..... | 320 |
| Table 12: Legal Debt Margin Schedule..... | 322 |
| Table 13: Pledged-Revenue Coverage - Water Bonds..... | 324 |
| Table 14: Pledged-Revenue Coverage - Sewer Bonds..... | 326 |
| Table 15: Demographic and Economic Statistics | 328 |
| Table 16: Principal Employers | 329 |
| Table 17: Full-time and Part-time City Employees by Function | 331 |
| Table 18: Operating Indicators by Function..... | 332 |
| Table 19: Capital Asset Statistics by Function | 334 |

FORWARD-LOOKING STATEMENTS

The Comprehensive Annual Financial Report (CAFR) of the City of San Diego for the fiscal year ended June 30, 2014, including the Letter of Transmittal and the section regarding Management's Discussion and Analysis, contains forward-looking statements regarding the City of San Diego's (City) business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the CAFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, contingencies, revenue and expense levels, expected completion dates for projects and other statements regarding matters that are not historical are also forward-looking statements.

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

This Page Intentionally Left Blank

INTRODUCTORY SECTION



THE CITY OF SAN DIEGO

December 5, 2014

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of San Diego (the City) for the fiscal year (FY) ended June 30, 2014, in accordance with Section 111 of the City Charter.

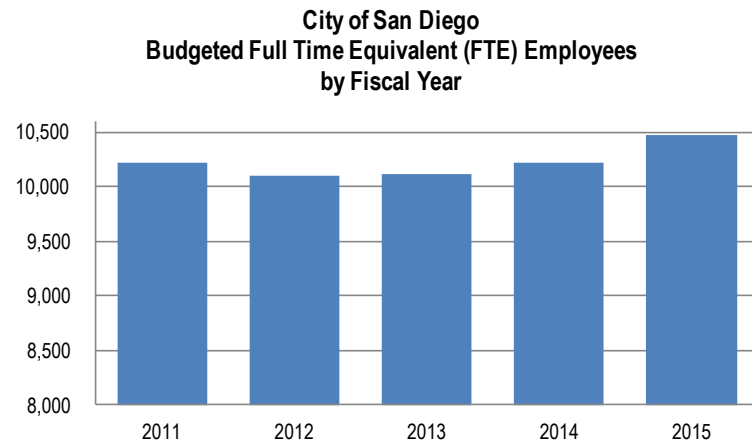
The CAFR has been prepared in accordance with accounting principles generally accepted in the United States of America. The accuracy of the data, the completeness and fairness of the presentation and the adequacy of its disclosures, rests with the City's management. This includes the design, implementation and maintenance of internal controls over the preparation and fair presentation of financial statements that are free from material misstatement and for assurance that the assets of the City are protected from loss, theft or misuse. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free from any material misstatements. We believe that the information presented is complete and reliable in all material respects.

The independent audit firm of Macias Gini & O'Connell LLP has audited the FY 2014 financial statements of the City and has issued an unmodified opinion (previously referred to as unqualified) on the basic financial statements. The independent auditor's report is located at the front of the financial section of this report.

A narrative introduction, overview, and analysis of the financial statements can be found in the 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 notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2014 and the respective changes in financial position. Readers of these financial statements should pay particular attention to Notes 11, 12, 16 and 17, concerning Pension Plans, Other Postemployment Benefits, Commitments and Contingencies, respectively. These notes address certain issues underlying the City's financial condition as well as future potential or anticipated expenses/expenditures, including significant estimated compliance costs related to the City's Municipal Storm Water Permit and the Point Loma Wastewater Treatment Plant. In addition, the MD&A addresses issues related to the City's deferred maintenance and capital expenditures on the City's depreciable assets.

City Services

The City, with 10,478 budgeted employees, provides a full range of governmental services. The City has been able to restore City services during the last two fiscal years, increasing budgeted staff by 108 in FY 2014 and by 251 in the FY 2015 budget. The FY 2015 budget added four police academies and 59 positions in the Police Department. It also added 23 budgeted positions to restore library service hours and 15 budgeted positions for park and recreation services.



Safety services are provided by the San Diego Police Department and the Fire-Rescue Department. The Police Department ensures that San Diego is safe for all of its residents through the practice of community-based policing and problem-solving. The Fire-Rescue Department protects the life and property of San Diego residents and visitors by providing services such as fire suppression, emergency medical treatment, fire safety inspection, education programs, beach safety and swimmer rescue.

The City provides neighborhood services to its residents, making San Diego's neighborhoods a better place to live, work, and play. These include services provided by the San Diego Public Library system, which serves the educational, cultural, and recreational needs of San Diego's diverse communities. In addition, the City fosters economic growth by implementing economic development and business incentive programs in order to create and retain jobs and taxable investment in the City. Other neighborhood services include those provided by the Planning Department, charged with conducting long-range planning of San Diego's communities and neighborhoods. The City provides development services including review, permit, inspection, and code enforcement services for development projects throughout the City. The Park & Recreation Department operates a multitude of facilities and services for neighborhoods and plays a key role in the quality of life for San Diego residents. Through the Commission for Arts and Culture, the City also facilitates events that promote, encourage, and increase support for the region's artistic and cultural assets showcasing San Diego as an international tourist destination.

The City implements an infrastructure and public works program, including the operation and maintenance of facilities, streets, sidewalks, and storm drains. Through its engineering and capital project activities, the City implements its Capital Improvements Program, addressing capital needs including new construction projects and improvements of existing facilities. The City also operates and maintains the water and sewer utilities, two general aviation airports, Montgomery Field and Brown Field, as well as Qualcomm Stadium and Petco Park. Moreover, through its environmental services, the City delivers waste management services to provide a clean, safe, and ecologically sound environment to residents.

Budgeting Systems and Controls

The City of San Diego's budget is developed annually for each fiscal year. The budget is proposed by the Mayor with input from the City Council and the public. The budget may be revised by City Council and is adopted by Council subject to mayoral line-item veto. The City Council, by supermajority vote of at least six of the current nine members, may subsequently override the Mayor's veto to establish the annual budget.

The budget includes the General Fund, as well as special revenue, debt service, capital projects, enterprise and internal service funds. Any fund that includes personnel expenses is included in the budget. Budgetary control is established by the City Charter and further defined by the City Council in the Appropriation Ordinance. The level of budgetary control for all City funds is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the General Fund is at the department level, while control for other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. The City’s financial system incorporates automatic controls in which non-personnel expenditures cannot be incurred if a budget appropriation is not available. The City also uses an encumbrance system of accounting as a mechanism to accomplish effective budgetary control.

The Financial Management Department monitors the City’s annual operating budget throughout the fiscal year. Quarterly reports are produced and presented to the Budget and Government Efficiency Committee and/or City Council to forecast year-end results and aid in adjusting the budget throughout the year to address changes in revenues and expenditures. Additionally, monthly financial reports are produced throughout the year by the City Comptroller and presented to the Budget and Government Efficiency Committee to show a summary statement of revenues and expenditures for the preceding accounting period and the status of appropriations in comparison to actual results.

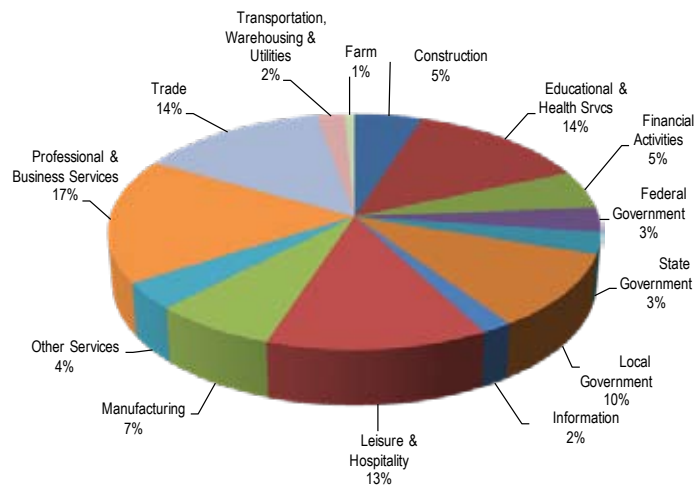
Local Economy

Major Industries

San Diego’s economic base has evolved from one with a greater reliance on defense spending and tourism, to one that includes more high-technology manufacturing and an expanded international trade sector. The City’s economic base is anchored by higher education and major scientific research institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center.

The City’s Economic Development Strategy for 2014 through 2016, adopted by the City Council in July 2014, identified four economic base industries for San Diego: (1) Manufacturing and Innovation, (2) International Trade & Logistics, (3) Military Installations and (4) Tourism. These are sectors that bring money and wealth into the region as goods and services are produced locally but sold outside San Diego and federal military and tourism spending bring outside resources into the local economy.

San Diego Metropolitan Statistical Area Jobs by Industry Sector



Source: State of California Employment Development Department for September 2014. Data not seasonally adjusted, reflects San Diego-Carlsbad-San Marcos Metropolitan Statistical Area.

According to the National University System Institute for Policy Research, the manufacturing sector in the San Diego region, as measured by its contribution to the region’s gross domestic product, has grown significantly faster than the rest of the economy, expanding 20% since 2007 while the rest of the economy grew 13%. San Diego’s innovative economy, focusing on research and development, provides breakthroughs that can be translated into new manufacturing opportunities for the region. San Diego’s manufacturing sector is diverse, including several

manufacturing clusters including biotech, cleantech, defense and security systems, electronics and telecommunications and food and beverage production.

In its proximity to Mexico and the Pacific Rim, San Diego is in a unique geographical position that creates opportunities for growth in its international trade sector. The quality of Mexican manufacturing and its proximity to the United States often makes “near-sourcing” of manufacturing back to Mexico attractive for American companies. The Port of San Diego, built around one of the world’s great natural harbors, also facilitates international trade activity through its 10th Avenue Marine Terminal, which provides for the importation of a wide variety of bulk products and large pieces of equipment. According to the U.S. Department of Commerce, in 2013, the San Diego metropolitan area was the 19th largest export market in the United States, with merchandise shipments totaling \$17.9 billion. This is up \$702 million (4.1%) from the \$17.2 billion in merchandise exported in 2012.

The military continues to play an important role in the San Diego economy. Seven major military bases in the area are operated between the Navy and the Marines. According to the San Diego Military Advisory Council, there are approximately 133,000 uniformed military personnel and Department of Defense civilians employed in the County including approximately 100,000 active duty military personnel, 8,600 reserves and 24,000 full-time civilian workers. The estimated direct defense-related spending by the military in the County for the fiscal year ending September 30, 2014 fell approximately 2% to \$25.2 billion from \$25.8 billion for the federal fiscal year ending September 30, 2013. Over the years, the presence of military installations has not only directly stimulated the region’s economy but has also extended benefits in the area of manufacturing and research and development. The repair and maintenance of naval vessels provides thousands of jobs in the region at employers such as General Dynamics-NASSCO, BAE Systems, Northrop Grumman, and Pacific Ship Repair & Fabrication.

Tourism is a major economic driver for the City. According to the San Diego Tourism Authority, in 2013, the total economic impact of the visitor industry on the San Diego regional economy was \$18.7 billion and travelers produced \$410 million in total tax revenues. Recent surveys identify San Diego as the 5th-ranked leisure tourism destination and the 10th-ranked business destination in the United States. In 2013, San Diego attracted 33.1 million visitors spending approximately \$8.4 billion in the local economy, up from \$7.9 billion in 2012.

Financial and Economic Trends

In the FY 2015 budget, the City’s four major operating revenue sources, property tax, sales tax, transient occupancy tax (TOT), and franchise fees, made up 73% of the General Fund budgeted revenue. Excluding onetime property tax revenue related to the dissolution of the former Redevelopment Agency, major revenues in FY 2015 are expected to increase by 4.5% over FY 2014 actual revenues. Development of the FY 2015 budget incorporated projections for an improved economic outlook based on the continuing trend of increases in median home prices, home sales, consumer spending, tourism, business travel, and employment levels. The table below shows historical trends for the City’s major revenues of the General Fund for the past four fiscal years and the estimated revenue for FY 2015 (dollars in millions):

| Fiscal Year | Property Tax ¹ | Sales Tax | TOT ² | Franchise Fees | Total | Change \$ | Change % |
|-------------|---------------------------|-----------|------------------|----------------|---------|-----------|----------|
| 2011 | \$384.0 | \$215.9 | \$73.4 | \$65.5 | \$738.8 | | |
| 2012 | 385.2 | 220.3 | 78.3 | 69.1 | 752.9 | \$14.1 | 1.9% |
| 2013 | 400.1 | 232.9 | 83.9 | 67.7 | 784.6 | 31.7 | 4.2% |
| 2014 | 408.8 | 245.9 | 89.7 | 72.0 | 816.4 | 31.8 | 4.1% |
| 2015 Budget | 428.3 | 257.1 | 92.3 | 72.0 | 849.7 | 33.3 | 4.1% |

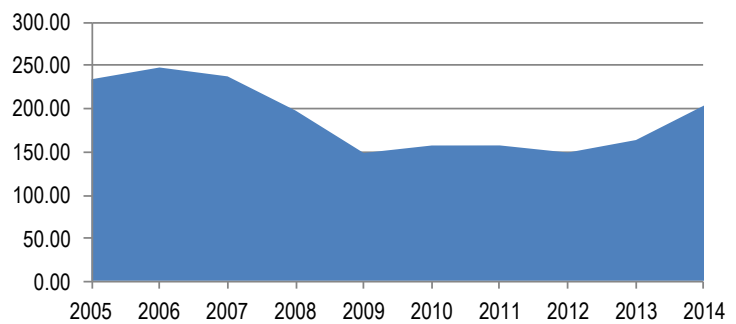
¹ Excludes onetime Property Tax revenue of \$87.4 million, for fiscal years 2012 through 2014, related to the dissolution of the former Redevelopment Agency.

² Includes General Fund allocation only (excludes TOT allocated to Special Promotional Programs).

Property Tax revenue is affected by the California Consumer Price Index (CCPI), home sales, home prices, and foreclosures. The CCPI drives assessed valuation under Proposition 13. The California Department of Finance forecasts 2014 CCPI growth of 2.25%; therefore, the assessed valuation of properties not improved or sold is expected to increase by 2% for FY 2016. The County of San Diego has seen positive growth in home prices, with a calendar 2014 year-to-date increase of 6.3% in the median home price, while year-to-date home sales have decreased 13.7%. Based on property sales that have occurred as of September 2014 and a 2% increase in CCPI, it is estimated the City's Assessed Valuation (AV) would increase by 3.36% for FY 2016. In addition to positive home price growth, there are also year-to-date declines of 26.6% in notices of default, and 41.6% decline in foreclosures.

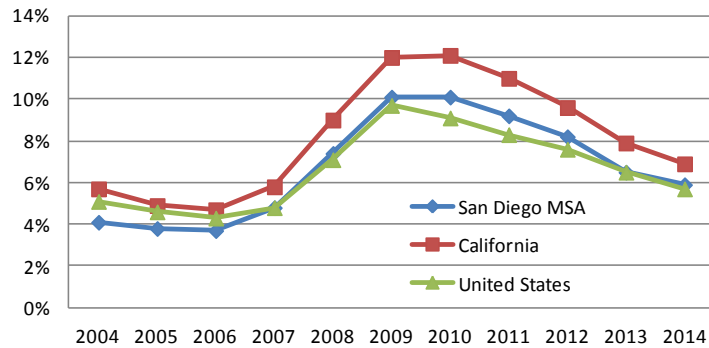
The Standard & Poor's Case-Shiller Home Price Index is useful in assessing trends for home prices. The graph on the right shows home prices decreasing during the housing market decline from 2007 through 2009 then improving through the current year. The Index for the San Diego metropolitan area, for August 2014, reported a level of 200.68, down -0.26% from the previous month and up 6.23% from one year ago. This trend suggests that, while housing prices have shown an increase compared to the same month last year, home prices may have stabilized in more recent months.

Case-Schiller Home Price Indicator - San Diego Region
Calendar Years 2005 - 2014



The City's second largest revenue source is Sales Tax. The total citywide Sales Tax rate in San Diego is 8.0%, of which the City receives approximately 1.0%. The major local economic drivers of the City's Sales Tax revenue include the unemployment rate and consumer confidence. As of September 2014, the San Diego unemployment rate was 5.9%, compared to 7.3% in September 2013, as reported by the California Employment Development Department. For comparison, the local unemployment rate in the years 2000 through 2008 in the region ranged between 4% and 5%. As the local unemployment rate continues to improve and become closer to historical averages, consumer confidence is projected to increase, leading to continued improvements in the City's Sales Tax receipts.

Comparative Unemployment Rates
Calendar Years 2005-2014



Major economic drivers for Transient Occupancy Tax (TOT) revenue include seasonal and non-seasonal tourism, business travel and conventions. Sustained positive tourism growth has occurred since the economic turnaround began in FY 2010 and this trend is expected to continue through FY 2015 and beyond, according to the August 2014 Quarterly Travel Forecast from the San Diego Tourism Authority (SDTA). Slow but steady growth in hotel room demand and occupancy is forecasted through FY 2017 and is then expected to level off as displayed in the following table:

| Tourism Forecast | CY 2014 | CY 2015 | CY 2016 | CY 2017 | CY 2018 |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| Visitor Growth | 2.4% | 2.3% | 2.5% | 1.9% | 1.6% |
| Overnight | 3.6% | 1.2% | 1.8% | 1.5% | 1.4% |
| Room Demand | 5.7% | 2.0% | 1.8% | 1.5% | 0.9% |
| Occupancy | 74.6% | 75.4% | 75.7% | 76.0% | 76.0% |
| Average Daily Rate | \$ 141.73 | \$ 150.29 | \$ 159.11 | \$ 166.64 | \$ 174.00 |

Source: Toursim Economics Inc.

The Franchise Fees revenue category includes payments from San Diego Gas and Electric (SDG&E) and cable television providers for the use of the City's rights-of-way. The City also collects refuse hauler fees based on the total amount of refuse hauled annually. The FY 2016 projection for the Franchise Fees category is \$73.4 million, a \$1.4 million increase over the FY 2015 budget estimate of \$72.0 million.

Long Term Financial Planning and Relevant Financial Policies

Five year Outlook

Each year the City of San Diego develops a Five-Year Financial Outlook (Outlook) which is the guiding document for long-range fiscal planning and serves as the framework for development of the next adopted budget. The Outlook has been published since November 2006 and incorporates a range of information on items that influence projected revenues and anticipated appropriation needs over the next five fiscal years. The incorporation of more information in the Outlook, particularly those affecting appropriation needs, informs the City Council and the public on the long-term costs of programs in the context of the City's overall General Fund budget and projected revenue growth. The Outlook can be obtained online at www.sandiego.gov/fm/financial/index.shtml.

Reserves

Strong financial reserves position the City of San Diego to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the City. The City updated its reserve policy in 2014, increasing the General Fund Reserve from 8% to 14%. The City's General Fund Reserves are comprised of two separate components: (1) the Emergency Reserve, maintained for the purpose of sustaining General Fund operations in the case of a public emergency, and (2) the Stability Reserve, maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The Emergency Reserve may be expended only if an event is determined to be a public emergency by a two-thirds vote of the City Council while appropriations from the Stability Reserve require approval by a majority of the City Council. In addition, the City maintains other reserves to manage risk, including reserves for public liabilities and for obligations related to workers' compensation and long-term disability of the City's employees. The City also maintains reserves for many of its enterprise funds including the Water and Sewer Utility Funds.

| Reserve | Target ² | Target Amount | Reserves as of June 30, 2014 | Actual over Target |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------|------------------------------|--------------------|
| General Fund Emergency Reserve ¹ | 8% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis) | \$85.6 | \$85.6 | 100% |
| General Fund Stability Reserve ¹ | 6% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis) | \$64.2 | \$64.2 | 100% |
| Public Liability Reserve | 50% of outstanding public liability claims based on the annual actuarial liability valuations for the three most recent fiscal years | \$32.2 | \$39.6 | 123% |
| Workers' Compensation Reserve | 25% of outstanding workers' compensation claims based on the annual actuarial liability valuations for the three most recent fiscal years | \$43.0 | \$47.2 | 110% |
| Long-Term Disability Reserve | 100% of long-term disability claims based on the annual actuarial liability valuations for the three most recent fiscal years | \$13.8 | \$14.8 | 107% |

¹ For purposes of the General Fund Reserve Policy, the General Fund is the operational fund as presented in the City's annual budget document and excludes other funds which are consolidated with the General Fund for presentation in the CAFR in accordance with GASB 54.

² References to three most recent years are for actuarial valuations and audited revenues available as of June, 30, 2014.

The table above identifies the target and actual amounts for the General Fund Emergency and Stability reserves and reserves related to risk management (dollars in millions). The General Fund's Emergency Reserve of \$85.6 million is reported as restricted fund balance in the financial statements. The General Fund's assigned and unassigned fund balance, as of June 30, 2014, was \$96.9 million of which \$64.2 million represents the General Fund's Stability Reserve and the balance of \$32.7 million is available for appropriation as of June 30, 2014 (\$12.8 million of unassigned fund balance was budgeted in FY 2015 for public liability claim expenditures). The Public Liability and Workers' Compensation reserves are reported as part of the General Fund's committed fund balance. The Long-Term Disability reserve is reported as part of the Miscellaneous Internal Service Fund and represents Net Position of the fund less long-term disability liability claims. As of June 30, 2014, risk management reserves exceeded target amounts; however, liability claims paid after the end of fiscal year 2014 could reduce reserve balances.

Other Financial Policies

In addition to policies related to reserves, budget development, budget monitoring and the five year financial outlook, the City has adopted a comprehensive set of financial policies including policies on debt management, investments, Capital Improvement Program prioritization and transparency, among others. A summary of these policies can be found online at www.sandiego.gov/fm/annual/pdf/fy15/vol1/v1fiscalpolicies.pdf.

Major Accomplishments and Initiatives

The City continues to develop initiatives to grow jobs and the local economy. In FY 2015, the City re-established the Economic Development Department, creating a single department to focus on business retention and expansion, economic development issues and partnerships with local, national, and international stakeholders. In addition, the current administration focused on strengthening its economic ties with Mexico. In March 2014, Mayor Faulconer met with Mexican officials to discuss ways to work together on the binational railroad, an enhanced driver's license program, funding for land ports of entry, comprehensive immigration reform and other important border projects including city border infrastructure, the San Ysidro port of entry expansion, pedestrian border access, road quality issues and lighting issues.

The City made public safety a priority in its FY 2015 budget by adding a \$3.2 million police officer retention program, four police academies, 45 sworn police positions and 17 civilian positions to support the Police Department operations. In addition, the budget allocated resources for emergency first responders in Southeastern San Diego

where response times have historically been among the slowest. The budget allocated \$1 million to build a temporary fire station in Skyline while a permanent facility is being planned.

The FY 2015 budget restored library hours to 48 hours per week and expanded library services on weekends. In addition, the budget funded the City's first comprehensive after-school program. The Do Your Homework @ the Library Program provides one-on-one assistance to children at targeted K-8 schools in San Diego for school-assigned homework. The program adds learning coordinators at 18 San Diego libraries where curriculum-aligned resources, technology and community partnerships work in tandem to support students.

In September 2014, the City released an updated Climate Action Plan for the City of San Diego, which calls for eliminating half of all greenhouse gas emissions in the City and aims for all electricity used in the City to be from renewable sources by 2035. The Climate Action Plan includes policies to benefit the environment, create new jobs in the renewable energy industry, increase local energy production and save taxpayer money.

Mayor Faulconer intends to dedicate at least 50 percent of the City's new major general fund revenue growth toward infrastructure and neighborhood repairs. The 2015 budget added 16 additional workers for pothole repair and projects to double the amount of asphalt repaired annually. The total Capital Improvement Program FY 2015 budget is \$310.0 million in addition to \$784.5 million in continuing appropriations.

Acknowledgments

The preparation of this report would not have been possible without the dedication and professionalism of the entire staff of the Office of the City Comptroller. We wish to thank all City departments and component units for their assistance in providing information for this report. We also want to thank the City's independent auditors, Macias Gini & O'Connell LLP for their efforts.

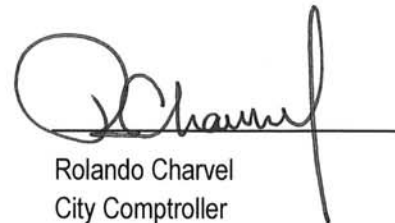
Respectfully submitted,



Scott Chadwick
Chief Operating Officer



Mary Lewis
Chief Financial Officer



Rolando Charvel
City Comptroller

City of San Diego Current Officials

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



Mayor Kevin Faulconer

District 1
Councilmember Sherri Lightner



District 6
Councilmember Lorie Zapf

District 2
Councilmember Ed Harris



District 7
Councilmember Scott Sherman

District 3
Council President Todd Gloria



District 8
Councilmember David Alvarez

District 4
Councilmember Myrtle Cole



District 9
Councilmember Marti Emerald

District 5
Councilmember Mark Kersey

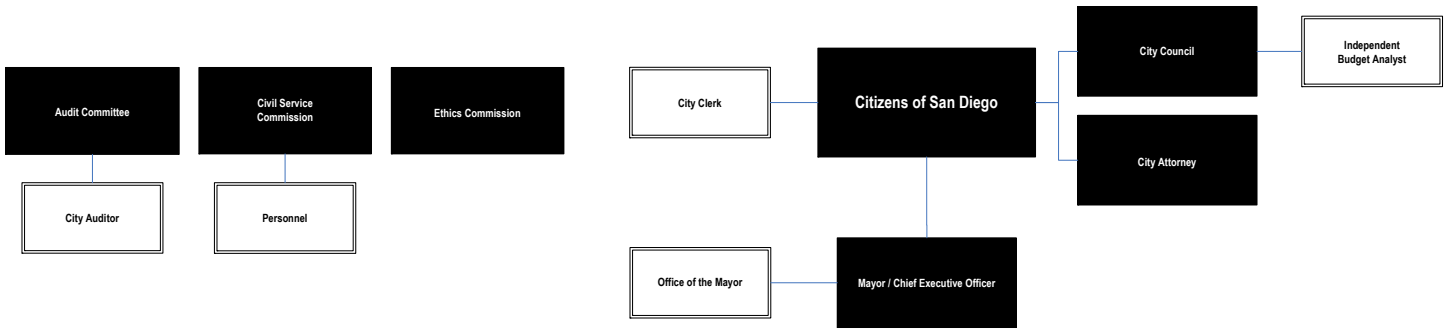


City Attorney
Jan Goldsmith

Other City Officials

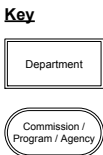
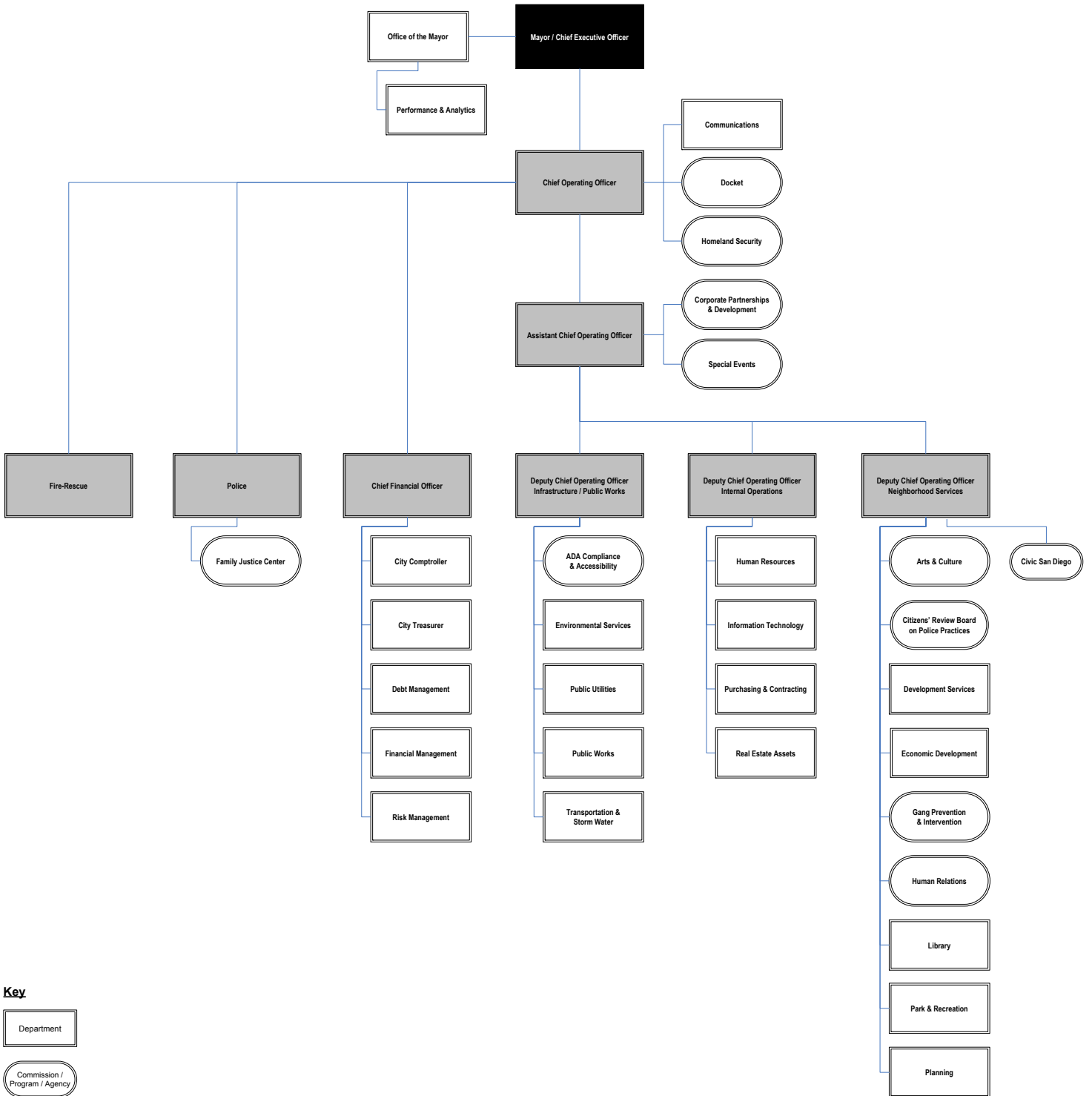
Scott Chadwick, Chief Operating Officer
 Mary Lewis, Chief Financial Officer
 Rolando Charvel, City Comptroller
 Gail R. Granewich, City Treasurer
 Elizabeth Maland, City Clerk
 Andrea Tevlin, Independent Budget Analyst
 Eduardo Luna, City Auditor

City of San Diego Legislative Organization Chart*



*As of the issuance date of this report

City of San Diego Operations Organization Chart*



*As of the issuance date of this report

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 represent 93%, 96%, and 88%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Changes in Accounting Principles

As discussed in Notes 1v and 23 to the basic financial statements, effective July 1, 2013, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Furthermore, as discussed in Note 23, the City reclassified the activities of certain special revenue and internal service funds to the general fund.

Defined Benefit Pension Plan - Unfunded Actuarial Accrued Liability

As discussed in Note 11 to the basic financial statements, based on the most recent actuarial valuation of the City's defined benefit pension plan, the San Diego City Employees' Retirement System's (SDCERS) third-party actuary determined that, as of June 30, 2013, the actuarial accrued liability exceeded the actuarial value of assets by \$2.2 billion.

Postemployment Healthcare Plan - Unfunded Actuarial Accrued Liability

As discussed in Note 12 to the basic financial statements, based on the most recent actuarial valuation of the City's other postemployment benefit plan, the City's third-party actuary determined that, as of June 30, 2014, the actuarial accrued liability exceeded the actuarial value of assets by \$479 million.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

San Diego California
December 5, 2014

This Page Intentionally Left Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2014
(Dollars in Thousands)

As management of the City of San Diego (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2014. We encourage the reader to consider the information presented here in addition to the information presented in the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. Over time, increases or decreases in net position 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 position during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and cost of issuance and interest on debt service. The business-type activities of the City include: Sewer Utility; Water Utility; Airports; Development Services; Environmental Services; Golf Course; and Recycling.

The government-wide financial statements include the City (known as the primary government) and the following legally separate, discretely presented component units: San Diego Convention Center Corporation (SDCCC) and San Diego Housing Commission (SDHC). Financial information for these component units is reported separately from the financial information presented for the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements since they are not part of the primary government. Fiduciary component units include the San Diego City Employees' Retirement System (SDCERS) and the Successor Agency of the former Redevelopment Agency of the City of San Diego (Successor Agency). Blended component units, also legally separate entities, are a part of the City's operations and are combined with the primary government.

Included within the primary government as blended component units are the following:

- Civic San Diego (CSD)
- City of San Diego/Metropolitan Transit Development Board Authority (City/MTDB Authority)
- Convention Center Expansion Financing Authority (CCEFA)

- Public Facilities Financing Authority (PFFA)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

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 Combining and Individual Fund Financial Statements and Schedules section of this report.

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

The basic governmental funds financial statements can be found beginning on page 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, such as Sewer and Water Utilities. Internal service funds, such as Fleet Services, Central Stores, Publishing Services, and San Diego Data Processing Corporation are used to report activities that provide centralized supplies and/or services to the City.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer and Water Utility funds, which are considered to be major funds of the City. Data for the nonmajor proprietary funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Combining and Individual Fund Financial Statements and Schedules section of this report are individual fund data for the nonmajor proprietary funds and the internal service funds. The basic proprietary funds financial statements can be found beginning on page 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 statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found beginning on page 62 of this report.

NOTES TO THE BASIC 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 basic financial statements can be found beginning on page 64 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and postemployment healthcare benefits to its employees, employer contributions to the postemployment healthcare benefits plan and the General Fund's budgetary comparison schedule. Required supplementary information can be found beginning on page 183 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information beginning on page 217 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

CITY OF SAN DIEGO CONDENSED STATEMENT OF NET POSITION
(Dollars in Thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|----------------------------------|-------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|
| | 2014 | 2013 ¹ | 2014 | 2013 ¹ | 2014 | 2013 ¹ |
| Capital Assets | \$ 4,530,528 | \$ 4,496,229 | \$ 5,270,890 | \$ 5,207,184 | \$ 9,801,418 | \$ 9,703,413 |
| Other Assets | 1,910,914 | 1,789,811 | 1,286,764 | 1,277,813 | 3,197,678 | 3,067,624 |
| Total Assets | 6,441,442 | 6,286,040 | 6,557,654 | 6,484,997 | 12,999,096 | 12,771,037 |
| Deferred Outflows of Resources | 10,164 | 13,649 | 15,660 | 17,104 | 25,824 | 30,753 |
| Net Long-Term Liabilities | 1,458,664 | 1,468,569 | 2,167,099 | 2,225,253 | 3,625,763 | 3,693,822 |
| Other Liabilities | 173,221 | 173,194 | 210,787 | 196,563 | 384,008 | 369,757 |
| Total Liabilities | 1,631,885 | 1,641,763 | 2,377,886 | 2,421,816 | 4,009,771 | 4,063,579 |
| Deferred Inflows of Resources | - | - | 3,276 | 3,458 | 3,276 | 3,458 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 3,988,284 | 3,963,306 | 3,526,979 | 3,378,535 | 7,515,263 | 7,341,841 |
| Restricted | 1,106,353 | 975,025 | 27,284 | 32,715 | 1,133,637 | 1,007,740 |
| Unrestricted | (274,916) | (280,405) | 637,889 | 665,577 | 362,973 | 385,172 |
| Total Net Position | \$ 4,819,721 | \$ 4,657,926 | \$ 4,192,152 | \$ 4,076,827 | \$ 9,011,873 | \$ 8,734,753 |

¹ Fiscal Year 2013 amounts have been restated (See Note 23) and/or reclassified to conform with current year presentation.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,011,873 as of June 30, 2014, an increase of \$277,120, or approximately 3%, over fiscal year 2013.

Of Total Net Position, \$7,515,263, or approximately 83% represents the City's net 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 and deferred outflows of resources. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves generally are not used to liquidate these liabilities.

Restricted Net Position is \$1,133,637, or approximately 13% of total Net Position, representing resources that are subject to external restrictions on how they may be used. The remaining balance of \$362,973, or approximately 4%, represents Unrestricted Net Position which is available to fund ongoing services to the City's citizens and obligations to its creditors.

Total Net Position resulting from governmental activities increased by \$161,795, or approximately 3%. Net Investment in Capital Assets increased by \$24,978, resulting from a net increase in capital assets for governmental activities of \$34,299 offset by an increase in debt used to acquire these assets of \$9,321. Restricted Net Position increased by \$131,328, or approximately 13%, primarily due to increases in the General Fund Emergency Reserve per the City's Reserve Policy, combined with increases in other restricted funds such as the Facilities Benefit Assessments Fund, Traffic Congestion Relief (Prop 42) Fund, Underground Surcharge Fund, and the Low-Moderate Income Housing Fund.

Total Net Position resulting from business-type activities remained stable, with an increase of \$115,325, or approximately 3%. Net Investment in Capital Assets increased by \$148,444, or approximately 4%, and Unrestricted Net Position decreased by \$27,688, or approximately 4%.

CITY OF SAN DIEGO CONDENSED STATEMENT OF ACTIVITIES
(Dollars in Thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|----------------------------------------------------|-------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|
| | 2014 | 2013 ¹ | 2014 | 2013 ¹ | 2014 | 2013 ¹ |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 410,480 | \$ 409,156 | \$ 933,739 | \$ 892,087 | \$ 1,344,219 | \$ 1,301,243 |
| Operating Grants and Contributions | 60,591 | 82,760 | 1,531 | 1,761 | 62,122 | 84,521 |
| Capital Grants and Contributions | 120,538 | 152,193 | 70,739 | 91,878 | 191,277 | 244,071 |
| General Revenues | | | | | | |
| Property Taxes | 470,905 | 421,894 | - | - | 470,905 | 421,894 |
| Transient Occupancy Taxes | 173,376 | 158,105 | - | - | 173,376 | 158,105 |
| Sales Taxes - Shared State Revenue | 282,345 | 269,504 | - | - | 282,345 | 269,504 |
| Other Local Taxes | 186,747 | 166,548 | - | - | 186,747 | 166,548 |
| Grants and Contributions not Restricted to | | | | | | |
| Specific Programs | 674 | 705 | - | - | 674 | 705 |
| Investment Income | 13,627 | 9,220 | 8,489 | 2,429 | 22,116 | 11,649 |
| Other | 80,247 | 80,783 | 12,096 | 11,520 | 92,343 | 92,303 |
| Total Revenues | 1,799,530 | 1,750,868 | 1,026,594 | 999,675 | 2,826,124 | 2,750,543 |
| Expenses: | | | | | | |
| General Government and Support | 286,798 | 316,455 | - | - | 286,798 | 316,455 |
| Public Safety-Police | 441,803 | 417,283 | - | - | 441,803 | 417,283 |
| Public Safety-Fire, Life Safety, Homeland Security | 253,741 | 234,752 | - | - | 253,741 | 234,752 |
| Parks, Recreation, Culture and Leisure | 267,523 | 268,415 | - | - | 267,523 | 268,415 |
| Transportation | 192,928 | 201,267 | - | - | 192,928 | 201,267 |
| Sanitation and Health | 89,448 | 67,271 | - | - | 89,448 | 67,271 |
| Neighborhood Services | 70,191 | 79,503 | - | - | 70,191 | 79,503 |
| Debt Service: | | | | | | |
| Interest | 35,226 | 37,942 | - | - | 35,226 | 37,942 |
| Cost of Issuance | 518 | - | - | - | 518 | - |
| Sewer Utility | - | - | 326,437 | 337,926 | 326,437 | 337,926 |
| Water Utility | - | - | 443,453 | 434,702 | 443,453 | 434,702 |
| Airports | - | - | 4,663 | 4,948 | 4,663 | 4,948 |
| Development Services | - | - | 50,825 | 47,751 | 50,825 | 47,751 |
| Environmental Services | - | - | 33,724 | 34,192 | 33,724 | 34,192 |
| Golf Course | - | - | 16,423 | 16,619 | 16,423 | 16,619 |
| Recycling | - | - | 20,475 | 20,857 | 20,475 | 20,857 |
| Total Expenses | 1,638,176 | 1,622,888 | 896,000 | 896,995 | 2,534,176 | 2,519,883 |
| Change in Net Position Before Transfers and | | | | | | |
| Extraordinary Loss: | 161,354 | 127,980 | 130,594 | 102,680 | 291,948 | 230,660 |
| Transfers | 15,269 | 20,012 | (15,269) | (20,012) | - | - |
| Extraordinary Loss | (14,828) | (28,070) | - | (1866) | (14,828) | (29,936) |
| Change in Net Position | 161,795 | 119,922 | 115,325 | 80,802 | 277,120 | 200,724 |
| Net Position - July 1, as Restated | 4,657,926 | 4,538,004 | 4,076,827 | 3,996,025 | 8,734,753 | 8,534,029 |
| Net Position - June 30 | \$ 4,819,721 | \$ 4,657,926 | \$ 4,192,152 | \$ 4,076,827 | \$ 9,011,873 | \$ 8,734,753 |

¹ Fiscal Year 2013 amounts have been restated (See Note 23)

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$161,795 during fiscal year 2014. Variances from fiscal year 2013 of more than 10% are discussed below.

- Operating Grants and Contributions decreased by \$22,169, or approximately 27%. This was partially caused by a decrease in contributions received from the Successor Agency. During fiscal year 2013, the Successor Agency made a payment to the Petco Park Fund for debt service, which did not recur in fiscal year 2014. In addition, there were year over year decreases in tobacco revenues related to a settlement disbursement received in the prior year and decreases in the recognition of Community Development Block Grant (CDBG) revenues.
- Capital Grants and Contributions decreased by \$31,655, or approximately 21%, primarily due to the final donation for construction of the new main library being recognized in fiscal year 2013.
- Property Taxes increased by \$49,011, or approximately 12%, primarily due to a onetime residual distribution of \$34,900 from the Redevelopment Property Tax Trust Fund (RPTTF) related to the Due Diligence Review of the Successor Agency's Non-Housing Assets. Also contributing to the variance were increases in the 1.0 percent base property taxes and Motor Vehicle License Fees (MVLFF).
- Transient Occupancy Taxes increased by \$15,271, or approximately 10%, primarily due to increases in the average hotel occupancy rate and increases in the average daily hotel rate.
- Other Local Taxes increased by \$20,199, or approximately 12%. This was primarily due to the Highway Users Tax Account (HUTA) look-back revenue adjustments made related to the California Streets and Highways Code Section 2103 excise tax swap, combined with increases in SDG&E franchise revenues received by the General Fund and the Underground Surcharge Fund.
- Investment income increased by \$4,407, or approximately 48%, primarily due to interest income recognized in fiscal year 2014 related to the refinancing of a note receivable in the Low-Moderate Income Housing Fund, combined with the net effect of unrealized gains and losses on the City's investment pool.
- Sanitation and Health expense increased by \$22,177, or approximately 33%, primarily due to increases in public liability claim expenses for both the Environmental Services and Storm Water departments, as well as an accrued liability of \$5,667 for pollution remediation (see Note 17).
- Neighborhood Services expense decreased by \$9,312, or approximately 12%, primarily due to a onetime payment to the County of San Diego in fiscal year 2013 related to the Due Diligence Review of housing assets resulting from the Redevelopment Agency dissolution.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$115,325 during fiscal year 2014. Variances from fiscal year 2013 of more than 10% are discussed below.

- Capital Grants and Contributions decreased by \$21,139, or approximately 23%, primarily due to a onetime capital asset donation from the San Diego County Water Authority during fiscal year 2013, which was partially offset by increases in capacity charges contributed by developers for Sewer and Water Utilities.
- Investment income increased by \$6,060, or approximately 249%, primarily due to the net effect of unrealized gains and losses on the City's investment pool.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

As of the end of fiscal year 2014, the City's governmental funds reported combined ending fund balances of \$1,511,427, an increase of \$134,874 from fiscal year 2013. Approximately \$76,197 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it has been primarily restricted or committed (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual funding of various programs, or (4) for a variety of other purposes.

The General Fund is the principal operating fund of the City. Total Fund Balance for the General Fund was \$350,114, an increase of \$3,330 from fiscal year 2013, after restatements of \$124,286 for the following items: A reclassification of the Workers' Compensation and Public Liability components of the Self Insurance fund as part of the General Fund; the consolidation of several Special Revenue funds with the General Fund as of the beginning of fiscal year 2014, including Environmental Growth and Special Gas Tax Street Improvement, as well as several funds from the Other Special Revenue-Budgeted and Other Special Revenue-Unbudgeted categories; and the correction of accrued neighborhood services expenditures for the downtown parking meter district (See Note 23 for additional information).

General Fund revenue totaled \$1,260,618, which is an increase of \$92,415, after restatements of \$64,646. The increase was primarily due to a one-time distribution of property taxes from the Redevelopment Property Tax Trust Fund (RPTTF) and growth in Sales Tax revenue. General Fund expenditures totaled \$1,267,040, which is an increase of \$112,955, after restatements of \$7,254. The increase was mainly due to expenditures associated with the Mayoral Special Elections, higher annual required contributions for pension in fiscal year 2014, and higher flexible benefit costs as a result of five-year labor agreements executed in June 2013.

PROPRIETARY FUNDS

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

As of the end of fiscal year 2014, total Net Position for the Sewer Utility Fund was \$2,349,378, an increase of \$73,955, or approximately 3% over fiscal year 2013, after restatements of (\$15,495) for the following items: GASB 65 adjustments for bond issuance costs; and the reclassification of liability claims for workers' compensation (See Note 23). The Net Investment in Capital Assets accounted for the majority of the variance, with an increase of \$73,571. This is comprised of a net increase in capital assets of \$17,541, mainly in the construction in progress and distribution and collection systems infrastructure categories, combined with a net decrease in long-term debt of \$56,030. Unrestricted Net Position of the Sewer Utility Fund remained stable at \$327,793, an increase of \$5,212, or approximately 2% over fiscal year 2013. Total Operating Income for the Sewer Utility Fund also remained fairly stable at \$92,012, an increase of approximately 6% over fiscal year 2013.

The Water Utility Fund had total Net Position of \$1,683,916 at the end of fiscal year 2014, an increase of \$45,499, or approximately 3%, after restatements of (\$13,893) for the following items: GASB 65 adjustments for bond issuance costs; and the reclassification of liability claims for workers' compensation (See Note 23). The Net Investment in Capital Assets increased by \$78,862. This is comprised of a net increase in capital assets of \$50,154, mainly in the construction in progress and

distribution and collection systems infrastructure categories, combined with a net decrease in long-term debt of \$28,708. The Unrestricted Net Position of the Water Utility Fund was \$248,876, a decrease of \$32,178, or approximately 11% from fiscal year 2013. This decrease was primarily caused by the use of Unrestricted Net Position to fund additions to capital assets. Total Operating Income for the Water Utility Fund was \$43,069, an increase of approximately 35% over fiscal year 2013. Operating revenues increased by \$33,057, or approximately 8%, primarily due to a 7.25% Council approved water rate increase that became effective in January 2014. Operating expenses increased by \$21,920, or approximately 6% primarily due to an increase in the cost of purchased water from the City's wholesale water supplier, the San Diego County Water Authority.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following General Fund budgetary highlights include only those funds associated with General Fund operations as reported in the City's budget, and exclude the additional budgeted funds included with the General Fund for GAAP reporting purposes. The final budget for General Fund expenditures and transfers out was \$44,141 higher than the original budget due to increases (decreases) in appropriations primarily attributed to the following:

- \$34,835 for General Government and Support. This increase was primarily due to increased Public Liability costs and two unanticipated mayoral special elections.
- \$12,487 for Public Safety-Police. The increase was primarily due to higher task force related overtime and fringe benefit costs, increased usage rates due to the delayed implementation of the Fleet Services managed competition program and fiscal year 2014 costs related to urgent repairs made to the emergency generator located at Police headquarters.

Actual revenues received in the General Fund were \$17,512 higher than budgeted. Property Tax revenues were over budget by \$16,662, primarily due to a one time residual distribution from the Redevelopment Property Tax Trust Fund (RPTTF) related to the Due Diligence Review of the Successor Agency's Non-Housing Assets resulting from the Redevelopment Agency dissolution. Transient Occupancy Tax revenues were over budget by \$1,815, primarily due to continued growth in the local tourism industry. Other Local Tax revenues were over budget by \$4,804, due to increases from SDG&E franchise fees. Licenses and Permits were over budget by \$3,115 due to several small increases spread across various Licenses and Permits categories. Revenue from Other Agencies was over budget by \$2,247, due to Assembly Bill 109 Public Safety Realignment (AB 109) from the California Board of State and Community Corrections. Charges for Current Services revenues were under budget by \$11,919 primarily as a result of the Park and Recreation and Transportation and Storm Water departments providing less reimbursable services than anticipated in the budget.

Actual expenditures for the General Fund were \$20,869 under budget. General Government and Support had appropriation savings of \$13,057 due to lower than anticipated consulting services and position vacancies. Sanitation and Health had appropriation savings of \$1,335 due primarily to vacant positions. Neighborhood Services had appropriation savings of \$1,772 primarily due to various delays in developing the Community Plan Updates.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|-------------------------------------|-------------------------|---------------------|--------------------------|---------------------|-----------------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land and Rights of Way | \$ 1,764,927 | \$ 1,729,238 | \$ 97,013 | \$ 97,036 | \$ 1,861,940 | \$ 1,826,274 |
| Easements | 769 | 656 | 1,702 | 667 | 2,471 | 1,323 |
| Construction in Progress | 239,295 | 389,928 | 226,399 | 191,265 | 465,694 | 581,193 |
| Structures and Improvements | 830,048 | 667,773 | 1,156,089 | 1,181,453 | 1,986,137 | 1,849,226 |
| Equipment | 146,834 | 140,776 | 138,108 | 147,443 | 284,942 | 288,219 |
| Intangible Equipment | 12,371 | 23,546 | 18,342 | 15,939 | 30,713 | 39,485 |
| Distribution and Collection Systems | - | - | 3,633,237 | 3,573,381 | 3,633,237 | 3,573,381 |
| Infrastructure | 1,536,284 | 1,544,312 | - | - | 1,536,284 | 1,544,312 |
| Totals | \$ 4,530,528 | \$ 4,496,229 | \$ 5,270,890 | \$ 5,207,184 | \$ 9,801,418 | \$ 9,703,413 |

CAPITAL ASSETS

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

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2014 was \$9,801,418 (net of accumulated depreciation/amortization). There was an overall increase in the City's investment in capital assets over fiscal year 2013 of approximately \$98,005. Readers interested in more detailed information on capital asset activity should refer to Note 4.

HIGHLIGHTS OF FISCAL YEAR 2014 CAPITAL IMPROVEMENT ACTIVITIESGovernmental Activities

- The New Main Library opened on September 30, 2013. This project provides a new multi-story, multi-use facility that includes a Charter High School, auditorium, art gallery and multiple public meeting spaces. The 500,000 square foot building meets current library needs and provides room for growth. The City's fiscal year 2014 capital expenditures for this project were \$7,527. The project was funded by multiple sources including grant funds, private donations and former Redevelopment Agency (RDA) funds.

- The asphalt overlay of approximately 70 miles of roads citywide, and the installation of nearly 1,000 new curb ramps was completed during fiscal year 2014. These projects will result in improved surface street conditions and reduce our level of transportation related deferred capital costs. Funded primarily by the Deferred Capital Bonds and Gas Tax, the City's fiscal year 2014 expenditures for these projects were \$24,520.
- Several projects that focus on removing barriers in the public right of way, as well as improving access to existing City facilities, as required by the Americans with Disabilities Act (ADA) are currently underway and in various stages of completion. City-wide expenditures on dedicated ADA projects in fiscal year 2014 were \$4,380.
- Construction began on Fire Station #45 – East Mission Valley during fiscal year 2014. Once complete, this project will provide the Mission Valley community with a station capable of housing 18 personnel, two engines, one ambulance, and other major fire apparatus. Total fiscal year 2014 capital expenditures for this project were \$2,362.
- The installation phase of a new citywide in-station alerting system at all fire stations began in fiscal year 2014. Once complete, the new system will replace the twenty-one year old system. The updated system will help to reduce response times. Fiscal year 2014 expenditures for this project totaled \$2,439. It is anticipated that the project will be completed during fiscal year 2015.
- Construction was completed on the Memorial Pool Improvements project during fiscal year 2014. This project involved the demolition of the existing 40 year old pool and the design and construction of a new pool. Also a child's water play area was installed as part of the improvement. Project expenditures for fiscal year 2014 were \$2,607.
- Construction continued on the Pedestrian Bridge along Shoal Creek Drive over Ted Williams Parkway. This pedestrian bridge is located near Shoal Creek Elementary School and will increase pedestrian safety when crossing Ted Williams Parkway. Fiscal year 2014 expenditures totaled \$2,700.
- The Avenida de la Playa Storm Drain Infrastructure project began construction during the 2014 fiscal year. This project will reduce flooding in the area by increasing pipe capacity. Also, the dry-weather run off will be reduced via the addition of a hydrodynamic separator, and the replacement of the low-flow diversion and outlet box. Project expenditures in fiscal year 2014 totaled \$2,919.

Business-Type Activities

During fiscal year 2014, the Water Utility Fund incurred capital expenses of approximately \$55,180 related to capital improvement projects (CIP). The following major projects continued during fiscal year 2014: Scripps Ranch Pump Station; Harbor Drive Pipeline Replacement; Water Group Jobs 926 and 949 (large-scale pipeline replacements); and Water Department Security Upgrades. Capital asset write-offs (net) for fiscal year 2014 were approximately \$1,937 and were primarily related to losses on abandoned projects and retirements of distribution and collection system assets.

During fiscal year 2014, the Sewer Utility Fund incurred capital expenses of approximately \$54,050 related to CIP, of which the Metropolitan system CIP increased approximately \$16,930, and the Municipal system CIP increased approximately \$37,120. The following major projects continued during fiscal year 2014: Point Loma Grit Processing Improvements; Pump Station 84 Upgrade and Pump Station 62 Abandonment; Ovation (monitoring and control software) Upgrade at North City Water Reclamation Plant; and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs (net) for fiscal year 2014 were approximately \$1,681 and were primarily related to losses on abandoned projects and retirements of distribution and collection system assets.

HIGHLIGHTS OF THE APPROVED FISCAL YEAR 2015 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

The Annual Adopted Capital Improvements Budget for fiscal year 2015 is \$309,972. The largest funding allocation is for Water and Sewer projects, which makes up over 68% of the total CIP budget. The second largest allocation is for Transportation and Storm Water related projects, representing 15% of the total adopted CIP Budget. Funding for governmental projects includes: TransNet funds; facilities benefit assessments; developer impact fees; developer contributions; federal, state, local, and private contributions; land sale proceeds; and deferred capital projects bonds. Highlights of the key budgets by department are as follows:

Governmental Activities

- Transportation and Storm Water: \$46,980. In fiscal year 2015 approximately 80 miles of roads will be resurfaced; ten storm water pipeline replacement projects and three water quality improvement projects are scheduled to be completed. Additionally, there are plans to underground 15 miles of overhead utility lines. Additional efforts will focus on various traffic calming, signal modification, bridge rehabilitation, and pedestrian/biking improvements.
- Parks and Recreation: \$30,444. Planned project types for fiscal year 2015 include play area upgrades, joint use fields, accessibility improvements, comfort stations, picnic shelters, sports field and security lighting, open space acquisition and improvements, as well as new park development and golf course improvements and upgrades.
- Public Works – General Services: \$2,344. Projects during fiscal year 2015 will focus primarily on ADA improvements throughout the City. Fire Alarm replacements at buildings throughout the City and HVAC upgrades at Casa del Prado, the Municipal Gymnasium, and Spanish Village are also scheduled to be completed during the fiscal year.
- Library: \$1,592. Key projects in fiscal year 2015 include initiating the construction of the Skyline Hills Branch Library, as well as completing the design for the future Mission Hills – Hillcrest Branch Library.

Business-Type Activities

- The fiscal year 2015 Public Utilities CIP budget is \$211,420. Significant projects include: \$41,173 for water main replacements; \$22,500 for pipeline rehabilitation; \$55,368 for sewer main replacements, \$6,637 for standpipe and reservoir rehabilitation, \$6,233 for the Otay second pipeline installation, and \$5,470 for the Enterprise Asset Management system implementation.

COMMITMENTS AND RESTRICTIONS

The City has contractual commitments related to its CIP program which have been encumbered in the funds. The following table provides a breakdown of these commitments:

| | |
|-------------------------------|-------------------|
| Nonmajor Governmental Funds | \$ 66,592 |
| Sewer Utility | 70,451 |
| Water Utility | 49,848 |
| Nonmajor Enterprise Funds | 1,478 |
| Internal Service Funds | 18 |
| Total Contractual Commitments | <u>\$ 188,387</u> |

In addition, there are restrictions on City financial resources externally imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, including the City Charter. Note 21 identifies restrictions on governmental fund balances. In addition, there are restrictions related to enterprise funds where revenues of the fund can only be used for costs related to the enterprise.

LONG-TERM DEBT

CITY OF SAN DIEGO'S OUTSTANDING DEBT (Dollars in Thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---------------------------|---------------------------|-------------------|--------------------------|---------------------|-----------------------------|---------------------|
| | 2014 | 2013 ¹ | 2014 | 2013 ¹ | 2014 | 2013 ¹ |
| | Capital Lease Obligations | \$ 58,094 | \$ 65,369 | \$ 2,590 | \$ - | \$ 60,684 |
| QECCB Lease Obligations | 10,864 | 11,637 | - | - | 10,864 | 11,637 |
| Contracts Payable | 16,820 | 7,454 | - | - | 16,820 | 7,454 |
| Loans Payable | 13,552 | 21,638 | 161,360 | 145,330 | 174,912 | 166,968 |
| Section 108 Loans Payable | 4,081 | 5,630 | - | - | 4,081 | 5,630 |
| Revenue Bonds/Lease | | | | | | |
| Revenue Bonds | 546,930 | 533,235 | 1,778,310 | 1,850,645 | 2,325,240 | 2,383,880 |
| Tobacco Settlement | | | | | | |
| Asset-Backed Bonds | 77,785 | 81,635 | - | - | 77,785 | 81,635 |
| Totals | <u>\$ 728,126</u> | <u>\$ 726,598</u> | <u>\$ 1,942,260</u> | <u>\$ 1,995,975</u> | <u>\$ 2,670,386</u> | <u>\$ 2,722,573</u> |

¹ Fiscal year 2013 amounts have been restated (See Note 23)

At the end of fiscal year 2014, the City, including blended component units, had total debt outstanding of approximately \$2,670,386. This amount represents lease revenue bonds, tobacco settlement asset-backed bonds, contracts payable, loans payable, Section 108 loans, state revolving fund (SRF) loans, qualified energy conservation bonds (QECCBs) and capital lease obligations.

Governmental Activities

PFFA issued \$43,245 of lease revenue and lease revenue refunding bonds, series 2013A (Capital Improvement Projects and Old Town Light Rail Extension refunding) and \$6,285 of lease revenue refunding bonds, series 2013B (Balboa Park/Mission Bay Park Refunding). The series 2013B were issued to refund all of the outstanding City 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding). The Series 2013A and 2013B bonds are special, limited obligations of PFFA secured solely by the base rental payments paid by the City for the use and occupancy of the leased property and certain funds held under the indenture.

Total principal payments or reductions of long-term debt were \$96,949. Of this amount, \$39,685 was for outstanding bonds, including \$16,025 of bonds refunded or redeemed in advance of the scheduled maturity date and \$23,660 of scheduled bond principal payments. Also included were \$1,549 of Section 108 loan principal payments of which \$1,284 was paid in advance of the scheduled maturity and \$265 of principal was paid as scheduled, \$8,847 for loans payable, \$7,585 for contracts payable and \$39,283 for qualified energy conservation bonds and capital leases obligations.

Readers interested in more detailed information regarding governmental activities long-term liabilities should refer to Note 5.

Business-Type Activities

The City received the following State Revolving Fund Loan disbursements from the California State Water Resources Control Board:

- \$9,640 for the Point Loma Grit Processing Improvement Project.
- \$2,986 for Segments M-1, N-1, O-1 and P-1 of the Sewer Pipeline Replacement Project.
- \$1,106 for Segment Q-1 of the Sewer Pipeline Replacement Project.
- \$7,597 for Segment R-1 and S-1 of the Sewer Pipeline Replacement Project.

The City also received State Revolving Fund Loan disbursements from the State of California Department of Public Health of \$3,293 to assist in financing the Harbor Drive Pipeline Replacement Project and \$95 for the Lindbergh Field Pipeline Replacement Project, which supports City efforts to meet safe drinking water standards.

Total principal payments for long-term debt were \$81,022. Of this amount, \$72,335 was for scheduled bond principal payments and \$8,687 for loans payable.

Readers interested in more detailed information regarding business-type activities long-term liabilities should refer to Note 6.

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

| | Fitch Ratings | Moody's Investors Service | Standard & Poor's |
|-------------------------------------------------------|--------------------------|--------------------------------------|------------------------------|
| Implied GO / Issuer Credit Rating Outlook | AA- Stable | Aa2 Stable | AA Stable |
| Lease Revenue Bonds Outlook | A+ Stable | A1 Stable | AA- Stable |
| Wastewater System Bonds Outlook | AA Stable | Aa3 Stable | AA- Stable |
| Water System Bonds (Senior/Subordinate) Outlook | AA/AA- Stable | Aa2/Aa3 Stable | AA-/Not Rated Stable |

The Government Code of the State of California sets legal debt limits based on a percentage of assessed valuation. 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 current debt limitations for water and other purposes are \$6,240,009 and \$4,160,006, respectively (see Statistical Section, Table 12).

It has been the City's practice to issue revenue bonds for the purpose of constructing water and sewer facilities. Revenue bonds do not constitute an indebtedness of the City. They are special obligations payable from the revenues received by the utilities.

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

OTHER INFORMATION

Deferred Maintenance and Capital Expenditures on Depreciable Assets

The City owns and maintains depreciable assets, including but not limited to, infrastructure, streets, bridges, parks, public facilities, and airports. In the past, the City has deferred maintenance and capital expenditures related to these assets, resulting in deteriorated structures and portions of the City's infrastructure. As of 2011, the City estimated a backlog of approximately \$898,000 in deferred capital needs for the City's existing General Fund infrastructure, including \$478,000 for streets; \$185,000 for General Fund owned public buildings; and \$235,000 for storm drain infrastructure. The total City deferred maintenance backlog is likely higher since the estimate is based on an outdated and partial condition assessment of the assets and because it excludes certain asset classes and infrastructure related to the City's water and sewer systems and other enterprises. Condition assessments are currently underway to evaluate approximately 1,200 City facilities and will continue through calendar year 2017. Condition assessments for sidewalks and certain parks are also underway and are anticipated to be completed by December 2014. Condition assessments for streets are expected to be completed by June, 2015. The Public Utilities Department has launched a condition assessment program that consists of five condition assessment contracts for water and wastewater infrastructure, including water mains. As these assessments are completed, the City will have a better understanding of funding needs related to maintenance and capital expenses of its depreciable assets.

On March 20, 2012, the City Council approved a deferred capital funding plan, known as Enhanced Option B, which included bond funding totaling \$419,320 over a five-year period from fiscal years 2013 through 2017, and increasing annual cash funding for maintenance and repair and capital expenditures (not including annual debt service) from \$50,000 in fiscal year 2014 to \$79,040 by fiscal year 2017. Under the Enhanced Option B funding plan, the City has already completed a bond series in fiscal year 2013 and has authorization to conduct an additional financing up to \$120,000. An aggregate total of \$168,320 in additional lease revenue bonds are planned for fiscal years 2016 and 2017. The combined bond funding from fiscal year 2013 through 2017 is currently projected to be \$323,320 compared to the \$419,320 in the Enhanced Option B plan.

In addition to deferred capital, the City's infrastructure needs include annual maintenance and repair costs for existing assets as well as new assets needed to provide essential services. The City has identified significant storm water capital projects in the Watershed Asset Management Plan needed to comply with more stringent water quality regulations (see Note 16), fire stations, libraries, parks, and other needed public facilities in the community. The San Diego Convention Center, which was originally built in 1989 and expanded in 2001, is projected to necessitate approximately \$41 million in capital and operations and maintenance funding between Fiscal Year 2015 and Fiscal Year 2019, of which approximately \$31 million represents capital costs. Over the prior ten year period capturing Fiscal Year 2005 through Fiscal Year 2014, a total of approximately \$29 million was funded in the form of ongoing capital maintenance.

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

The Point Loma Wastewater Treatment Plant is the main treatment facility for the Metropolitan Sewerage System. The treatment plant operates with a modified National Pollutant Discharge Elimination System (NPDES) Permit that includes a variance from the Federal Clean Water Act (CWA) secondary requirements for the discharge of total suspended solids and biochemical oxygen demand. The permit, which expires on July 31, 2015, must be renewed every five years. If the City cannot operate under a modified permit, there could be significant future obligations to fund the secondary treatment requirements. If the City is required to upgrade to secondary treatment, the estimated cost could be approximately \$2,100,000, based on an estimate in 2014, not including financing costs. The City intends to submit the modified permit renewal application by the end of January 2015. See Notes 17 and 24 for additional information.

Qualcomm Stadium Site Lease

In fiscal year 2014, Management became aware of a situation where the General Fund was using property owned by the Water Utility without compensating the Water Utility for such use. Specifically, approximately half of the Qualcomm Stadium site is owned by the Water Utility. In 1966, the former San Diego Stadium Authority, the City, and the Water Utility entered into a lease agreement for the Water Utility's portion of the site to allow for the construction of the stadium. In exchange for that use, the San Diego Stadium Authority paid the City \$15 annually to compensate the Water Utility. After the San Diego Stadium Authority was dissolved, the City continued to pay the Water Utility \$15 per year through 2005. At that time, a new appraisal and lease agreement should have been entered into between the General Fund and the Water Utility but this did not occur. Management is currently examining options either to enter into a new, market value lease of the Water Utility parcel or to exchange the Water Utility parcel for a General Fund parcel of similar value. Management is not able to calculate the cost to the General Fund of either of these options at this time.

REQUESTS FOR INFORMATION

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

This Page Intentionally Left Blank

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

STATEMENT OF NET POSITION
June 30, 2014
(Dollars 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 | \$ 1,155,831 | \$ 875,297 | \$ 2,031,128 | \$ 8,329 | \$ 126,128 |
| Receivables: | | | | | |
| Taxes - Net of Allowance for Uncollectibles | 92,974 | - | 92,974 | - | - |
| Accounts - Net of Allowance for Uncollectibles | 80,360 | 130,952 | 211,312 | 5,303 | 8,264 |
| Claims | 221 | 100 | 321 | - | - |
| Special Assessments | 401 | - | 401 | - | - |
| Notes | 248,941 | - | 248,941 | - | 256,811 |
| Loans | 68,386 | - | 68,386 | - | - |
| Accrued Interest | 1,343 | 1,856 | 3,199 | - | 32,886 |
| Grants | 25,954 | 574 | 26,528 | - | - |
| Advances to Other Agencies | 21,411 | - | 21,411 | - | - |
| Internal Balances | 7,164 | (7,164) | - | - | - |
| Inventories of Water in Storage | - | 63,258 | 63,258 | - | - |
| Inventories | 2,412 | 681 | 3,093 | - | - |
| Land Held for Resale | 32,212 | - | 32,212 | - | - |
| Prepaid Expenses | 1,947 | - | 1,947 | 639 | 752 |
| Restricted Cash and Investments | 171,357 | 221,210 | 392,567 | - | 3,975 |
| Other Assets | - | - | - | 139 | 3,234 |
| Capital Assets - Non-Depreciable | 2,004,991 | 325,114 | 2,330,105 | 18,599 | 66,386 |
| Capital Assets - Depreciable | 2,525,537 | 4,945,776 | 7,471,313 | 11,354 | 112,706 |
| TOTAL ASSETS | <u>6,441,442</u> | <u>6,557,654</u> | <u>12,999,096</u> | <u>44,363</u> | <u>611,142</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Loss on Refunding | 10,164 | 15,660 | 25,824 | - | - |

STATEMENT OF NET POSITION
June 30, 2014
(Dollars in Thousands)

| | Primary Government | | | Component Units | |
|-------------------------------------------------------|----------------------------|-----------------------------|---------------------|--------------------------------------------------|------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | San Diego Convention Center Corporation | San Diego Housing Commission |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 86,124 | \$ 88,209 | \$ 174,333 | \$ 572 | \$ 4,721 |
| Accrued Wages and Benefits | 50,757 | 11,619 | 62,376 | - | 1,294 |
| Other Accrued Liabilities | 1,070 | 7,590 | 8,660 | 2,419 | 731 |
| Interest Accrued on Long-Term Debt | 8,830 | 23,137 | 31,967 | - | 2,487 |
| Long-Term Liabilities Due Within One Year | 121,547 | 102,325 | 223,872 | 13,847 | 7,087 |
| Due to Other Agencies | 104 | 34,629 | 34,733 | - | - |
| Unearned Revenue | 26,336 | 22,224 | 48,560 | 8,489 | 10,689 |
| Liabilities Payable from Restricted Assets: | | | | | |
| Customer Deposits Payable | - | 16,093 | 16,093 | - | - |
| Deposits/Advances from Others | - | 7,286 | 7,286 | - | 1,596 |
| Long-Term Liabilities Due After One Year: | | | | | |
| Arbitrage Liability | - | 90 | 90 | - | - |
| Compensated Absences | 40,556 | 7,251 | 47,807 | 27 | - |
| Liability Claims | 292,461 | 31,417 | 323,878 | - | - |
| Capital Lease Obligations | 43,659 | 2,250 | 45,909 | - | - |
| QECCB Lease Obligations | 10,072 | - | 10,072 | - | - |
| Contracts Payable | 16,820 | - | 16,820 | - | - |
| Notes Payable | - | - | - | 17 | 123,994 |
| Loans Payable | 4,255 | 152,505 | 156,760 | - | - |
| Section 108 Loans Payable | 3,801 | - | 3,801 | - | - |
| Net Bonds Payable | 622,625 | 1,771,084 | 2,393,709 | - | - |
| Estimated Landfill Closure and Postclosure Care | - | 23,290 | 23,290 | - | - |
| Net Other Postemployment Benefit Obligation | 188,846 | 54,277 | 243,123 | - | - |
| Net Pension Obligation | 114,022 | 22,610 | 136,632 | - | - |
| TOTAL LIABILITIES | 1,631,885 | 2,377,886 | 4,009,771 | 25,371 | 152,599 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Gain on Refunding | - | 3,276 | 3,276 | - | - |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | 3,988,284 | 3,526,979 | 7,515,263 | 17,306 | 54,862 |
| Restricted for: | | | | | |
| Capital Projects | 459,115 | - | 459,115 | - | - |
| Debt Service | - | 1,880 | 1,880 | - | - |
| Low-Moderate Income Housing | 277,139 | - | 277,139 | - | - |
| Nonexpendable Permanent Endowments | 24,307 | - | 24,307 | - | - |
| Grants | 68,206 | - | 68,206 | - | - |
| Other | 277,586 | 25,404 | 302,990 | - | 160,498 |
| Unrestricted | (274,916) | 637,889 | 362,973 | 1,686 | 243,183 |
| TOTAL NET POSITION | \$ 4,819,721 | \$ 4,192,152 | \$ 9,011,873 | \$ 18,992 | \$ 458,543 |

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014
(Dollars in Thousands)

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--------------------------------------------------------------------|---------------------|-----------------------------|-------------------------------------------|-----------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government and Support | \$ 286,798 | \$ 198,856 | \$ 11,353 | \$ 10,151 |
| Public Safety - Police | 441,803 | 42,976 | 4,188 | 437 |
| Public Safety - Fire and Life Safety and Homeland Security | 253,741 | 34,984 | 20,707 | 90 |
| Parks, Recreation, Culture and Leisure | 267,523 | 51,721 | 12,867 | 60,482 |
| Transportation | 192,928 | 30,262 | 58 | 43,474 |
| Sanitation and Health | 89,448 | 15,342 | 1,060 | 3,060 |
| Neighborhood Services | 70,191 | 36,339 | 10,358 | 2,844 |
| Debt Service - Cost of Issuance | 518 | - | - | - |
| Debt Service - Interest | 35,226 | - | - | - |
| TOTAL GOVERNMENTAL ACTIVITIES | 1,638,176 | 410,480 | 60,591 | 120,538 |
| Business-Type Activities: | | | | |
| Sewer Utility | 326,437 | 364,548 | - | 33,081 |
| Water Utility | 443,453 | 447,565 | 684 | 37,250 |
| Airports | 4,663 | 4,371 | 461 | 408 |
| Development Services | 50,825 | 52,402 | - | - |
| Environmental Services | 33,724 | 26,043 | 14 | - |
| Golf Course | 16,423 | 19,764 | - | - |
| Recycling | 20,475 | 19,046 | 372 | - |
| TOTAL BUSINESS-TYPE ACTIVITIES | 896,000 | 933,739 | 1,531 | 70,739 |
| TOTAL PRIMARY GOVERNMENT | \$ 2,534,176 | \$ 1,344,219 | \$ 62,122 | \$ 191,277 |
| Component Units: | | | | |
| San Diego Convention Center Corporation | \$ 31,832 | \$ 29,134 | \$ 3,405 | \$ 99 |
| San Diego Housing Commission | 219,343 | 35,310 | 186,987 | 457 |
| TOTAL COMPONENT UNITS | \$ 251,175 | \$ 64,444 | \$ 190,392 | \$ 556 |
| General Revenues: | | | | |
| Property Taxes | | | | |
| Transient Occupancy Taxes | | | | |
| Sales Taxes - Shared State Revenue | | | | |
| Other Local Taxes | | | | |
| Developer Contributions and Fees | | | | |
| Grants and Contributions not Restricted to Specific Programs | | | | |
| Investment Income | | | | |
| Miscellaneous | | | | |
| Transfers, Net | | | | |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | |
| Extraordinary Gain (Loss) | | | | |
| CHANGE IN NET POSITION | | | | |
| Net Position at Beginning of Year, as Restated | | | | |
| NET POSITION AT END OF YEAR | | | | |

| Net Revenue/(Expense) and Changes in Net Position | | | | |
|---------------------------------------------------|--------------------------|---------------------|-----------------------------------------|------------------------------|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-Type Activities | Total | San Diego Convention Center Corporation | San Diego Housing Commission |
| \$ (66,438) | \$ - | \$ (66,438) | \$ - | \$ - |
| (394,202) | - | (394,202) | - | - |
| (197,960) | - | (197,960) | - | - |
| (142,453) | - | (142,453) | - | - |
| (119,134) | - | (119,134) | - | - |
| (69,986) | - | (69,986) | - | - |
| (20,650) | - | (20,650) | - | - |
| (518) | - | (518) | - | - |
| (35,226) | - | (35,226) | - | - |
| <u>(1,046,567)</u> | <u>-</u> | <u>(1,046,567)</u> | <u>-</u> | <u>-</u> |
| - | 71,192 | 71,192 | - | - |
| - | 42,046 | 42,046 | - | - |
| - | 577 | 577 | - | - |
| - | 1,577 | 1,577 | - | - |
| - | (7,667) | (7,667) | - | - |
| - | 3,341 | 3,341 | - | - |
| - | (1,057) | (1,057) | - | - |
| - | 110,009 | 110,009 | - | - |
| <u>(1,046,567)</u> | <u>110,009</u> | <u>(936,558)</u> | <u>-</u> | <u>-</u> |
| - | - | - | 806 | - |
| - | - | - | - | 3,411 |
| - | - | - | 806 | 3,411 |
| 470,905 | - | 470,905 | - | - |
| 173,376 | - | 173,376 | - | - |
| 282,345 | - | 282,345 | - | - |
| 186,747 | - | 186,747 | - | - |
| 47,765 | - | 47,765 | - | - |
| 674 | - | 674 | - | - |
| 13,627 | 8,489 | 22,116 | 3 | 9,122 |
| 32,482 | 12,096 | 44,578 | 356 | - |
| 15,269 | (15,269) | - | - | - |
| 1,223,190 | 5,316 | 1,228,506 | 359 | 9,122 |
| <u>(14,828)</u> | <u>-</u> | <u>(14,828)</u> | <u>3,000</u> | <u>-</u> |
| 161,795 | 115,325 | 277,120 | 4,165 | 12,533 |
| <u>4,657,926</u> | <u>4,076,827</u> | <u>8,734,753</u> | <u>14,827</u> | <u>446,010</u> |
| <u>\$ 4,819,721</u> | <u>\$ 4,192,152</u> | <u>\$ 9,011,873</u> | <u>\$ 18,992</u> | <u>\$ 458,543</u> |

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014
(Dollars in Thousands)**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------------------------------|-------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 322,758 | \$ 707,082 | \$ 1,029,840 |
| Receivables: | | | |
| Taxes - Net of Allowance for Uncollectibles | 72,755 | 20,219 | 92,974 |
| Accounts - Net of Allowance for Uncollectibles | 8,530 | 70,448 | 78,978 |
| Claims | 221 | - | 221 |
| Special Assessments | - | 401 | 401 |
| Notes | - | 248,941 | 248,941 |
| Loans | - | 68,386 | 68,386 |
| Accrued Interest | 535 | 766 | 1,301 |
| Grants | 1,186 | 24,055 | 25,241 |
| From Other Funds | 38,805 | - | 38,805 |
| Advances to Other Funds | 1,548 | 5,206 | 6,754 |
| Advances to Other Agencies | 3,730 | 17,681 | 21,411 |
| Land Held for Resale | - | 32,212 | 32,212 |
| Prepaid Items | - | 24 | 24 |
| Restricted Cash and Investments | - | 171,357 | 171,357 |
| TOTAL ASSETS | \$ 450,068 | \$ 1,366,778 | \$ 1,816,846 |
| LIABILITIES | | | |
| Accounts Payable | \$ 34,141 | \$ 47,360 | \$ 81,501 |
| Accrued Wages and Benefits | 48,594 | 503 | 49,097 |
| Other Accrued Liabilities | - | 353 | 353 |
| Due to Other Funds | - | 38,805 | 38,805 |
| Due to Other Agencies | 50 | 54 | 104 |
| Unearned Revenue | - | 26,317 | 26,317 |
| Sundry Trust Liabilities | - | 104 | 104 |
| Advances from Other Funds | - | 6,754 | 6,754 |
| Contract Deposits | 403 | 80 | 483 |
| TOTAL LIABILITIES | 83,188 | 120,330 | 203,518 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Taxes | 11,978 | 53,819 | 65,797 |
| Unavailable Revenue - Grants | - | 13,699 | 13,699 |
| Unavailable Revenue - Other | 4,788 | 17,617 | 22,405 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 16,766 | 85,135 | 101,901 |

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014
(Dollars in Thousands)**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------------------------------------------------|-------------------|--------------------------------|--------------------------------|
| FUND BALANCES | | | |
| Nonspendable..... | 1,248 | 24,326 | 25,574 |
| Restricted..... | 104,885 | 1,011,875 | 1,116,760 |
| Committed..... | 147,053 | 140,268 | 287,321 |
| Assigned..... | 5,575 | - | 5,575 |
| Unassigned..... | 91,353 | (15,156) | 76,197 |
| TOTAL FUND BALANCES | 350,114 | 1,161,313 | 1,511,427 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND | | | |
| BALANCES | \$ 450,068 | \$ 1,366,778 | |

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

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported at the fund level. | 4,416,087 |
| Certain assets and deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level. | 12,087 |
| Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources. | 101,901 |
| Internal service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Employee Benefit Programs, and Data Processing to individual funds. The assets and liabilities of internal service funds are included in governmental activities on the Statement of Net Position. | 169,712 |
| Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds. | (1,391,493) |
| Net Position of governmental activities (page 51) | \$ 4,819,721 |

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, 2014
(Dollars in Thousands)

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------------------------------------------------|-------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 460,592 | \$ 10,368 | \$ 470,960 |
| Special Assessments | - | 50,796 | 50,796 |
| Sales Taxes | 254,219 | 24,345 | 278,564 |
| Transient Occupancy Taxes | 89,673 | 80,802 | 170,475 |
| Other Local Taxes | 117,347 | 69,400 | 186,747 |
| Licenses and Permits | 34,952 | 18,377 | 53,329 |
| Fines, Forfeitures and Penalties | 30,327 | 1,036 | 31,363 |
| Revenue from Use of Money and Property | 58,637 | 28,575 | 87,212 |
| Revenue from Federal Agencies | 1,875 | 50,629 | 52,504 |
| Revenue from Other Agencies | 7,399 | 32,405 | 39,804 |
| Revenue from Private Sources | 2,647 | 76,228 | 78,875 |
| Charges for Current Services | 186,547 | 20,554 | 207,101 |
| Other Revenue | 16,403 | 17,487 | 33,890 |
| TOTAL REVENUES | <u>1,260,618</u> | <u>481,002</u> | <u>1,741,620</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government and Support | 264,867 | 34,872 | 299,739 |
| Public Safety - Police | 426,513 | 5,018 | 431,531 |
| Public Safety - Fire and Life Safety and Homeland Security | 225,753 | 19,897 | 245,650 |
| Parks, Recreation, Culture and Leisure | 135,879 | 80,756 | 216,635 |
| Transportation | 65,178 | 43,658 | 108,836 |
| Sanitation and Health | 80,543 | 2,585 | 83,128 |
| Neighborhood Services | 28,295 | 35,551 | 63,846 |
| Capital Outlay | 5,554 | 112,633 | 118,187 |
| Debt Service: | | | |
| Principal Retirement | 32,478 | 34,056 | 66,534 |
| Cost of Issuance | - | 518 | 518 |
| Interest | 1,979 | 34,091 | 36,070 |
| TOTAL EXPENDITURES | <u>1,267,040</u> | <u>403,635</u> | <u>1,670,675</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(6,423)</u> | <u>77,367</u> | <u>70,944</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from Proprietary Funds | 27,109 | 883 | 27,992 |
| Transfers from Other Funds | 27,798 | 136,259 | 164,057 |
| Transfers to Proprietary Funds | (9,134) | (58) | (9,192) |
| Transfers to Other Funds | (37,804) | (126,253) | (164,057) |
| Payment to Refunded Bond Escrow Agent | - | (16,025) | (16,025) |
| Proceeds from the Sale of Capital Assets | - | 6,897 | 6,897 |
| Capital Lease Proceeds..... | 22,850 | - | 22,850 |
| Loans Issued | - | 761 | 761 |
| Revenue Refunding Bonds Issued | - | 49,530 | 49,530 |
| Premium on Bonds Issued | - | 2,183 | 2,183 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>30,819</u> | <u>54,177</u> | <u>84,996</u> |
| Extraordinary Loss | <u>(21,067)</u> | <u>-</u> | <u>(21,067)</u> |
| NET CHANGE IN FUND BALANCES | <u>3,330</u> | <u>131,544</u> | <u>134,874</u> |
| Fund Balances at Beginning of Year, as Restated | <u>346,784</u> | <u>1,029,769</u> | <u>1,376,553</u> |
| FUND BALANCES AT END OF YEAR | <u>\$ 350,114</u> | <u>\$ 1,161,313</u> | <u>\$ 1,511,427</u> |

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014
(Dollars in Thousands)**

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Net Change in Fund Balances of governmental funds (page 56) | \$ 134,874 |
| 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. | 54,005 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., retirements and transfers) is to decrease net position. | (13,739) |
| Revenues available to liquidate liabilities of the current period were recognized in the governmental funds during the current year; however, such amounts were recognized as revenue on the Statement of Activities in the prior year. | (19,508) |
| 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 52 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation), and therefore are not accrued as expenditures in governmental funds. | 11,522 |
| Internal service funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Employee Benefit Programs, and Data Processing to individual funds. The net expense of certain internal service activities is reported with governmental activities. | <u>(5,411)</u> |
| Change in Net Position of Governmental Activities (page 53) | <u>\$ 161,795</u> |

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2014
(Dollars in Thousands)

| | <u>Business-Type Activities - Enterprise Funds</u> | | | | <u>Internal Service Funds</u> |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------|-------------------------------|---------------------|-------------------------------|
| | <u>Sewer Utility</u> | <u>Water Utility</u> | <u>Other Enterprise Funds</u> | <u>Total</u> | |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Investments | \$ 451,235 | \$ 291,112 | \$ 132,950 | \$ 875,297 | \$ 125,991 |
| Receivables: | | | | | |
| Accounts - Net of Allowance for Uncollectibles | 50,849 | 77,111 | 2,992 | 130,952 | 1,382 |
| Claims | 34 | 66 | - | 100 | - |
| Accrued Interest | 965 | 651 | 240 | 1,856 | 42 |
| Grants | - | 227 | 347 | 574 | 713 |
| Inventories of Water in Storage | - | 63,258 | - | 63,258 | - |
| Inventories | - | 681 | - | 681 | 2,412 |
| Total Current Assets | <u>503,083</u> | <u>433,106</u> | <u>136,529</u> | <u>1,072,718</u> | <u>130,540</u> |
| Non-Current Assets: | | | | | |
| Restricted Cash and Investments | 83,008 | 80,403 | 57,799 | 221,210 | - |
| Capital Assets - Non-Depreciable | 157,726 | 150,181 | 17,207 | 325,114 | 5,043 |
| Capital Assets - Depreciable | <u>2,877,636</u> | <u>2,013,113</u> | <u>55,027</u> | <u>4,945,776</u> | <u>109,398</u> |
| Total Non-Current Assets | <u>3,118,370</u> | <u>2,243,697</u> | <u>130,033</u> | <u>5,492,100</u> | <u>114,441</u> |
| TOTAL ASSETS | <u>3,621,453</u> | <u>2,676,803</u> | <u>266,562</u> | <u>6,564,818</u> | <u>244,981</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Loss on Refunding | <u>11,482</u> | <u>4,178</u> | <u>-</u> | <u>15,660</u> | <u>-</u> |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | 26,663 | 57,318 | 4,228 | 88,209 | 4,623 |
| Accrued Wages and Benefits | 4,383 | 3,568 | 3,668 | 11,619 | 1,660 |
| Interest Accrued on Long-Term Debt | 6,781 | 16,356 | - | 23,137 | 204 |
| Long-Term Liabilities Due Within One Year | 64,162 | 35,576 | 2,587 | 102,325 | 11,955 |
| Due to Other Agencies | 33,230 | 1,399 | - | 34,629 | - |
| Unearned Revenue | 1,252 | 3,097 | 17,875 | 22,224 | 19 |
| Contract Deposits | 3,225 | 4,365 | - | 7,590 | 130 |
| Current Liabilities Payable from Restricted Assets: | | | | | |
| Customer Deposits Payable | - | 6,906 | 9,187 | 16,093 | - |
| Total Current Liabilities | <u>139,696</u> | <u>128,585</u> | <u>37,545</u> | <u>305,826</u> | <u>18,591</u> |
| Non-Current Liabilities: | | | | | |
| Deposits/Advances from Others | 397 | - | 6,889 | 7,286 | - |
| Arbitrage Liability | - | 90 | - | 90 | - |
| Compensated Absences | 2,545 | 2,487 | 2,219 | 7,251 | 3,520 |
| Liability Claims | 11,541 | 13,482 | 6,394 | 31,417 | 21,617 |
| Capital Lease Obligations | 1,125 | 1,125 | - | 2,250 | 27,422 |
| Loans Payable | 89,560 | 62,945 | - | 152,505 | - |
| Net Revenue Bonds Payable | 1,010,886 | 760,198 | - | 1,771,084 | - |
| Estimated Landfill Closure and Postclosure Care | - | - | 23,290 | 23,290 | - |
| Net Other Postemployment Benefit Obligation | 19,464 | 18,612 | 16,201 | 54,277 | 9,133 |
| Net Pension Obligation | <u>8,343</u> | <u>6,265</u> | <u>8,002</u> | <u>22,610</u> | <u>2,150</u> |
| Total Non-Current Liabilities | <u>1,143,861</u> | <u>865,204</u> | <u>62,995</u> | <u>2,072,060</u> | <u>63,842</u> |
| TOTAL LIABILITIES | <u>1,283,557</u> | <u>993,789</u> | <u>100,540</u> | <u>2,377,886</u> | <u>82,433</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Gain on Refunding | - | 3,276 | - | 3,276 | - |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | 2,021,186 | 1,433,559 | 72,234 | 3,526,979 | 80,703 |
| Restricted for Debt Service | 399 | 1,481 | - | 1,880 | - |
| Restricted for Closure/Postclosure Maintenance | - | - | 25,404 | 25,404 | - |
| Unrestricted | <u>327,793</u> | <u>248,876</u> | <u>68,384</u> | <u>645,053</u> | <u>81,845</u> |
| TOTAL NET POSITION | <u>\$ 2,349,378</u> | <u>\$ 1,683,916</u> | <u>\$ 166,022</u> | <u>4,199,316</u> | <u>\$ 162,548</u> |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds | | | | (7,164) | |
| Net position of business-type activities (page 51) | | | | <u>\$ 4,192,152</u> | |

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2014
(Dollars in Thousands)

| | <u>Business-Type Activities - Enterprise Funds</u> | | | | |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------------|---------------------------------------|-------------------|-----------------------------------|
| | <u>Sewer Utility</u> | <u>Water Utility</u> | <u>Other Enterprise Funds</u> | <u>Total</u> | <u>Internal Service Funds</u> |
| OPERATING REVENUES | | | | | |
| Sales of Water | \$ - | \$ 434,285 | \$ - | \$ 434,285 | \$ - |
| Charges for Services | 359,723 | 4,533 | 74,538 | 438,794 | 41,374 |
| Revenue from Use of Property | 584 | 7,007 | - | 7,591 | - |
| Usage Fees | - | - | 42,367 | 42,367 | 72,822 |
| Other | 4,241 | 1,740 | 4,721 | 10,702 | 450 |
| TOTAL OPERATING REVENUES | <u>364,548</u> | <u>447,565</u> | <u>121,626</u> | <u>933,739</u> | <u>114,646</u> |
| OPERATING EXPENSES | | | | | |
| Benefit and Claim Payments | - | - | - | - | 15,967 |
| Maintenance and Operations | 151,523 | 91,357 | 93,251 | 336,131 | 52,775 |
| Cost of Materials Issued | - | - | - | - | 8,873 |
| Cost of Purchased Water Used | - | 207,721 | - | 207,721 | - |
| Taxes | - | 1,963 | - | 1,963 | - |
| Administration | 50,428 | 54,498 | 27,000 | 131,926 | 14,204 |
| Depreciation | 70,585 | 48,957 | 5,760 | 125,302 | 22,731 |
| TOTAL OPERATING EXPENSES | <u>272,536</u> | <u>404,496</u> | <u>126,011</u> | <u>803,043</u> | <u>114,550</u> |
| OPERATING INCOME (LOSS) | <u>92,012</u> | <u>43,069</u> | <u>(4,385)</u> | <u>130,696</u> | <u>96</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Earnings on Investments | 4,177 | 3,185 | 1,127 | 8,489 | 554 |
| Federal Grant Assistance | - | 109 | 461 | 570 | (398) |
| Other Agency Grant Assistance | - | 575 | 386 | 961 | 533 |
| Loss on Sale/Retirement of Capital Assets | (1,556) | (1,630) | (385) | (3,571) | (2,987) |
| Debt Service Interest Expense | (51,652) | (37,100) | - | (88,752) | (608) |
| Other | 6,829 | 3,839 | 1,428 | 12,096 | 214 |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET | <u>(42,202)</u> | <u>(31,022)</u> | <u>3,017</u> | <u>(70,207)</u> | <u>(2,692)</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 49,810 | 12,047 | (1,368) | 60,489 | (2,596) |
| Capital Contributions | 33,081 | 37,250 | 408 | 70,739 | 82 |
| Transfers from Other Funds | 77 | 44 | 567 | 688 | 2,457 |
| Transfers from Governmental Funds | 19 | 3,608 | 6 | 3,633 | 5,559 |
| Transfers to Other Funds | (2,077) | (356) | (559) | (2,992) | (153) |
| Transfers to Governmental Funds | (6,955) | (7,094) | (2,549) | (16,598) | (11,394) |
| TOTAL CONTRIBUTIONS AND TRANSFERS | 24,145 | 33,452 | (2,127) | 55,470 | (3,449) |
| CHANGE IN NET POSITION | 73,955 | 45,499 | (3,495) | 115,959 | (6,045) |
| Net Position at Beginning of Year, as Restated | 2,275,423 | 1,638,417 | 169,517 | | 168,593 |
| NET POSITION AT END OF YEAR | <u>\$ 2,349,378</u> | <u>\$ 1,683,916</u> | <u>\$ 166,022</u> | | <u>\$ 162,548</u> |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds | | | | (634) | |
| Change in net position of business-type activities (page 53) | | | | <u>\$ 115,325</u> | |

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

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2014
(Dollars in Thousands)**

| | Business-Type Activities - Enterprise Funds | | | | Internal Service Funds |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------|------------------------|-------------------|------------------------|
| | Sewer Utility | Water Utility | Other Enterprise Funds | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from Customers and Users | \$ 369,115 | \$ 438,285 | \$ 119,744 | \$ 927,144 | \$ 26,611 |
| Receipts from Interfund Services Provided | 4,412 | 4,442 | 4,521 | 13,375 | 89,960 |
| Payments to Suppliers | (115,995) | (283,935) | (44,005) | (443,935) | (42,964) |
| Payments to Employees | (77,605) | (67,370) | (68,339) | (213,314) | (43,911) |
| Payments for Interfund Services Used | (6,991) | (6,918) | (6,999) | (20,908) | (1,902) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 172,936 | 84,504 | 4,922 | 262,362 | 27,794 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers from Other Funds | 77 | 44 | 567 | 688 | 2,457 |
| Transfers from Governmental Funds | 19 | 3,608 | 6 | 3,633 | 5,559 |
| Transfers to Other Funds | (2,077) | (356) | (559) | (2,992) | (153) |
| Transfers to Governmental Funds | (6,955) | (7,094) | (2,549) | (16,598) | (11,394) |
| Operating Grants Received | - | 809 | 833 | 1,642 | 502 |
| Proceeds from Advances and Deposits | - | 1,032 | 2,559 | 3,591 | - |
| Payments for Advances and Deposits | - | - | (100) | (100) | - |
| NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES | (8,936) | (1,957) | 757 | (10,136) | (3,029) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Proceeds from Loans | 21,329 | 3,388 | - | 24,717 | - |
| Proceeds from Capital Contributions | 20,394 | 15,213 | 618 | 36,225 | - |
| Acquisition of Capital Assets | (74,543) | (77,137) | (2,207) | (153,887) | (12,595) |
| Proceeds from the Sale of Capital Assets | 125 | 306 | - | 431 | 1,334 |
| Principal Payments on Capital Leases | - | - | - | - | (6,805) |
| Principal Payments on Loans | (5,632) | (3,055) | - | (8,687) | - |
| Principal Payments on Revenue Bonds | (48,285) | (24,050) | - | (72,335) | - |
| Interest Paid on Long-Term Debt | (55,435) | (39,587) | - | (95,022) | (611) |
| NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | (142,047) | (124,922) | (1,589) | (268,558) | (18,677) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Sales of Investments | 103,935 | 119,658 | - | 223,593 | - |
| Purchases of Investments | (98,076) | (119,784) | - | (217,860) | - |
| Interest Received on Investments | 4,493 | 3,214 | 1,102 | 8,809 | 516 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 10,352 | 3,088 | 1,102 | 14,542 | 516 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 32,305 | (39,287) | 5,192 | (1,790) | 6,604 |
| Cash and Cash Equivalents at Beginning of Year, as Restated | 423,226 | 338,683 | 185,557 | 947,466 | 119,387 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 455,531 | \$ 299,396 | \$ 190,749 | \$ 945,676 | \$ 125,991 |
| Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position: | | | | | |
| Cash and Investments | \$ 451,235 | \$ 291,112 | \$ 132,950 | \$ 875,297 | \$ 125,991 |
| Restricted Cash and Investments | 83,008 | 80,403 | 57,799 | 221,210 | - |
| Less Investments Not Meeting the Definition of Cash Equivalents | (78,712) | (72,119) | - | (150,831) | - |
| Total Cash and Cash Equivalents at End of Year | \$ 455,531 | \$ 299,396 | \$ 190,749 | \$ 945,676 | \$ 125,991 |

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2014
(Dollars in Thousands)**

| | Business-Type Activities - Enterprise Funds | | | | Internal Service Funds |
|---------------------------------------------------------------------------------------------------|---------------------------------------------|------------------|------------------------|-------------------|------------------------|
| | Sewer Utility | Water Utility | Other Enterprise Funds | Total | |
| Reconciliation of Operating Income (Loss) to Net Cash | | | | | |
| Provided by Operating Activities: | | | | | |
| Operating Income (Loss) | \$ 92,012 | \$ 43,069 | \$ (4,385) | \$ 130,696 | \$ 96 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities: | | | | | |
| Depreciation | 70,585 | 48,957 | 5,760 | 125,302 | 22,731 |
| Other Nonoperating Revenue | 6,829 | 3,839 | 1,429 | 12,097 | 214 |
| (Increase) Decrease in Assets: | | | | | |
| Accounts Receivable - Net | 1,849 | (9,252) | 174 | (7,229) | 1,692 |
| Claims Receivable - Net | - | 159 | - | 159 | - |
| Inventories | - | (10,680) | - | (10,680) | (16) |
| Prepaid Expenses | - | - | - | - | 216 |
| Increase (Decrease) in Liabilities: | | | | | |
| Accounts Payable | (2,176) | 5,517 | (752) | 2,589 | 80 |
| Accrued Wages and Benefits | 428 | 433 | 553 | 1,414 | (344) |
| Due to Other Agencies | 5,961 | (575) | - | 5,386 | (49) |
| Unearned Revenue | 124 | 416 | 1,036 | 1,576 | 21 |
| Contract Deposits | 178 | - | - | 178 | - |
| Arbitrage Liability | - | 30 | - | 30 | - |
| Compensated Absences | (265) | 37 | 148 | (80) | (520) |
| Liability Claims | (2,451) | 2,664 | 344 | 557 | 3,722 |
| Estimated Landfill Closure and Postclosure Care..... | - | - | 725 | 725 | - |
| Net OPEB Obligation | 40 | 33 | 35 | 108 | 16 |
| Net Pension Obligation | (178) | (143) | (145) | (466) | (65) |
| Total Adjustments | 80,924 | 41,435 | 9,307 | 131,666 | 27,698 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 172,936 | \$ 84,504 | \$ 4,922 | \$ 262,362 | \$ 27,794 |
| Noncash Investing, Capital, and Financing Activities: | | | | | |
| Capital Leases..... | \$ 1,295 | \$ 1,295 | \$ - | \$ 2,590 | \$ 8,385 |
| Developer Contributed Assets | 12,687 | 22,038 | - | 34,725 | - |
| Capital Asset Acquisitions Related to Accounts Payable | 71 | 57 | (51) | 77 | - |
| Noncash Retirement of Capital Assets | (1,681) | (1,936) | (385) | (4,002) | (979) |
| Capitalized Interest and Related Amounts | 1,210 | 521 | - | 1,731 | - |
| Amortization of Bond Premiums, Discounts and Refundings..... | (3,282) | (3,191) | - | (6,473) | - |
| Change in Fair Value of Investments..... | 355 | 7 | - | 362 | - |
| Interest Fund Credits for Debt Service Payments..... | (7,653) | (1,286) | - | (8,939) | - |
| Transfers of Capital Assets | - | - | - | - | (3,259) |

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014
(Dollars in Thousands)

| | Trust Funds | | | Total | Agency |
|--------------------------------------------------------------------------------|---------------------|-----------------|---------------------|---------------------|---------------|
| | Pension | Investment | Private-Purpose | | |
| ASSETS | | | | | |
| Cash and Investments | \$ 1,708 | \$ 6,386 | \$ 167,844 | \$ 175,938 | \$ 13,640 |
| Cash with Custodian/Fiscal Agent | 239,369 | - | - | 239,369 | - |
| Investments at Fair Value: | | | | | |
| Domestic Fixed Income Securities | 1,774,200 | - | 25,107 | 1,799,307 | - |
| International Fixed Income Securities | 451,069 | - | - | 451,069 | - |
| Domestic Equity Securities (Stocks) | 1,703,423 | - | - | 1,703,423 | - |
| International Equity Securities (Stocks) | 1,261,674 | - | - | 1,261,674 | - |
| Global Equity Securities | 364,418 | - | - | 364,418 | - |
| Real Estate Equity | 693,636 | - | - | 693,636 | - |
| Equity Mutual Funds | 545,696 | - | - | 545,696 | - |
| Fixed Income Mutual Funds | 394,851 | - | - | 394,851 | - |
| Private Equity | 380,975 | - | - | 380,975 | - |
| Infrastructure | 50,805 | - | - | 50,805 | - |
| Receivables: | | | | | |
| Accounts - Net | - | - | - | - | 925 |
| Special Assessments | - | - | - | - | 353 |
| Contributions | 7,276 | - | - | 7,276 | - |
| Accrued Interest | 10,000 | 8 | 480 | 10,488 | 5 |
| Notes and Contracts | - | - | 6,138 | 6,138 | - |
| Loans | 36,706 | - | - | 36,706 | - |
| Securities Sold | 46,339 | - | - | 46,339 | - |
| Due from Other Agency | - | - | 38 | 38 | - |
| Advances to Other Agencies | - | - | 11 | 11 | - |
| Land Held for Resale | - | - | 9,260 | 9,260 | - |
| Prepaid Expenses | 263 | - | 4,044 | 4,307 | - |
| Securities Lending Collateral | 198,398 | - | - | 198,398 | - |
| Restricted Cash and Investments | - | - | 92,876 | 92,876 | 33,600 |
| Capital Assets - Non-Depreciable | - | - | 105,947 | 105,947 | - |
| Capital Assets - Depreciable | 6,691 | - | 55,641 | 62,332 | - |
| TOTAL ASSETS | 8,167,497 | 6,394 | 467,386 | 8,641,277 | 48,523 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Loss on Refunding | - | - | 477 | 477 | - |
| LIABILITIES | | | | | |
| Accounts Payable | 7,762 | - | 6,689 | 14,451 | 4,738 |
| Accrued Wages and Benefits | 799 | - | - | 799 | - |
| Interest Accrued on Long-Term Debt | - | - | 195,186 | 195,186 | - |
| Deposits/Advances from Others | - | - | - | - | 154 |
| Sundry Trust/Agency Liabilities | - | - | 522 | 522 | 16,186 |
| Due to Bondholders | - | - | 597,669 | 597,669 | 27,445 |
| Arbitrage Liability | - | - | 4 | 4 | - |
| Liability Claims | - | - | 70,207 | 70,207 | - |
| Loans Payable | - | - | 102,339 | 102,339 | - |
| Supplemental Benefits Payable | 11,145 | - | - | 11,145 | - |
| Net Other Postemployment Benefit Obligation | 1,487 | - | - | 1,487 | - |
| Net Pension Obligation | 605 | - | - | 605 | - |
| Securities Lending Obligations | 198,688 | - | - | 198,688 | - |
| Securities Purchased | 197,117 | - | - | 197,117 | - |
| TOTAL LIABILITIES | 417,603 | - | 972,616 | 1,390,219 | 48,523 |
| NET POSITION (DEFICIT) | | | | | |
| Held in Trust for Pension Benefits, Pool Participants and Other Purposes | <u>\$ 7,749,894</u> | <u>\$ 6,394</u> | <u>\$ (504,753)</u> | <u>\$ 7,251,535</u> | <u>\$ -</u> |

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2014
(Dollars in Thousands)

| | Trust Funds | | | Total |
|----------------------------------------------------------------|---------------------|-----------------|---------------------|---------------------|
| | Pension | Investment | Private-Purpose | |
| ADDITIONS | | | | |
| Employer Contributions | \$ 350,530 | \$ - | \$ - | \$ 350,530 |
| Plan Member Contributions: | | | | |
| Employee Contributions | 107,569 | - | - | 107,569 |
| DROP Contributions | 5,066 | - | - | 5,066 |
| Retiree Contributions | 7,437 | - | - | 7,437 |
| Contributions to Pooled Investments | - | 103 | - | 103 |
| Redevelopment Property Tax Trust Fund (RPTTF) | - | - | 68,497 | 68,497 |
| Earnings on Investments: | | | | |
| Investment Income | 1,145,296 | 45 | 2,690 | 1,148,031 |
| Investment Expense | (32,683) | - | - | (32,683) |
| Net Investment Income | 1,112,613 | 45 | 2,690 | 1,115,348 |
| Securities Lending Income: | | | | |
| Gross Earnings | 1,352 | - | - | 1,352 |
| Borrower Rebates | (302) | - | - | (302) |
| Net Securities Lending Income | 1,050 | - | - | 1,050 |
| Other Income | 1,861 | - | 7,178 | 9,039 |
| TOTAL ADDITIONS | <u>1,586,126</u> | <u>148</u> | <u>78,365</u> | <u>1,664,639</u> |
| DEDUCTIONS | | | | |
| Enforceable Obligation Payments | - | - | 37,069 | 37,069 |
| Payments to County of San Diego | - | - | 1,439 | 1,439 |
| Interest on Long-Term Debt | - | - | 35,711 | 35,711 |
| DRIP Interest Expense | 22,446 | - | - | 22,446 |
| Benefit and Claim Payments | 496,626 | - | - | 496,626 |
| Distributions from Pooled Investments | - | 1,690 | - | 1,690 |
| Administration | 12,134 | - | 4,448 | 16,582 |
| TOTAL DEDUCTIONS | <u>531,206</u> | <u>1,690</u> | <u>78,667</u> | <u>611,563</u> |
| Extraordinary Gain | - | - | 37,677 | 37,677 |
| CHANGE IN NET POSITION | 1,054,920 | (1,542) | 37,375 | 1,090,753 |
| Net Position (Deficit) at Beginning of Year, as Restated | 6,694,974 | 7,936 | (542,128) | 6,160,782 |
| NET POSITION (DEFICIT) AT END OF YEAR | <u>\$ 7,749,894</u> | <u>\$ 6,394</u> | <u>\$ (504,753)</u> | <u>\$ 7,251,535</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Dollars in Thousands)

The City of San Diego (City) adopted its current charter on April 7, 1931 and operates as a municipality in accordance with State laws. Since adoption, the City Charter has been amended many times.

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. The City represents the primary government while entities for which the primary government is considered to be financially accountable represent its component units. Component units can be blended with the primary government or discretely presented.

Blended component units are those component units that, despite being legally separate entities, are so intertwined with the primary government that they are, in substance, the same as the primary government. These component units are reported as funds of the primary government. Discretely presented component units are reported in the government-wide financial statements in a column separate from the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements. Fiduciary component units are not part of the primary government and are reported as fiduciary funds to report assets held in a trustee or agency capacity for others that cannot be used to support the government's own programs.

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

- Civic San Diego (CSD)
- City of San Diego/Metropolitan Transit Development Board Authority (City/MTDB Authority)
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

A brief description of each blended component unit follows:

- Civic San Diego (CSD) is a not-for-profit public benefit corporation established for the purpose of administering certain redevelopment projects in designated project areas throughout the City. CSD resulted from restructuring and reorganization of the former Centre City Development Corporation (CCDC) and the Southeastern Economic Development Corporation's (SEDC) into a single corporation. Upon dissolution of the former San Diego Redevelopment Agency (former RDA), CSD's main function is to provide administrative and advisory services to the City as the Successor Agency. CSD also assists the City with downtown parking management administration and affordable housing development. The City Council elects the Board of Directors of CSD. CSD's budget and governing board are approved by the City of San Diego and services are provided exclusively to the City. CSD is

reported as a governmental fund. Financial statements are available at www.civicsd.com.

- The City of San Diego/Metropolitan Transit Development Board Authority (City/MTDB Authority) is a financing authority, which was established in 1988 by the City and the Metropolitan Transit Development Board (now the Metropolitan Transit System or MTS) to acquire and construct mass transit guide ways, public transit systems, and related transportation facilities primarily benefiting the residents of the City. The Mayor appoints, with City Council confirmation, two public members and the MTS Board appoints one MTS board member to the governing board of the City/MTDB Authority. The City/MTDB Authority primarily provides services to the City. The City/MTDB Authority is reported as a governmental fund. On October 2, 2014, a Council resolution was passed authorizing and directing the City Comptroller to take appropriate measures to rescind the JPA agreement and terminate the Authority. All related funds and accounts have been closed and the filing of dissolution with the Secretary of the State to fully dissolve the entity was completed on October 31, 2014.
- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 by the City and the San Diego Unified Port District (Port) to acquire and construct the expansion of the existing convention center. The CCEFA is governed by a board consisting of the Mayor, the City Manager, the Director of the Port, and a member of the Board of Commissioners for the Port. The current working title of the City Manager is the Chief Operating Officer. The CCEFA provides services which primarily benefit the City. CCEFA is reported as a governmental fund.
- The Public Facilities Financing Authority (PFFA) was established in 1991 by the City and the former RDA to acquire and construct public capital improvements. As of June 30, 2014, the members are the City, the Successor Agency, and the Housing Authority of the City of San Diego. PFFA is governed by a board of commissioners composed of the members of the City Council. PFFA provides services exclusively to the City. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- 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. On August 5, 2013, a resolution was passed by the City Council to take the necessary steps to wind-up and dissolve the Corporation. On February 6, 2014, the California Secretary of State officially endorsed SDDPC's Certification of Dissolution. Prior to dissolution, SDDPC's budget and a majority of the governing board were approved by the City Council. SDDPC provided services almost exclusively to the City. SDDPC is reported as an internal service fund.
- The San Diego Facilities and Equipment Leasing Corporation (SDFELC) is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. SDFELC is governed by a three member board consisting of the City Attorney, the Chief Financial Officer and the Mayor (as City Manager) and services are provided exclusively to the City. Financing provided through SDFELC for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- The San Diego Industrial Development Authority (SDIDA) was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board. SDIDA is reported as a governmental fund.
- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC purchased from the City the rights to

receive future tobacco settlement revenues due to the City. TSRFC is governed by a board of directors, which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director is appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.

There are two fiduciary component units:

- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port and the San Diego County Regional Airport Authority (Airport). SDCERS' Board of Administration (Board) adopted a Declaration of Group Trust, effective July 1, 2007. Under the Group Trust, the City, Port and Airport plans are treated as separate plans, with assets of each pooled for investment purposes only. SDCERS also administers certain postemployment healthcare activities on behalf of the City. SDCERS is a legally separate, fiduciary component unit of the City. It is governed by a 13 member Board of Administration, eight of which are appointed by the City, and a Pension Administrator who does not report to or work under the direction of the elected officials or appointed managers of the City. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports. SDCERS provides services primarily to the City and is reported as a pension trust fund. Complete stand-alone financial statements are available at www.sdcers.org.
- The Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency) is a legally separate entity from the City reported as a fiduciary component unit of the City. It was established to hold the former RDA's assets until they are distributed to other units of state and local government or, where appropriate, to private parties and to administer the payments of the former RDA's obligations. Pursuant to ABX1 26, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. On January 12, 2012, the City was designated to serve as the Successor Agency subject to control of an oversight board. The Successor Agency is reported as a private-purpose trust fund in the fiduciary funds financial statements.

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. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints seven voting members out of the nine-member Board of Directors of SDCCC. The City allocates general revenue for SDCCC operations in accordance with the annual budgeting process. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements are available at www.sdccc.org.
- San Diego Housing Commission (SDHC)
SDHC is a government agency, which was formed by the City under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC primarily serves low-and-moderate-income families by providing rental assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services. SDHC is discretely presented because it provides services directly to the citizens. SDHC is governed by the San Diego Housing Authority, which is composed of the nine members of the San Diego City Council. The Housing Authority has final authority over the SDHC's budget and major policy changes. SDHC has seven blended component units and nine discretely presented component units which are included in the City's basic financial statements. The nine discretely presented component units are financially and legally separate entities from SDHC: Housing Development Partners of San Diego (HDP); HDP Mason

Housing Corporation (HDP Mason); Casa Colina, LP (Casa Colina); Logan Development II, L.P. (Logan); HDP Churchill LLC; and Other Consolidated Companies. The Consolidated Companies include: Logan Development Management LLC; HDP Parker Kier, LLC; HDP Broadway Management LLC; and HDP Broadway L.P. Complete stand-alone financial statements are available at www.sdhc.org.

Each blended and discretely presented component unit of the City has a June 30 fiscal year-end, with the exception of SDHC's discretely presented component units, which have a December 31, 2013 fiscal year end.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its component units. Governmental activities are normally supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. 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 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 that do not qualify as program revenues are reported as general revenues.

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

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

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 interfund services provided and used between functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues which are considered susceptible to accrual include: real and personal property taxes; sales taxes; transient occupancy taxes; other local taxes; franchise fees; fines, forfeitures and penalties; motor vehicle license fees; rents and concessions; interest; and state and federal grants and subventions, provided they are received within 60 days from the end of the fiscal year.

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

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

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 position. Issuance of long-term debt, bond premiums and discounts are reflected as other financing sources (uses) and recognized in the period in which they are issued.

Permanent funds, commonly referred to as endowment funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for various programs, a list of which can be found in the Permanent Funds section of the Combining and Individual Fund Financial Statements and Schedules. The corpus of permanent funds is reported as Nonspendable Fund Balance and investment earnings available for expenditure are reported as Restricted Fund Balance in the fund level financial statements. The endowment principal is reported as Restricted for Nonexpendable Permanent Endowments in the Statement of Net Position. Funds are spent in accordance with the City budget, subject to State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

The following is the City's only 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, the State Water Project and local sources and supplying it to its customers.

The following are the City's other fund types:

Internal Service Funds - These funds account for fleet vehicles and transportation, printing, data processing, and storeroom services provided to City departments on a cost-reimbursement basis. Internal service funds also account for energy conservation, risk management, unemployment insurance, unused compensatory time, unused sick leave, and long-term disability programs, which derive revenues from rates charged to benefiting departments.

Pension Trust Funds - These funds account for SDCERS, the Preservation of Benefits Plan, the Postemployment Healthcare Benefit Plan, the Supplemental Pension Savings Plan (SPSP), the 401(a) Plan and the 401(k) Plan.

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

Private-Purpose Trust Fund - This fund was established to account for the ongoing obligations of the Successor Agency (former RDA).

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

d. Property Taxes

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

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

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year and which do not meet the 60 day availability criterion are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred inflows of resources in the governmental funds. The City provides an allowance for uncollected property taxes, which is analyzed each year against the most recent data from the County. For fiscal year 2014, the allowance amount was \$3,916.

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

e. Cash and Investments

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

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

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

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds and agency funds, unless otherwise expressly stated in the resolutions creating the individual funds. These transactions caused an increase in the "Transfers from Other Funds" amount for the General Fund and a corresponding increase in the "Transfers to Other Funds" amount for the funds earning the interest. In the case of negative interest, these transactions caused an increase to the "Transfers from Other Funds" amount for the funds transferring the negative interest and caused a like increase to the "Transfers to Other Funds" amount for the General Fund. During fiscal year 2014, a net increase in interest of \$547 was assigned from various funds to the General Fund.

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

All City investments are reported at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Note 3 contains additional information on permissible investments per the City Treasurer's Investment Policy and other policies applicable to the cash and investments reported herein.

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

SDCERS' investments are reported at fair value in the accompanying Statement of Fiduciary Net Position. SDCERS' custodian, State Street Bank & Trust Company, provides the fair values of exchange traded assets. Through its agents, SDCERS also holds investments in non-publicly traded institutional investment funds. These institutional investment funds are comprised of exchange traded securities, the fair values of which are provided by the respective custodians. Directly-owned real estate assets are stated at appraised values as determined by SDCERS' real estate managers and third party appraisal firms. Private equity and infrastructure assets are valued by their respective investment managers giving consideration to the financial condition and operating results of the portfolio companies, and other factors deemed relevant. These fair values are reviewed by SDCERS' Private Equity and Infrastructure Consultants.

f. Receivables

The City's receivables are comprised mainly of taxes, accounts and grants. Accounts receivable and taxes receivable are reported net of an allowance for uncollectible amounts. Additionally, the City has assessed the collectability of certain interfund loan receivables due from the Successor Agency to various funds (see Note 17). The allowance amounts as of June 30, 2014 are as follows:

| Fund | Accounts Receivable Allowance | Taxes Receivable Allowance | Interfund Loan Allowance |
|-----------------------------|----------------------------------|-------------------------------|-----------------------------|
| General Fund | \$ 9,461 | \$ 3,841 | \$ 21,083 |
| Nonmajor Governmental Funds | 25,103 | 75 | 170,810 |
| Sewer Utility | 1,221 | - | 1,180 |
| Water Utility | 2,367 | - | 686 |
| Nonmajor Enterprise Funds | 4,058 | - | - |
| Internal Service Funds | 1,575 | - | - |
| Total | \$ 43,785 | \$ 3,916 | \$ 193,759 |

g. Inventories

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

h. Land Held for Resale

Land Held for Resale is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental funds financial statements, fund balances associated with properties held for resale are reported as restricted fund balances as proceeds from the sale of such properties are restricted for the purpose of affordable housing as codified in the California Health and Safety Code. Land is originally recorded at historical cost and adjusted to net realizable value when a property is impaired, when the determination is made that a property will be sold for less than its cost, or when property values decrease due to market conditions.

i. Deferred Outflows/Inflows of Resources

In the government-wide and proprietary funds financial statements, deferred outflows/inflows of resources represent the difference between the reacquisition price of the refunded bond over its net carrying amount, which will be amortized and recognized as a component of interest expense over the remaining life of the old refunded bonds or the new refunding bonds, whichever is shorter.

j. Capital Assets

Non-Depreciable Capital Assets, which include land, rights of way, easements, and construction in progress, are reported in the applicable Governmental or Business-Type Activities column in the government-wide financial statements, as well as in the proprietary funds and fiduciary funds financial statements.

Depreciable Capital Assets, which include structures and improvements, equipment, intangible assets, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation/amortization in the applicable Governmental or Business-Type Activities column in the government-wide financial statements, as well as in the proprietary funds and fiduciary funds financial statements. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of structures and improvements, equipment outlay, intangible assets, distribution and collection systems and infrastructure, must meet or exceed a capitalization threshold of five thousand dollars. Land is capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets is reflected in the capitalized value of the asset constructed. During fiscal year 2014, \$1,731 of net interest expense incurred was capitalized. There was no related interest revenue to net against capitalized interest expense.

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------------------|--------------|
| Structures and Improvements | |
| Buildings | 10 - 50 |
| Building Improvements | 3 - 50 |
| Equipment | |
| Vehicles | 4 - 20 |
| General Machinery and Office Equipment | 2 - 50 |
| Intangible Assets | 5 - 25 |
| Distribution and Collection Systems | |
| Sewer and Water Infrastructure | 15 - 75 |
| Dams and Reservoirs | 50 - 150 |
| Infrastructure | |
| Pavement, Sidewalks, and Lighting | 12 - 50 |
| Bridges | 30 - 75 |
| Flood Control Assets | 40 - 75 |

k. Unearned/Unavailable Revenue

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

l. Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

m. Long-Term Liabilities

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

n. Compensated Absences

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

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

o. Claims and Judgments

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

p. Non-Monetary Transactions

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

q. Net Position

In the government-wide and proprietary funds financial statements, Net Position is categorized as follows:

- Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by outstanding debt and deferred inflows of resources attributed to the acquisition, construction or improvement of these assets.
- Restricted Net Position consists of restricted assets reduced by liabilities related to those assets. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position components are available. As of June 30, 2014, the amount of restricted net position due to enabling legislation was approximately \$214,588.
- Unrestricted Net Position consists of net position that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

r. Fund Balances

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

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

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

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

s. Reserves

The City's formal reserve policy, which was adopted in fiscal year 2008 via City Council ordinance, last amended in July 2014, was created in accordance with Charter Section 91 and defines the General Fund Reserves. The City's General Fund Reserve is comprised of two separate components (1) the Emergency Reserve and (2) the Stability Reserve. For the purpose of the policy, the General Fund is the operational fund as presented in the City's annual budget document.

- **Emergency Reserve** - maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event. This reserve may be expended when an event is determined to be a public emergency by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety of the City's residents and their property.
- **Stability Reserve** - maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The purpose of this reserve is to provide budgetary stabilization and not serve as an alternative funding source for new programs. Recommendations to appropriate from the Stability Reserve are brought forward by the Mayor and require approval by a majority of the City Council.

The target level for total General Fund Reserves is 14% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis). The Emergency Reserve is set at a target level of 8%, and the Stability Reserve is set at a target level of 6%. The balances of the Emergency Reserve and the Stability Reserve, as of June 30, 2014, were \$85,600 and \$64,200 respectively, meeting policy target levels. In the event either reserve component is reduced below the amount established by this policy, the Mayor will prepare a plan as promptly as conditions warrant to replenish the reserve to the policy level. Spendable and unrestricted fund balance that is not part of General Fund Reserves is available for appropriation.

Information regarding other reserves maintained by the City is contained in Council Policy No. 100-20.

t. Participating Agencies Revenue Recognition

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

u. Estimates

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

v. New Governmental Accounting Standards Implemented During Year Ended June 30, 2014

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2014.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate use of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources* to ensure consistency in financial reporting. The implementation of this statement resulted in reclassification of assets and liabilities as deferred outflows of resources and deferred inflows of resources and recognition of outflows of resources or inflows of resources for certain items that had previously been reported as assets and liabilities (see Note 23 regarding beginning net position restatement related to the implementation of this statement).

In March 2012, GASB issued Statement No. 66, *Technical Corrections–2012: An Amendment of GASB Statements No. 10 and No. 62*, which is intended to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The amendments included in the statement did not impact the City's financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans: An Amendment of GASB Statement No. 25*. The statement addresses reporting by pension plans that administer benefits for governments, and is effective for financial periods beginning after June 15, 2013. SDCERS is subject to the provisions of GASB Statement No. 67 beginning with fiscal year 2014. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Key changes include differences in accounting and funding:

- The asset valuation method used for funding purposes will allow asset smoothing, which reduces the impact of market volatility on plan assets, while the asset valuation method required for accounting purposes will be the fair value of assets.
- The discount rate used for funding purposes may continue to be similar to the long-term expected rate of return on plan assets. The discount rate for accounting purposes, however, may potentially include a portion based on tax exempt 20-year AA or higher rated general obligation municipal bond index yields. This reduced discount rate will be used to project future benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes will be incorporated into projections of benefit payments, if a plan sponsor's past practice and future expectations of granting them indicate they are essentially automatic. The actuarial valuations for the City, Port and Airport assume an annual 2.0% cost-of-living increase, compounded annually.
- More extensive note disclosures and required supplementary information.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which intends to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. It requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. It provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. In addition, it specifies the information required to be disclosed by governments that extend and receive nonexchange financial guarantees. As of the end of the fiscal year, the City has not made or received any financial guarantees to or from third parties.

w. Upcoming Governmental Accounting Standards Implementation

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

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement No. 27* (GASB 68), which is intended to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision usefulness and accountability is intended to be enhanced through new note disclosures and required supplementary information. This statement will become effective in fiscal year 2015. According to a December 2014 actuarial report produced by SDCERS' actuary, if the City had elected to use June 30, 2013 as its initial measurement date under GASB 68, the Net Pension Obligation of \$139,621 would have been reversed and a Net Pension Liability of \$2,160,369 would have been recognized as of the beginning of the fiscal year, with a net decrease to the City's Net Position of \$2,020,748.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. It requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This statement will become effective in fiscal year 2015.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date: An Amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires that, in the year of implementation of GASB Statement No. 68, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This statement will become effective in fiscal year 2015.

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

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

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

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Balances" and "Total Net Position" of governmental activities as reported in the Government-Wide Statement of Net Position. One element of the reconciliation states, "Certain assets and deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level." The details of this \$12,087 difference are as follows:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Deferred Charges, July 1, 2013 | \$ 7,673 |
| GASB 65 Restatement (See Note 23) | <u>(5,637)</u> |
| Prepaid Insurance, July 1, 2013 | 2,036 |
| Amortization Expense | <u>(113)</u> |
| Prepaid Insurance, June 30, 2014 | <u>1,923</u> |
| Deferred Outflows of Resources - Loss on Refunding | |
| Loss on Refunding, July 1, 2013 | 10,873 |
| Loss on Refunding for Bonds Issued | 499 |
| Amortization Expense | <u>(1,208)</u> |
| Loss on Refunding, June 30, 2014 | <u>10,164</u> |
| Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities | <u>\$ 12,087</u> |

Another element of the reconciliation states: "Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources." The details of this \$101,901 difference are as follows:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Deferred Inflows of Resources - Unavailable Revenue: | |
| Taxes Receivable | \$ 65,797 |
| Grants Receivable | 13,699 |
| Special Assessments Receivable | 951 |
| Revenue from Use of Money and Property | 2,445 |
| Revenue from Other Agencies | 5,593 |
| Notes Receivable | 846 |
| Other | <u>12,570</u> |
| Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities | <u>\$ 101,901</u> |

Another element of the reconciliation states: "Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds." The details of this (\$1,391,493) difference are as follows:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Interest Accrued on Long-Term Debt | \$ (8,626) |
| Compensated Absences | (64,512) |
| Liability Claims | (307,304) |
| Capital Lease Obligations | (24,356) |
| QECB Lease Obligation | (10,864) |
| Contracts Payable | (16,820) |
| Loans Payable | (13,552) |
| Section 108 Loans Payable | (4,081) |
| Net Bonds Payable | (649,793) |
| Net Other Postemployment Benefits Obligation | (179,713) |
| Net Pension Obligation | <u>(111,872)</u> |
| Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities | <u>\$ (1,391,493)</u> |

Another element of the reconciliation states: "Internal service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Employee Benefit Programs, and Data Processing to individual funds. The assets and liabilities of internal service funds are included in the governmental activities in the Statement of Net Position." The details of this \$169,712 difference are as follows:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Assets: | |
| Capital Assets - Non-Depreciable | \$ 5,043 |
| Capital Assets - Depreciable | 109,398 |
| Internal Balances | 7,164 |
| Current Assets | 130,540 |
| Liabilities: | |
| Compensated Absences | (6,134) |
| Liability Claims | (24,642) |
| Capital Lease Obligations | (33,738) |
| Net Other Postemployment Benefits Obligation | (9,133) |
| Net Pension Obligation | (2,150) |
| Other Liabilities | <u>(6,636)</u> |
| Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities | <u>\$ 169,712</u> |

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

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between "Net Change in Fund Balances of Governmental Funds" and "Change in Net Position 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 \$54,005 difference are as follows:

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Capital Outlay | \$ 118,187 |
| Donated Capital Assets | 85,949 |
| Other Capital Activities | 2 |
| Depreciation/Amortization Expense | <u>(150,133)</u> |
| Net Adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities" | <u>\$ 54,005</u> |

Another element of the reconciliation states: "The net effect of various miscellaneous transactions involving capital assets (i.e., retirements and transfers) is to decrease net position." The details of this (\$13,739) are as follows:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| In the Statement of Activities, only the net loss on the sale of land is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the capital assets sold/retired. | \$ (10,703) |
| Transfers of capital assets from business-type activities increase net position on the Statement of Activities, but do not appear in the governmental funds because they are not financial resources. | 3,259 |
| The Statement of Activities reports losses arising from the retirement of existing capital assets. Conversely, governmental funds report proceeds from the sale of capital assets but do not report any gain or loss on retirements of capital assets. | <u>(6,295)</u> |
| Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities" | <u>\$ (13,739)</u> |

Another element of the reconciliation states: "Internal service funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Employee Benefit Programs, and Data Processing to individual funds. The net expense of certain internal service activities is reported with governmental activities." The details of this (\$5,411) are as follows:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Allocated Operating Income | \$ 730 |
| Nonoperating Revenues: | |
| Gain on Sale/Retirement of Capital Assets | 354 |
| Federal and Other Agency Grant Assistance | 135 |
| Other Nonoperating Revenues, net | 160 |
| Capital Asset Transfers | (3,259) |
| Transfers, net | <u>(3,531)</u> |
| Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities" | <u>\$ (5,411)</u> |

Another element of the reconciliation states: "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this \$52 difference are as follows:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Debt Issued or Incurred: | |
| Capital Lease Obligations | \$ (22,850) |
| Contracts Payable | (16,951) |
| Loans Payable | (761) |
| Lease Revenue Bonds | (49,530) |
| Principal Repayments: | |
| Capital Lease Obligations | 31,705 |
| QECCB Lease Obligations | 773 |
| Contracts Payable | 7,585 |
| Loans Payable | 8,847 |
| Section 108 Loans | 1,549 |
| Lease Revenue Bonds | 19,810 |
| Tobacco Settlement Asset-Backed Bonds | 3,850 |
| Refundings: | |
| Revenue Bonds | <u>16,025</u> |
| Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities" | <u>\$ 52</u> |

Another element of the reconciliation states: "Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation), and therefore, are not accrued as expenditures in governmental funds." The details of this \$11,522 difference are as follows:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Compensated Absences | \$ 152 |
| Liability Claims | 10,778 |
| Net Pension Obligation/Net OPEB Obligation | 1,436 |
| Interest Accrued on Long-Term Debt | 534 |
| Current Year Premiums and Loss on Refunding | |
| Less Amortization of Bond Premiums, Discounts, and Loss on Refunding | (1,265) |
| Current Year Amortization of Prepaid Insurance | <u>(113)</u> |
| Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities" | <u>\$ 11,522</u> |

3. CASH AND INVESTMENTS (Dollars in Thousands)

The following is a summary of the carrying amount of cash and investments as of June 30, 2014:

| | Governmental Activities | Business-Type Activities | Fiduciary Statement of Net Position other than SDCERS | Subtotal | SDCERS Fiduciary Statement of Net Position | Grand Total |
|---------------------------------------------------------------------|----------------------------|-----------------------------|-------------------------------------------------------------|---------------------|--------------------------------------------------|----------------------|
| Cash or Equity in Pooled Cash and Investments | \$ 1,166,252 | \$ 945,675 | \$ 196,209 | \$ 2,308,136 | \$ 1,167 | \$ 2,309,303 |
| Cash and Investments with Custodian, Fiscal Agents, and Trustees | 140,106 | 150,832 | 118,685 | 409,623 | 239,361 | 648,984 |
| Investments at Fair Value | 20,830 | - | 965,655 | 986,485 | 6,680,200 | 7,666,685 |
| Securities Lending Collateral | - | - | - | - | 198,398 | 198,398 |
| Total | \$ 1,327,188 | \$ 1,096,507 | \$ 1,280,549 | \$ 3,704,244 | \$ 7,119,126 | \$ 10,823,370 |

a. Cash or Equity in Pooled Cash and Investments

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

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

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

| | |
|------------------------------------------------------------|---------------------|
| Cash on Hand - Petty Cash | \$ 202 |
| Deposits - Held in Escrow Accounts | 7,800 |
| Deposits - Cash and Cash Equivalents (Not Pooled) | 7,466 |
| Deposits - Cash and Cash Equivalents (Pooled) | 17,392 |
| City Treasurer's Investment Pool | 2,275,276 |
| SDCERS Cash Deposits | 1,167 |
| Total Cash or Equity in Pooled Cash and Investments | \$ 2,309,303 |

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2014 is presented in the table below:

| Investment | Fair Value | Book Value | Interest Rate % Range | Maturity Range |
|-------------------------------------------|--------------|--------------|--------------------------|---------------------|
| U.S. Treasury Notes | \$ 1,125,918 | \$ 1,124,187 | 0.125-0.875% | 7/31/2014-6/15/2017 |
| Agency Discount Notes | 106,471 | 106,406 | 0.1-0.14% ¹ | 7/1/2014-5/7/2015 |
| Agency Notes and Bonds | 409,742 | 409,820 | 0.125-1.2% | 7/15/2014-5/24/2018 |
| Asset Backed Securities | 86,965 | 86,913 | 0.28-1.15% | 6/15/2015-1/15/2019 |
| Commercial Paper | 124,939 | 124,858 | 0.14-0.33% | 7/1/2014-12/5/2014 |
| Corporate Notes and Bonds | 114,756 | 114,693 | 0.29-1.3% | 8/15/2014-3/1/2019 |
| Negotiable Certificates of Deposit | 125,009 | 125,000 | 0.19-0.24% | 7/1/2014-2/27/2015 |
| Repurchase Agreements | 131,700 | 131,700 | 0.05% | 7/1/2014 |
| State Local Agency Investment Fund (LAIF) | 49,776 | 49,761 | 0.23% ² | 2/17/2015 |
| Total | \$ 2,275,276 | \$ 2,273,338 | | |

¹ Discount Rates

² LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 232 days.

The following represents a condensed statement of net position and changes in net position for the City Treasurer's cash and investment pool as of June 30, 2014:

Statement of Net Position

| | |
|-----------------------------------------------------------|--------------|
| Deposits - Cash and Cash Equivalents (Pooled) | \$ 17,392 |
| Investments of Pool Participants | 2,275,276 |
| Accrued Interest Receivable of Internal Pool Participants | 2,672 |
| Accrued Interest Receivable of External Pool Participants | 8 |
| Total Cash, Investments, and Interest Receivable | \$ 2,295,348 |
| | |
| Net Position of Internal Pool Participants | \$ 2,288,954 |
| Net Position of External Pool Participants ¹ | 6,394 |
| Total Net Position | \$ 2,295,348 |

Statement of Changes in Net Position

| | |
|----------------------------------------------------------------|--------------|
| Net Position Held for Pool Participants at July 1, 2013 | \$ 2,370,282 |
| Net Change in Investments by Pool Participants | (74,934) |
| Total Net Position Held for Pool Participants at June 30, 2014 | \$ 2,295,348 |

¹ Voluntary Participation - Abandoned Vehicle Abatement

b. Cash and Investments with Custodian, Fiscal Agents, and Trustees

Cash and Investments with Custodian, Fiscal Agents, and Trustees include cash and investments held by trustees resulting from bond issuances. These funds represent bond funds, including but not limited to debt service reserve funds, construction funds, costs of issuance funds, and liquid investments held by trustees as legally required by bond issuances. Under the fiduciary statement of net position, Cash with Custodian/Fiscal Agent includes the City's balance for the Preservation of Benefits Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m) and is discussed in further detail in Note 11. Additionally, Cash with Custodian/Fiscal Agent includes the SDCERS portion of funds held as cash collateral from market neutral portfolios (domestic fixed income investment strategy).

Furthermore, it represents transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank.

c. Investments at Fair Value

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

d. Investment Policy

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

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

The Investment 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 Investment Policy:

| Investment Type | Maximum Maturity ¹ | | Maximum % of Portfolio | | Maximum % with One Issuer | | Minimum Rating ⁸ | |
|----------------------------------------------------------------|-------------------------------|-------------|------------------------|-------------|---------------------------|-------------|-----------------------------|-------------|
| | CGC | City Policy | CGC | City Policy | CGC | City Policy | CGC | City Policy |
| U.S. Treasury Obligations (bills, bonds, or notes) | 5 years | 5 years | None | None | None | None | None | None |
| U.S. Agencies | 5 years | 5 years | None | (2) | None | (2) | None | None |
| Bankers' Acceptances ⁶ | 180 days | 180 days | 40% | 40% | 30% | 10% | None | (3) |
| Commercial Paper ⁶ | 270 days | 270 days | 25% | 25% | 10% | 10% | P-1 | P-1 |
| Negotiable Certificates ⁶ | 5 years | 5 years | 30% | 30% | None | 10% | None | (3) |
| Repurchase Agreements | 1 year | 1 year | None | None | None | None | None | None |
| Reverse Repurchase Agreements ⁴ | 92 days | 92 days | 20% | 20% | None | None | None | None |
| Local Agency Investment Fund | N/A | N/A | None | None | None | None | None | None |
| Non-Negotiable Time Deposits ^{6,7} | 5 years | 5 years | 30% | 25% | None | 10% | None | (3) |
| Medium Term Notes/Bonds ⁶ | 5 years | 5 years | 30% | 30% | None | 10% | A | A |
| Municipal Securities of California Local Agencies ⁶ | 5 years | 5 years | None | 20% | None | 10% | None | A |
| Mutual Funds | N/A | N/A | 20% | 20% | 10% | 5% | AAA | AAA |
| Notes, Bonds, or Other Obligations | 5 years | 5 years | None | None | None | None | None | AA |
| Mortgage Pass-Through Securities | 5 years | 5 years | 20% | 20% | None | None | AA | AAA |
| Financial Futures ⁵ | N/A | None | None | None | None | None | None | None |

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

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

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

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

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

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

⁷ Time deposits with the Certificate of Deposit Account Registry Service (CDARS) are further restricted per the City's Investment Policy: 1 year maximum maturity and

2% maximum of the portfolio.

⁸ Minimum credit rating categories include modifications (+/-).

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

Additionally, the Investment 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 or has a coupon that resets inversely to the underlying index. Structured notes issued by U.S. government agencies that contain imbedded calls or options are authorized as long as those securities are not inverse floaters, range notes, or interest only strips derived from a pool of mortgages. A maximum of 8% of the "cost value" of the pooled portfolio may be invested in structured notes.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. The Investment Policy is available online at the following website address:

www.sandiego.gov/treasurer/investments/invpolicy.shtml.

Other Investment Policies

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

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

City of San Diego – Disclosures for Specific Risks

e. Interest Rate Risk

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

The core portfolio uses the Bank of America Merrill Lynch 1-3 year Treasury Index as a benchmark with a rolling three year period. 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, 2014, the City's investments (dollars in thousands) by maturity are as follows:

| | Years | | | | Fair Value |
|-----------------------------------------------------------------------------------------------|---------------------|---------------------|-------------------|------------------|---------------------|
| | Under 1 | 1-3 | 3-5 | Over 5 | (In Thousands) |
| City Treasurer's Investment Pool | | | | | |
| U.S. Treasury Notes | \$ 275,295 | \$ 850,623 | \$ - | \$ - | \$ 1,125,918 |
| U.S. Agencies - Federal Farm Credit Bank | 40,064 | 10,015 | - | - | 50,079 |
| U.S. Agencies - Federal Home Loan Bank | 166,427 | 49,967 | 9,869 | - | 226,263 |
| U.S. Agencies - Federal Home Loan Mortgage Corporation | 70,033 | 50,020 | - | - | 120,053 |
| U.S. Agencies - Federal National Mortgage Association | 14,998 | 35,001 | 29,811 | - | 79,810 |
| Agencies - Int'l Bank of Reconstruction and Development | 20,000 | 20,008 | - | - | 40,008 |
| Asset Backed Securities | 10,037 | 56,914 | 20,014 | - | 86,965 |
| Commercial Paper | 124,939 | - | - | - | 124,939 |
| Corporate Notes | 17,015 | 58,109 | 39,632 | - | 114,756 |
| Negotiable Certificates of Deposit | 125,009 | - | - | - | 125,009 |
| Repurchase Agreements | 131,700 | - | - | - | 131,700 |
| State Local Agency Investment Fund | 49,776 | - | - | - | 49,776 |
| | <u>1,045,293</u> | <u>1,130,657</u> | <u>99,326</u> | <u>-</u> | <u>2,275,276</u> |
| Non-Pooled Investments with City Treasurer | | | | | |
| U.S. Treasury Notes | 4,001 | - | - | - | 4,001 |
| U.S. Agencies - Federal Home Loan Bank | 11,088 | - | - | - | 11,088 |
| U.S. Agencies - Federal National Mortgage Association | 3,117 | - | - | - | 3,117 |
| Commercial Paper | 6,901 | - | - | - | 6,901 |
| | <u>25,107</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,107</u> |
| Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units | | | | | |
| U.S. Treasury Bonds and Notes | 45,514 | 31,411 | 27,247 | 8,448 | 112,620 |
| U.S. Agencies - Federal Farm Credit Bank | 5,001 | - | - | - | 5,001 |
| U.S. Agencies - Federal Home Loan Bank | 27,015 | 14,059 | 8,698 | - | 49,772 |
| U.S. Agencies - Federal Home Loan Mortgage Corporation | 9,250 | 9,848 | 4,800 | - | 23,898 |
| U.S. Agencies - Federal National Mortgage Association | 2,139 | 8,301 | 23,853 | - | 34,293 |
| Commercial Paper | 62,852 | - | - | - | 62,852 |
| Corporate Bonds and Notes | 204 | 886 | 1,805 | - | 2,895 |
| Exchange Traded Funds - Equity ¹ | 1,089 | - | - | - | 1,089 |
| Exchange Traded Funds - Fixed Income | - | - | 1,237 | - | 1,237 |
| Government Mortgage Backed Securities | - | - | - | 9 | 9 |
| Guaranteed Investment Contracts | - | - | - | 9,223 | 9,223 |
| Money Market Mutual Funds | 108,899 | - | - | - | 108,899 |
| Mutual Funds - Equity ¹ | 552,163 | - | - | - | 552,163 |
| Mutual Funds - Fixed Income | - | 389,100 | - | 9,282 | 398,382 |
| Stocks - Common Stock ¹ | 3,263 | - | - | - | 3,263 |
| Stocks - Preferred Stock ¹ | 371 | - | - | - | 371 |
| | <u>817,760</u> | <u>453,605</u> | <u>67,640</u> | <u>26,962</u> | <u>1,365,967</u> |
| Total Investments | <u>\$ 1,888,160</u> | <u>\$ 1,584,262</u> | <u>\$ 166,966</u> | <u>\$ 26,962</u> | 3,666,350 |
| Cash on Hand - Petty Cash | | | | | 202 |
| Deposits - Cash and Cash Equivalents (Not Pooled) | | | | | 7,466 |
| Deposits - Cash and Cash Equivalents (Pooled) | | | | | 17,392 |
| Deposits - Cash with Fiscal Agents/Trustees | | | | | 5,034 |
| Deposits - Held in Escrow Accounts | | | | | 7,800 |
| Total Investments, Cash on Hand, and Deposits | | | | | <u>\$ 3,704,244</u> |

¹ Equity exchange traded funds, equity mutual funds, and stocks do not have maturities.

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill their obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2014, the City's investments and corresponding credit ratings are as follows:

| | Moody's | S&P | Fair Value | Percentage |
|---------------------------------------------------------------------|-----------|--------------|------------------|----------------|
| City Treasurer's Investment Pool | | | | |
| U.S. Treasury Notes | Exempt | Exempt | \$ 1,125,918 | 49.48% |
| U.S. Agencies - Federal Farm Credit Bank | Aaa | Not Provided | 50,079 | 2.20% |
| U.S. Agencies - Federal Home Loan Bank ¹ | Aaa | Not Provided | 199,788 | 8.78% |
| U.S. Agencies - Federal Home Loan Bank ¹ | P-1 | Not Provided | 26,475 | 1.16% |
| U.S. Agencies - Federal Home Loan Mortgage Corporation ¹ | Aaa | Not Provided | 75,055 | 3.30% |
| U.S. Agencies - Federal Home Loan Mortgage Corporation ¹ | P-1 | Not Provided | 44,998 | 1.98% |
| U.S. Agencies - Federal National Mortgage Association | Aaa | Not Provided | 64,812 | 2.85% |
| U.S. Agencies - Federal National Mortgage Association | P-1 | Not Provided | 14,998 | 0.66% |
| Agencies - Int'l Bank of Reconstruction and Development | Aaa | Not Provided | 20,008 | 0.88% |
| Agencies - Int'l Bank of Reconstruction and Development | P-1 | Not Provided | 20,000 | 0.88% |
| Asset Backed Securities | Aaa | Not Rated | 61,913 | 2.72% |
| Asset Backed Securities | Not Rated | AAA | 25,052 | 1.10% |
| Commercial Paper | P-1 | Not Provided | 124,939 | 5.49% |
| Corporate Notes | Aaa | Not Provided | 5,005 | 0.22% |
| Corporate Notes | Aa1 | Not Provided | 9,780 | 0.43% |
| Corporate Notes | Aa3 | Not Provided | 52,042 | 2.29% |
| Corporate Notes | A1 | Not Provided | 29,941 | 1.32% |
| Corporate Notes | A2 | Not Provided | 12,965 | 0.57% |
| Corporate Notes | A3 | Not Provided | 5,023 | 0.22% |
| Negotiable Certificates of Deposit | P-1 | Not Provided | 125,009 | 5.49% |
| Repurchase Agreements | Not Rated | Not Rated | 131,700 | 5.79% |
| State Local Agency Investment Fund | Not Rated | Not Rated | 49,776 | 2.19% |
| | | | <u>2,275,276</u> | <u>100.00%</u> |
| Non-Pooled Investments with City Treasurer | | | | |
| U.S. Treasury Notes | Exempt | Exempt | 4,001 | 15.94% |
| U.S. Agencies - Federal Home Loan Bank ¹ | Aaa | Not Provided | 7,585 | 30.21% |
| U.S. Agencies - Federal Home Loan Bank ¹ | P-1 | Not Provided | 3,503 | 13.95% |
| U.S. Agencies - Federal National Mortgage Association ¹ | P-1 | Not Provided | 3,117 | 12.41% |
| Commercial Paper | P-1 | Not Provided | 6,901 | 27.49% |
| | | | <u>25,107</u> | <u>100.00%</u> |

| | <u>Moody's</u> | <u>S&P</u> | <u>Fair Value</u> | <u>Percentage</u> |
|----------------------------------------------------------------------------------------|----------------|----------------|---------------------|-------------------|
| Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units | | | | |
| U.S. Treasury Bonds and Notes | Exempt | Exempt | \$ 112,620 | 8.24% |
| U.S. Agencies - Federal Farm Credit Bank | Aaa | Not Provided | 5,001 | 0.37% |
| U.S. Agencies - Federal Home Loan Bank | Aaa | Not Provided | 22,757 | 1.67% |
| U.S. Agencies - Federal Home Loan Bank | P-1 | Not Provided | 15,753 | 1.15% |
| U.S. Agencies - Federal Home Loan Bank | Not Rated | AA+ | 11,262 | 0.82% |
| U.S. Agencies - Federal Home Loan Mortgage Corporation | Aaa | Not Provided | 17,451 | 1.28% |
| U.S. Agencies - Federal Home Loan Mortgage Corporation | P-1 | Not Provided | 6,447 | 0.47% |
| U.S. Agencies - Federal National Mortgage Association | Aaa | Not Provided | 34,293 | 2.51% |
| Commercial Paper | P-1 | Not Provided | 62,852 | 4.60% |
| Corporate Bonds and Notes | Aa2 | Not Provided | 336 | 0.02% |
| Corporate Bonds and Notes | A1 | Not Provided | 805 | 0.06% |
| Corporate Bonds and Notes | A2 | Not Provided | 752 | 0.06% |
| Corporate Bonds and Notes | A3 | Not Provided | 440 | 0.03% |
| Corporate Bonds and Notes | Baa1 | Not Provided | 172 | 0.01% |
| Corporate Bonds and Notes | Baa2 | Not Provided | 390 | 0.03% |
| Exchange Traded Funds - Equity | Not Rated | Not Rated | 1,089 | 0.08% |
| Exchange Traded Funds - Fixed Income | Not Rated | Not Rated | 1,237 | 0.09% |
| Government Mortgage Backed Securities | Not Rated | Not Rated | 9 | 0.01% |
| Guaranteed Investment Contracts | Not Rated | Not Rated | 9,223 | 0.68% |
| Money Market Mutual Funds | Aaa | Not Provided | 108,899 | 7.97% |
| Mutual Funds - Equity | Not Rated | Not Rated | 552,163 | 40.42% |
| Mutual Funds - Fixed Income | Not Rated | Not Rated | 398,382 | 29.16% |
| Stocks - Common Stock | Not Rated | Not Rated | 3,263 | 0.24% |
| Stocks - Preferred Stock | Not Rated | Not Rated | 371 | 0.03% |
| | | | <u>1,365,967</u> | <u>100.00%</u> |
| | | | | |
| Total Investments | | | <u>\$ 3,666,350</u> | |

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

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

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2014, the City exceeded the 5% limit of total investments for issuers of various U.S. Agencies. Investments exceeding the 5% limit are referenced in the credit ratings table above. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are exempt.

g. Custodial Credit Risk

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

Deposits

At June 30, 2014, the carrying amount of the City's cash on hand and deposits was approximately \$30,094 and the bank balance was approximately \$37,123; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$523 was covered by federal depository insurance and approximately \$36,600 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, \$36,600 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent, in the City's name.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately \$7,800. For the balance of deposits in escrow accounts, approximately \$2,294 was covered by federal depository insurance. The remaining balance of \$5,506 was uninsured, but collateralized and pledged at 110%. Pursuant to the California Government Code, California banks and savings and loans associations are required to secure the City's deposits in excess of insurance by pledging government securities as collateral.

Investments

The City's investments at June 30, 2014 are categorized as described below:

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

At June 30, 2014, the City had investments exposed to custodial credit risk. Investments within the Cemetery Perpetuity Fund's portfolio were held by Northern Trust Bank, and were not in the City's name. The following summarizes the investment types and amounts that are exposed to custodial credit risk:

| <u>Investment Type</u> | <u>Fair Value</u> |
|---------------------------------------|-------------------|
| Corporate Bonds and Notes | \$ 2,895 |
| Exchange Traded Funds - Equity | 1,089 |
| Exchange Traded Funds - Fixed Income | 1,237 |
| Government Mortgage Backed Securities | 9 |
| Stocks - Common Stock | 3,130 |
| Stocks - Preferred Stock | 371 |
| U.S. Treasury Bonds and Notes | 1,008 |
| Total | <u>\$ 9,739</u> |

h. Restricted Cash and Investments

Cash and investments at June 30, 2014 that are restricted by legal or contractual requirements are comprised of the following:

| | |
|--------------------------------------------------------------------------------------------------|-------------------|
| Nonmajor Governmental Funds | |
| Special Revenue | \$ 9,722 |
| Debt Service | 29,124 |
| Capital Projects | 108,196 |
| Permanent Endowments | 24,315 |
| Total Nonmajor Governmental Funds | <u>171,357</u> |
| Sewer Utility Enterprise Fund | |
| Interest and Redemption Funds | 83,008 |
| Water Utility Enterprise Fund | |
| Customer Deposits | 6,906 |
| Interest and Redemption Funds | 73,497 |
| Total Water Utility Enterprise Fund | <u>80,403</u> |
| Nonmajor Enterprise Funds | |
| Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs | 48,638 |
| Recycling Fund - Customer deposits | 9,161 |
| Total Nonmajor Enterprise Funds | <u>57,799</u> |
| Trust Funds | |
| Private-Purpose Trust Fund | 92,883 |
| Miscellaneous Agency Funds | |
| Special Assessment Funds and Retention Held in Escrow Accounts | <u>33,600</u> |
| Total Restricted Cash and Investments | <u>\$ 519,050</u> |

Summary of Total Cash and Investments

| | |
|-----------------------------------------|----------------------|
| Total Unrestricted Cash and Investments | \$ 10,304,320 |
| Total Restricted Cash and Investments | <u>519,050</u> |
| Total Cash and Investments | <u>\$ 10,823,370</u> |
| Total Governmental Activities | \$ 1,327,188 |
| Total Business-Type Activities | 1,096,507 |
| Total Fiduciary Activities | 8,399,675 |
| Total Cash and Investments | <u>\$ 10,823,370</u> |

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

Narratives and tables presented in the following sections (i. through t.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System as of June 30, 2014 (certain terms have been modified to conform to the City's CAFR presentation).

Summary of Cash and Investments – SDCERS

| | |
|----------------------------------------------------------------------------|---------------------|
| Cash on Deposit with Wells Fargo Bank | \$ 1,167 |
| Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents | 239,361 |
| Investments at Fair Value | |
| Domestic Fixed Income Securities | 1,774,200 |
| International Fixed Income Securities | 451,069 |
| Domestic Equity Securities | 1,703,423 |
| International Equity Securities | 1,261,674 |
| Global Equity Securities | 364,418 |
| Real Estate | 693,636 |
| Private Equity | 380,975 |
| Infrastructure | 50,805 |
| Securities Lending Collateral | 198,398 |
| Total Cash and Investments for SDCERS | <u>\$ 7,119,126</u> |

i. Investment Policy and Portfolio Risk

The Board of Administration of SDCERS (Board) has exclusive authority over the administration and investment of SDCERS' Trust Fund assets pursuant to Section 144 of the City Charter and the California State Constitution Article XVI, Section 17. The Board is authorized to invest in bonds, notes or other obligations, common stock, preferred stock, real estate investments, private equity, infrastructure and pooled vehicles. The risks and correlations of each asset class and investment manager are considered relative to an entire portfolio. Investment policies permit the Board to invest in financial futures contracts provided the contracts do not hedge SDCERS' Trust Fund portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts results in the recognition of a gain or loss under GASB Statement No. 67, *Financial Reporting for Pension Plans*.

Investment earnings are recorded in accordance with GASB Statement No. 67. Net investment income includes the net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and other income not included in the appreciation (depreciation) in the fair value of investments, less total investment expenses, including investment management and custodial fees and all other significant investment-related costs. SDCERS' realized gains totaled \$422,500 for the year ended June 30, 2014. Pursuant to the San Diego Municipal Code, realized gains and losses determine whether certain contingent benefits will be paid each fiscal year. Realized gains and losses are reported in investment income on the financial statements.

SDCERS' Policy in regard to the allocation of invested assets is established and may be amended by the Board. The asset allocation policy is reviewed and approved on an annual basis. Through its investment objectives and policies, the Board emphasizes generating a rate of return above inflation and the preservation of capital. Investments are made only after the risk/reward trade-offs are evaluated. SDCERS' assets are managed on a total return basis, which takes into consideration both investment income and capital appreciation. While

SDCERS recognizes the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

The following was SDCERS' adopted asset allocation policy as of June 30, 2014:

| Asset Class | Target Allocation |
|------------------------|-------------------|
| U.S. Equity | 21.0% |
| Non-U.S. Equity | 14.0% |
| Emerging Market Equity | 1.0% |
| Global Equity | 5.0% |
| U.S. Fixed Income | 22.0% |
| Emerging Market Debt | 5.0% |
| Real Estate | 11.0% |
| Private Equity | 10.0% |
| Infrastructure | 3.0% |
| Opportunity Fund | 8.0% |
| Total | 100.0% |

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 16.84%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on information derived from the Asset/Liability Study. The returns of fixed income strategies vary less than equity returns. SDCERS' target asset allocation policy is reviewed each year. SDCERS' long-term target allocation to fixed income strategies as of June 30, 2014 was 27%, which includes domestic fixed income and emerging market debt. The fixed income allocation is externally managed and is comprised as follows: 22% to core domestic fixed income (benchmarked to the Barclays Capital Intermediate Aggregate Bond Index) and 5% to emerging market debt (benchmarked 50% to JP Morgan Emerging Market Bond Index Global Diversified and 50% to JP Morgan Government Bond Index-Emerging Global Diversified). A 2% target allocation to convertible bond securities (benchmarked to the Merrill Lynch All Convertibles All Qualities Index) is not included in the fixed income allocation, but instead is included in the domestic equity allocation. However, given that these convertible securities have fixed income attributes, the convertible bond allocation is included in the Portfolio Risk analysis. SDCERS' overall portfolio diversification limits the fixed income invested in the debt security of any one issuer to 10% of the portfolio at the time of the initial commitment, except for U.S. Government obligations (or agencies and instruments of the U.S. Government) to minimize overall market and credit risk.

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

j. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Fixed income portfolios use duration to measure how a change in interest rates will affect the value of the portfolio. SDCERS does not have a general investment policy that addresses interest rate risk. Rather, each investment manager's specific investment guidelines place limits on each portfolio to manage interest rate risk.

Convertible bonds are generally less sensitive to changes in interest rates and more sensitive to the profitability of the underlying issuer. Company fundamentals are the overriding factor in the bond's return, while fluctuations in interest rates have significantly less impact.

The following table identifies the durations of SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2014.

| Type of Security | Effective Duration (in years) | Fair Value ¹ |
|---------------------------------------|----------------------------------|-------------------------|
| Asset-Backed Securities | 0.76 | \$ 51,054 |
| Commercial Mortgage-Backed Securities | 1.15 | 54,031 |
| Collateralized Mortgage Obligations | 1.55 | 31,709 |
| Corporate Bonds ² | | |
| Corporate Bonds | 1.84 | 207,168 |
| Bank Loans | 0.73 | 1,600 |
| Government and Agency Obligations | | |
| Municipal Securities | 6.55 | 13,793 |
| Foreign Securities | 1.69 | 65,074 |
| Agency and Treasury Securities | 3.97 | 302,688 |
| Mortgage-Backed Securities | 3.54 | 235,303 |
| Short-Term/Other ³ | | |
| Cash Equivalents | 0.43 | 22,052 |
| Total | 2.81 | \$ 984,472 |

¹ Fair Value does not include convertible bonds, mutual funds and derivative instruments of \$1,240,797. These securities do not exhibit interest rate risk and duration cannot be calculated.

² Corporate Bonds do not include convertible securities of \$183,922.

³ Short Term/Other does not include derivative instruments, short-term instruments and mutual funds of \$1,056,875. Although the duration was not available for these securities, the weighted average maturity was calculated for the mutual funds. The following table depicts the weighted average maturity for the mutual funds.

| Name of Institutional Mutual Fund | Fair Value | Weighted Average Maturity (in years) |
|-------------------------------------------------------------------------------|---------------|-----------------------------------------|
| BlackRock U.S. Debt NL Fund | \$ 324,497 | 4.35 |
| MetWest Floating Rate | 6,796 | 5.22 |
| PIMCO FDS Pac Mgmt Ser Emrg | 575 | 1.31 |
| PIMCO PAPS Short-Term Floating NAV II Portfolio | 275,345 | 0.25 |
| Stone Harbor | 119,525 | 7.57 |
| Wellington Trust Company CIF II Opportunistic Emerging Markets Debt Portfolio | 94,130 | 12.35 |
| Investec Emerging Market Debt | 124,152 | 6.96 |
| GCM Wind and Sea Fund | 108,881 | 3.60 |
| Total | \$ 1,053,901 | |

k. Investments Highly Sensitive to Interest Rate Changes

Certain terms in fixed income securities may increase the sensitivity of their fair values to changes in interest rates. The Portfolio Duration Analysis table on the previous page discloses the degree to which SDCERS' investments are sensitive to interest rate changes due simply to the remaining term to maturity. The total value of securities, as of June 30, 2014, that are highly sensitive to interest rate changes due to factors other than term to maturity are shown in the following table.

| Type of Security | Fair Value | Percent of Fixed Income Portfolio |
|-------------------------|-------------------|--------------------------------------|
| Floating Rate Notes | \$ 115,110 | 5.20% |
| Asset-Backed Securities | 25,329 | 1.10% |
| Range Notes | 6,300 | 0.30% |
| Adjustable Rate Notes | 2,988 | 0.10% |
| Total | <u>\$ 149,727</u> | <u>6.70%</u> |

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

l. Credit Risk

Credit risk is the risk that an issuer or other underlying borrower to a debt instrument will not fulfill its obligations. Nationally-recognized statistical rating organizations (NRSROs) assign ratings to measure credit risk. These rating agencies assess a firm's or government's willingness and ability to repay its debt obligations based on many factors.

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

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

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

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2014.

| S&P Quality Rating | Total Fair Value | Asset- Backed Securities | Commercial Mortgage- Backed Securities | Collateralized Mortgage Obligations | Corporates ¹ | Government and Agency Obligations ² | Mortgage Backed Securities | Short-Term/ Other ³ |
|--------------------------|---------------------|--------------------------------|----------------------------------------------|-------------------------------------------|-------------------------|------------------------------------------------------|----------------------------------|-----------------------------------|
| US Treasuries | \$ 169,297 | \$ - | \$ - | \$ - | \$ - | \$ 169,297 | \$ - | \$ - |
| GNMA Securities | 15,292 | - | - | - | - | 15,292 | - | - |
| AAA | 57,893 | 11,412 | 27,469 | 139 | - | 18,873 | - | - |
| AA+ | 33,262 | 12,776 | - | 1,484 | 2,013 | 16,989 | - | - |
| AA | 12,338 | 3,396 | 6,755 | 72 | - | 2,115 | - | - |
| AA- | 12,040 | 4,187 | - | - | 5,710 | 2,143 | - | - |
| A+ | 30,313 | 8,132 | - | 9,044 | 11,080 | 2,057 | - | - |
| A | 26,953 | 1,620 | 172 | 1,236 | 22,378 | 1,547 | - | - |
| A- | 85,815 | - | 6 | 134 | 82,703 | 2,972 | - | - |
| BBB+ | 29,900 | 166 | - | 129 | 29,605 | - | - | - |
| BBB | 50,576 | 308 | - | 290 | 22,916 | 27,062 | - | - |
| BBB- | 33,597 | - | 4,398 | - | 29,199 | - | - | - |
| BB+ | 12,154 | - | - | - | 12,050 | 104 | - | - |
| BB | 21,518 | - | - | 109 | 21,409 | - | - | - |
| BB- | 18,506 | - | - | 11 | 18,213 | 282 | - | - |
| B+ | 13,905 | - | 88 | 478 | 13,339 | - | - | - |
| B | 3,074 | - | 289 | 101 | 2,684 | - | - | - |
| B- | 15,924 | - | 25 | 1,332 | 13,220 | 1,347 | - | - |
| CCC+ | 900 | - | - | - | 900 | - | - | - |
| CCC | 75 | - | 75 | - | - | - | - | - |
| CCC- | 2,617 | - | - | - | 2,617 | - | - | - |
| D | 263 | - | - | 263 | - | - | - | - |
| NR | 1,579,057 | 9,057 | 14,754 | 16,887 | 102,654 | 121,475 | 235,303 | 1,078,927 |
| Totals | <u>\$ 2,225,269</u> | <u>\$ 51,054</u> | <u>\$ 54,031</u> | <u>\$ 31,709</u> | <u>\$ 392,690</u> | <u>\$ 381,555</u> | <u>\$ 235,303</u> | <u>\$ 1,078,927</u> |

¹ Corporate Bonds include convertible bonds from SDCERS' convertible bond manager.

² Includes international and municipal holdings.

³ Includes fixed income mutual fund investments of \$1,053,901. These institutional quality fund investments are not directly rated by major credit rating agencies.

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk; however, U.S Government Agency securities other than U.S. Treasuries and GNMA Securities have been included in the credit risk disclosure as AA+. NR represents those securities that are not rated by one of the NRSROs.

m. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2014, SDCERS had no single issuer that exceeded 5% of total investments as required to be disclosed by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, or 5% of plan net position as required to be disclosed by GASB Statement No. 67, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments. With respect to the concentration of credit risk by issuer, SDCERS' Investment Policy states that not more than 10% of the fixed income portfolio shall be invested in the debt security of any one issuer at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

n. Custodial Credit Risk

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

Deposits

At June 30, 2014 SDCERS' cash balance was \$1,167. Cash and cash equivalents on deposit with custodial bank and fiscal agents was \$239,361, which includes cash collateral for SDCERS' cash overlay program of \$58,721 and residual cash held in each manager's portfolio of \$180,640, which is invested overnight by SDCERS' custodial bank. SDCERS does not have a target allocation to cash. Any cash or cash equivalent balances on deposit are reserved for paying benefits and SDCERS' operational expenses.

SDCERS' un-invested cash balances held in a demand deposit account (DDA) are subject to custodial credit risk. Such a balance or deposit with the bank establishes a debtor-creditor relationship and is not subject to the protection afforded SDCERS' other investments. Cash balances held in Short-Term Investment Funds (STIF) at State Street are held in SDCERS' name and are not subject to custodial credit risk. As of June 30, 2014, SDCERS held \$216,322 in STIF and a cash balance of \$23,039. SDCERS does not have a specific policy relating to custodial credit risk because the majority of SDCERS' assets are held in SDCERS' name and are not available to satisfy the obligations of State Street to its creditors.

Investments

As of June 30, 2014, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

Securities Lending Collateral

SDCERS' custodial bank acts as its securities lending agent. SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of non-cash collateral totaled \$132,500 as of June 30, 2014. The non-cash collateral is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled \$198,688 as of June 30,

2014, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pool are disclosed in the Securities Lending section of this note.

o. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities held in a foreign currency as of June 30, 2014.

| <u>Local Currency Name</u> | <u>Cash</u> | <u>Equity</u> | <u>Fixed Income</u> | <u>Real Estate</u> | <u>Total</u> |
|----------------------------|-----------------|-------------------|---------------------|--------------------|-------------------|
| Australian Dollar | \$ 2 | \$ 6,758 | \$ - | \$ 3,078 | \$ 9,838 |
| Canadian Dollar | 1,005 | 4,161 | 1,432 | 2,176 | 8,774 |
| Danish Krone | - | 4,257 | - | - | 4,257 |
| Euro Currency | 8,317 | 77,718 | 68,825 | 5,573 | 160,433 |
| Hong Kong Dollar | - | 19,245 | - | 7,497 | 26,742 |
| Japanese Yen | 411 | 68,417 | - | 9,077 | 77,905 |
| Singapore Dollar | - | 3,495 | - | 2,932 | 6,427 |
| South Korean Won | - | 1,073 | - | - | 1,073 |
| Swedish Krona | - | 7,016 | - | 975 | 7,991 |
| Swiss Franc | 9 | 20,225 | - | - | 20,234 |
| Thai Baht | - | - | - | 1,087 | 1,087 |
| United Kingdom Pound | - | 53,882 | 1,100 | 6,528 | 61,510 |
| Totals | \$ 9,744 | \$ 266,247 | \$ 71,357 | \$ 38,923 | \$ 386,271 |

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

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

p. Derivative Instruments

Pursuant to the requirements of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, SDCERS has provided a summary of derivative instrument activities during the reporting period and the related risks. As of June 30, 2014, the derivative instruments held by SDCERS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized in the SDCERS Statement of Changes in Plan Net Position.

SDCERS' investment managers, as permitted by their specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the SDCERS' Investment Policy Statement. These instruments include futures, options, swaps, forwards, warrants and rights. By Board policy, these investments may not be used to leverage SDCERS' portfolio, i.e. use derivatives to increase the

portfolio's notional exposure to any given asset class. These instruments are used in an attempt to enhance the portfolio's performance and/or reduce the portfolio's risk.

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

The following table provides a summary of the derivative instruments outstanding as of June 30, 2014.

| Investment Derivative Instruments | Net Appreciation (Depreciation) in Fair Value | Classification | Fair Value at June 30, 2014 | | |
|-------------------------------------|-----------------------------------------------------|-----------------------|-----------------------------|-----------------------|----------------------|
| | Amount | | Amount | Notional (Dollars) | Notional (Shares) |
| Credit Default Swaps | \$ 470 | Domestic Fixed Income | \$ 985 | \$ 56,453 | - |
| Fixed Income Futures | 4,103 | Domestic Fixed Income | - | 751,550 | - |
| Fixed Income Options | 3,244 | Domestic Fixed Income | (2,030) | (723,780) | - |
| Foreign Currency Futures | 401 | Domestic Fixed Income | - | 5,300 | - |
| Foreign Currency Options | 1 | Domestic Fixed Income | - | - | - |
| Futures Options | 155 | Domestic Fixed Income | - | - | - |
| Foreign Currency Forwards | (1,831) | Domestic Fixed Income | (77) | 201,757 | - |
| Index Futures | 53,813 | Domestic Fixed Income | - | 106 | - |
| Interest Rate Swaps | (4,480) | Domestic Fixed Income | 1,812 | 129,700 | - |
| Rights | 9 | Domestic Equity | - | - | - |
| Warrants | 5 | Domestic Equity | 5 | - | 4 |
| Total Derivative Instruments | \$ 55,890 | | \$ 695 | \$ 421,086 | 4 |

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

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the futures contracts do not have a fair value as of June 30, 2014. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under investment income as they are incurred.

Foreign currency forward contracts are obligations to buy or sell a currency at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forwards is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2014.

Counterparty Credit Risk

The following table illustrates the counterparty credit ratings of SDCERS' non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2014:

| <u>Counterparty Name</u> | <u>Fair Value</u> | <u>S&P Rating</u> |
|----------------------------------|-------------------|-----------------------|
| Deutsche Bank AG London | \$ 519 | A |
| Barclays Capital | 208 | A |
| Credit Suisse International | 124 | A |
| Morgan Stanley CME | 105 | A- |
| Citibank N.A. | 88 | A |
| UBS AG | 80 | A |
| Barclays Bank PLC Wholesale | 58 | A |
| Bank of America N.A. | 49 | A |
| National Australia Bank Limited | 44 | AA- |
| Goldman Sachs Capital Markets LP | 16 | A- |
| HSBC Bank USA | 16 | AA- |
| JP Morgan Chase Bank N.A. | 13 | A+ |
| Morgan Stanley Bank N.A. | 10 | A |
| Total | <u>\$ 1,330</u> | |

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2014 was \$1,330. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2014, SDCERS did not have any significant exposure to counterparty credit risk with any single party. SDCERS does not have any specific policies relating to the posting of collateral or master netting agreements.

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2014, all of SDCERS' investments in derivative instruments were held in SDCERS' name and were not exposed to custodial credit risk.

Interest Rate Risk

At June 30, 2014, SDCERS was exposed to interest rate risk on its investments in interest rate swaps, options, and credit default swaps. The table below illustrates the maturity periods of these derivative instruments.

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|----------------------|------------|----------------------------------|----------|--------|--------------|
| | | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 |
| Credit Default Swaps | \$ 985 | \$ 26 | \$ 959 | \$ - | \$ - |
| Fixed Income Options | (2,030) | (2,421) | 398 | (7) | - |
| Interest Rate Swaps | 1,812 | - | 569 | - | 1,243 |
| Total | \$ 767 | \$ (2,395) | \$ 1,926 | \$ (7) | \$ 1,243 |

Derivative Instruments Highly Sensitive to Interest Rate Changes

Credit default swaps, fixed income futures, options and interest rate swaps are highly sensitive to changes in interest rates. The table below reflects the fair value and notional amount of these derivative instruments as of June 30, 2014.

| Investment Type | Fair Value | Notional |
|----------------------|------------|------------|
| Credit Default Swaps | \$ 985 | \$ 56,453 |
| Fixed Income Futures | - | 751,550 |
| Fixed Income Options | (2,030) | (723,780) |
| Interest Rate Swaps | 1,812 | 129,700 |
| Total | \$ 767 | \$ 213,923 |

Foreign Currency Risk

At June 30, 2014, SDCERS was exposed to foreign currency risk on its investments in options, currency forward contracts and interest rate swaps denominated in foreign currencies.

| Currency Name | Options/ Warrants | Foreign Currency Forwards | | | Total |
|--------------------------------|----------------------|---------------------------|-----------------|----------|---------|
| | | Net Receivables | Net Payables | Swaps | |
| Canadian Dollar | \$ - | \$ - | \$ (34) | \$ - | \$ (34) |
| Euro Currency | - | 376 | (389) | 5 | (8) |
| Pound Sterling | - | 13 | (43) | - | (30) |
| Hong Kong Dollar | 5 | - | - | - | 5 |
| Subtotal | 5 | 389 | (466) | 5 | (67) |
| Investments Denominated in USD | (2,030) | - | - | 2,792 | 762 |
| Total | \$ (2,025) | \$ 389 | \$ (466) | \$ 2,797 | \$ 695 |

In addition to the investments listed in the above table, SDCERS has investments in foreign futures contracts with a total notional value of \$5,300 and in foreign index futures with a total notional value of \$5,500. As indicated previously, futures variation margin amounts are settled each trading day and recognized as realized gains/losses as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2014.

Contingent Features

At June 30, 2014, SDCERS did not hold any positions in derivatives containing contingent features.

q. Private Equity

Private Equity assets are generally defined as direct investments in projects or companies that are privately negotiated and typically do not trade in a capital market. The risk is that these instruments are usually equity interests, generally illiquid and long-term in nature. SDCERS' target allocation to private equity is 10%, with a portfolio composition focused on value and current income producing strategies. As of June 30, 2014, unfunded capital commitments totaled \$242,600 and private equity investments totaled \$380,975.

r. Infrastructure

Infrastructure is a subset of Private Equity, defined as permanent essential assets society requires to facilitate the orderly operation of the economy, such as roads, water supply, sewers, power and telecommunications. The risk is that these investments are usually equity interests that are generally illiquid and long-term in nature. SDCERS' target allocation to infrastructure is 3%, with a portfolio composition focused on value and current income producing strategies. Unfunded capital commitments as of June 30, 2014 totaled \$147,900. As of June 30, 2014, infrastructure investments totaled \$50,805.

s. Real Estate

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

Certain real estate investments are leveraged. In those cases, partnerships have been established to purchase properties through a combination of equity contributions from SDCERS, other investors and through the utilization of debt. SDCERS engages real estate advisors and operating partners who are responsible for managing a portfolio's daily activities, performance and reporting. As of June 30, 2014, real estate investments totaled \$693,636 and unfunded capital commitments totaled \$190,700. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2014, SDCERS' real estate portfolio had leverage of 28.8%. SDCERS' share of outstanding debt in the real estate portfolio is \$127,852, excluding obligations of limited partnership interests in commingled funds. This balance of debt is comprised of all non-recourse loans that currently bear interest at rates ranging from 3.11% to 6.04% and maturity dates that range from August 2016 through November 2025.

The following table illustrates mortgage loans that SDCERS has outstanding as of June 30, 2014.

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|-------------------|------------------|-------------------|
| 2015 | \$ 230 | \$ 5,843 | \$ 6,073 |
| 2016 | 237 | 5,842 | 6,079 |
| 2017 | 25,495 | 5,214 | 30,709 |
| 2018 | 22,777 | 3,575 | 26,352 |
| 2019 | 41,611 | 2,849 | 44,460 |
| 2020-2024 | 19,502 | 5,863 | 25,365 |
| 2025 | 18,000 | 1,385 | 19,385 |
| Total | <u>\$ 127,852</u> | <u>\$ 30,571</u> | <u>\$ 158,423</u> |

t. Securities Lending

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

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

SDCERS had no credit risk exposure to borrowers because the amounts provided to State Street on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return or pay distributions on a loaned security. SDCERS incurred no losses during the fiscal year resulting from any reported default of the borrowers or State Street. Non-cash collateral (securities and letters of credit) are not reported in SDCERS' financial statements.

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

As of June 30, 2014, securities on loan collateralized by cash had a fair value of \$194,700 and SDCERS received cash collateral of \$198,688, which was reported as securities lending obligations in the accompanying Statement of Fiduciary Net Position in accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. The collateral value exceeds the fair value of the securities on loan because borrowers are required to deliver collateral for each loan up to 102% for domestic loans and 105% for international loans. As of June 30, 2014, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$123,900 and a collateral value of \$132,500, which were not reported as assets or

liabilities in the accompanying Statement of Fiduciary Net Position in accordance with GASB Statement No. 28. The total collateral pledged to SDCERS at June 30, 2014 for its securities lending activities was \$331,188.

SDCERS and the borrowers maintain the right to terminate securities lending transactions upon notice. The cash collateral received for lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund, or collateral pool. In July 2010, State Street restructured the securities lending collateral funds creating two pools, a liquidity pool and a duration pool. As of June 30, 2014, these collateral pools were not rated by the NRSROs.

As of June 30, 2014, SDCERS had \$186,377 invested in the Quality D liquidity collateral pool, which had an average duration of 37.4 days and an average weighted final maturity of 103.7 days. SDCERS had \$12,021 invested in the Quality D duration pool, which had an average duration of 41.8 days and an average weighted final maturity of 1,770.3 days. Duration is the weighted time average until cash flows are received in the collateral pool, and is measured in days. Alternatively, the weighted average final maturity measures when all final maturities in the portfolio will occur. The duration of the investments made with cash collateral does not generally match the duration of the loans. This is because the loans are terminable at any time by SDCERS or the borrower.

Discretely Presented Component Units – Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (u. through v.) are taken directly from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2014.

u. San Diego Convention Center Corporation

Cash, deposits and investments were categorized as follows at June 30, 2014:

| | |
|------------------------------------------|-----------------|
| Cash on hand | \$ 109 |
| Deposits | 1,274 |
| Certificates of deposit (non-negotiable) | 1,277 |
| Bank money market account deposits | 5,669 |
| Total cash and investments | <u>\$ 8,329</u> |

Deposits

At June 30, 2014, the carrying amount of SDCCC's cash on hand, deposits, non-negotiable certificates of deposit and bank money market account deposits was \$8,329 and the bank balance was \$8,197. Of the bank balance, \$500 was covered by federal depository insurance. The remaining uninsured balance of \$7,697 was collateralized with the collateral held by an affiliate of the counterparty's financial institution. Neither the bank money market account deposits nor the certificates of deposit are rated by credit rating agencies. The \$1,277 invested in non-negotiable certificates of deposit bear interest rates of 0.3% and have maturities greater than three months and less than one year.

Investments

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

v. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2014 consisted of the following:

| | Housing Commission | Component Units ¹ | Grand Total |
|--------------------------------------|-----------------------|---------------------------------|----------------|
| Deposits | \$ 10,193 | \$ 10,892 | \$ 21,085 |
| Petty cash | 20 | - | 20 |
| Agency Bonds | 74,896 | - | 74,896 |
| Local Agency Investment Fund | 16,921 | - | 16,921 |
| Negotiable Certificates of Deposit | 3,195 | - | 3,195 |
| San Diego County Investment Pool | 10,011 | - | 10,011 |
| Total cash and investments | 115,236 | 10,892 | 126,128 |
| Restricted cash and cash equivalents | 3,904 | 71 | 3,975 |
| Total | \$ 119,140 | \$ 10,963 | \$ 130,103 |

¹ Disclosures for San Diego Housing Commission's Discretely Presented Component Units are not included in the narratives following this table.

Deposits

The carrying amount of the SDHC's cash deposits was \$10,193 at June 30, 2014. The bank balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250. For amounts over \$250, bank balances were collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California financial institutions to secure cash deposits of public institutions not covered by federal deposit insurance 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. As a result, the collateral for cash deposits is considered to be held in SDHC's name.

The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows financial institutions to secure SDHC's deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits.

Investment Policy

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

SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. Working with the Investment Committee and staff, the advisor provides guidance on creating a diversified portfolio and a

secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

Investments in the State's Local Agency Investment Fund and San Diego County Investment Pool represent SDHC's equity in pooled investments. Other investments such as certificates of deposit, bonds, government agency securities and demand deposit accounts are safe kept with commercial banking institutions.

Investments

As of June 30, 2014, SDHC had investments in agency bonds, negotiable certificates of deposit, California Local Agency Investment Fund (LAIF) and San Diego County Investment Pool (SDCIP). The following paragraphs provide further detail for each investment.

SDHC's investments under U.S. Government Agency bonds are Mortgage-Backed Security (MBS) bonds and debentures traded on an active secondary market. MBS Bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality consumer or commercial mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's do not specifically rate MBS, they carry an implied rating based on the high quality collateral that backs the bonds and the AA+ by Standard & Poor's of the GSE (Fannie Mae/Freddie Mac) that issues/guarantees them. The U.S. Government Agency securities in SDHC's portfolio include Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Home Loan Bank (FHLB). At June 30, 2014, SDHC had \$74,896 invested in Agency MBS bonds.

SDHC had \$3,195 in negotiable certificates of deposit in its investment portfolio. Each certificate of deposit is issued through a separate legal entity and purchased in an amount under the FDIC insured limit of \$250. According to SDHC's Investment Policy, certificates of deposit are to be collateralized at least 100% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to SDHC.

SDHC participates in the State's LAIF. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain SDHC's assets. PMIA is not registered with the SEC but is required to invest in accordance with California State Code. As of June 30, 2014, the average maturity of PMIA investments was 232 days and the balance of the investment portfolio of PMIA was \$64,846,000. SDHC had \$16,921 invested with LAIF as of June 30, 2014.

In addition to LAIF, SDHC voluntarily participates in the SDCIP. SDCIP is a Standard & Poor's AAA rated fund managed by the San Diego County Treasurer-Tax Collector. The fair value of SDCIP's investment portfolio at June 30, 2014 was \$7,262,000. The investment portfolio had a weighted average yield to maturity of 0.43%, weighted days to maturity of 366 days and an effective duration of 0.78 years. As of June 30, 2014, SDHC had \$10,011 invested in SDCIP.

Investment Risk Factors

There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk and market risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market

liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates. It is the investment policy of SDHC to invest substantially all of its funds in fixed income securities, which limits SDHC's exposure to most types of risk.

Market Risk

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

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

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

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

In accordance with its investment policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions. SDHC's exposure to interest rate risk as of June 30, 2014 is as follows:

| | Total Fair Value | Less Than 3 Months | 4-12 Months | 1-5 Years |
|-----------------------------------------------|------------------|-----------------------|-------------|-----------|
| Cash and Cash Equivalents | | | | |
| Deposits | \$ 10,193 | \$ 10,193 | \$ - | \$ - |
| Petty Cash | 20 | 20 | - | - |
| Restricted Cash and Cash Equivalents | 3,904 | 3,904 | - | - |
| Total Cash and Cash Equivalents | 14,117 | 14,117 | - | - |
| Short-Term Investments | | | | |
| U.S. Government Agency | 3,095 | 332 | 2,763 | - |
| Negotiable Certificates of Deposit | 1,473 | - | 1,473 | - |
| San Diego County Investment Pool | 10,011 | - | - | 10,011 |
| State Local Agency Investment Fund | 16,921 | - | 16,921 | - |
| Total Short-Term Investments | 31,500 | 332 | 21,157 | 10,011 |
| Long-Term Investments | | | | |
| U.S. Government Agency | 71,801 | - | - | 71,801 |
| Negotiable Certificates of Deposit | 1,722 | - | - | 1,722 |
| Total Long-Term Investments | 73,523 | - | - | 73,523 |
| Total Cash, Cash Equivalents, and Investments | \$ 119,140 | \$ 14,449 | \$ 21,157 | \$ 83,534 |

Credit Risk

Fixed income securities are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in the investment policy. In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC diversifies the investment portfolio to minimize potential losses from any one type of security or issuer.

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, the investments may not be returned. All bonds are purchased through SDHC's primary financial institution's clearing account in SDHC's name where all securities are held in safekeeping.

The exposure of SDHC's debt securities to credit risk as of June 30, 2014 is as follows:

| | Standard & Poor's Credit Rating | | |
|------------------------------------|---------------------------------|-----------|-----------------------|
| | Total Fair Value | AAA | Not Subject to Rating |
| Short-Term Investments | | | |
| U.S. Government Agency | \$ 3,095 | \$ 2,030 | \$ 1,065 |
| Negotiable Certificates of Deposit | 1,473 | - | 1,473 |
| San Diego County Investment Pool | 10,011 | 10,011 | - |
| State Local Agency Investment Fund | 16,921 | - | 16,921 |
| Total Short-Term Investments | 31,500 | 12,041 | 19,459 |
| Long-Term Investments | | | |
| U.S. Government Agency | 71,801 | - | 71,801 |
| Negotiable Certificates of Deposit | 1,722 | - | 1,722 |
| Total Long-Term Investments | 73,523 | - | 73,523 |
| Total Investments | \$ 105,023 | \$ 12,041 | \$ 92,982 |

4. CAPITAL ASSETS (Dollars in Thousands)

Capital asset activities for the year ended June 30, 2014 are as follows:

| | Primary Government | | | | |
|--------------------------------------------------------------|--------------------|-----------|-------------|-----------|----------------|
| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Non-Depreciable Capital Assets: | | | | | |
| Land and Rights of Way | \$ 1,729,238 | \$ 46,467 | \$ (10,703) | \$ (75) | \$ 1,764,927 |
| Easements | 656 | 55 | - | 58 | 769 |
| Construction in Progress | 389,928 | 72,948 | (5,366) | (218,215) | 239,295 |
| Total Non-Depreciable Capital Assets | 2,119,822 | 119,470 | (16,069) | (218,232) | 2,004,991 |
| Depreciable Capital Assets: | | | | | |
| Structures and Improvements | 1,122,932 | 13,756 | (1,464) | 186,285 | 1,321,509 |
| Equipment | 366,235 | 32,736 | (11,118) | (1,955) | 385,898 |
| Equipment (Intangible) | 37,708 | - | - | 8,367 | 46,075 |
| Infrastructure | 3,539,237 | 59,178 | (409) | 25,535 | 3,623,541 |
| Total Depreciable Capital Assets | 5,066,112 | 105,670 | (12,991) | 218,232 | 5,377,023 |
| Less Accumulated Depreciation/Amortization For: | | | | | |
| Structures and Improvements | (455,159) | (36,578) | 857 | (581) | (491,461) |
| Equipment | (225,459) | (32,053) | 10,079 | 8,369 | (239,064) |
| Equipment (Intangible) | (14,162) | (11,175) | - | (8,367) | (33,704) |
| Infrastructure | (1,994,925) | (93,058) | 147 | 579 | (2,087,257) |
| Total Accumulated Depreciation/Amortization | (2,689,705) | (172,864) | 11,083 | - | (2,851,486) |
| Total Depreciable Capital Assets - Net of Depreciation | 2,376,407 | (67,194) | (1,908) | 218,232 | 2,525,537 |
| Governmental Activities Capital Assets, Net | \$ 4,496,229 | \$ 52,276 | \$ (17,977) | \$ - | \$ 4,530,528 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Non-Depreciable Capital Assets: | | | | | |
| Land and Rights of Way | \$ 97,036 | \$ 46 | \$ (17) | \$ (52) | \$ 97,013 |
| Easements | 667 | 767 | - | 268 | 1,702 |
| Construction in Progress | 191,265 | 110,498 | (798) | (74,566) | 226,399 |
| Total Non-Depreciable Capital Assets | 288,968 | 111,311 | (815) | (74,350) | 325,114 |
| Depreciable Capital Assets: | | | | | |
| Structures and Improvements | 1,672,218 | 1,714 | (5,498) | 8,335 | 1,676,769 |
| Equipment | 450,905 | 6,534 | (6,750) | (1,084) | 449,605 |
| Equipment (Intangible) | 17,897 | - | - | 6,407 | 24,304 |
| Distribution and Collection Systems and Other Infrastructure | 4,563,701 | 73,451 | (5,612) | 60,692 | 4,692,232 |
| Total Depreciable Capital Assets | 6,704,721 | 81,699 | (17,860) | 74,350 | 6,842,910 |
| Less Accumulated Depreciation/Amortization For: | | | | | |
| Structures and Improvements | (490,765) | (34,934) | 5,204 | (185) | (520,680) |
| Equipment | (303,462) | (16,117) | 6,310 | 1,772 | (311,497) |
| Equipment (Intangible) | (1,958) | (1,983) | - | (2,021) | (5,962) |
| Distribution and Collection Systems and Other Infrastructure | (990,320) | (72,268) | 3,159 | 434 | (1,058,995) |
| Total Accumulated Depreciation/Amortization | (1,786,505) | (125,302) | 14,673 | - | (1,897,134) |
| Total Depreciable Capital Assets - Net of Depreciation | 4,918,216 | (43,603) | (3,187) | 74,350 | 4,945,776 |
| Business-Type Activities Capital Assets, Net | \$ 5,207,184 | \$ 67,708 | \$ (4,002) | \$ - | \$ 5,270,890 |

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

GOVERNMENTAL ACTIVITIES

| | |
|------------------------------------------------------------|-------------------|
| General Government and Support | \$ 15,596 |
| Public Safety - Police | 5,055 |
| Public Safety - Fire and Life Safety and Homeland Security | 4,578 |
| Parks, Recreation, Culture and Leisure | 42,198 |
| Transportation | 81,284 |
| Sanitation and Health | 1,240 |
| Neighborhood Services | <u>182</u> |
| Subtotal | 150,133 |
| Internal Service | <u>22,731</u> |
| Total Depreciation/Amortization Expense | <u>\$ 172,864</u> |

BUSINESS-TYPE ACTIVITIES

| | |
|-----------------------------------------|-------------------|
| Sewer Utility | \$ 70,585 |
| Water Utility | 48,957 |
| Airports | 845 |
| Development Services | 47 |
| Environmental Services | 3,568 |
| Golf Course | 1,274 |
| Recycling | <u>26</u> |
| Total Depreciation/Amortization Expense | <u>\$ 125,302</u> |

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2014 are as follows:

| | Discretely Presented Component Unit - San Diego Convention Center Corporation | | | |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------|-----------|-------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 18,114 | \$ 731 | \$ (246) | \$ 18,599 |
| Depreciable Capital Assets: | | | | |
| Structures and Improvements | 28,260 | 1,398 | (369) | 29,289 |
| Equipment | 6,684 | 429 | (1,329) | 5,784 |
| Total Depreciable Capital Assets | 34,944 | 1,827 | (1,698) | 35,073 |
| Less Accumulated Depreciation/Amortization For: | | | | |
| Structures and Improvements | (17,483) | (1,652) | 298 | (18,837) |
| Equipment | (5,905) | (284) | 1,307 | (4,882) |
| Total Accumulated Depreciation/Amortization | (23,388) | (1,936) | 1,605 | (23,719) |
| Total Depreciable Capital Assets - Net of Depreciation/Amortization | 11,556 | (109) | (93) | 11,354 |
| Capital Assets, Net | \$ 29,670 | \$ 622 | \$ (339) | \$ 29,953 |

| | Discretely Presented Component Unit - San Diego Housing Commission | | | |
|---------------------------------------------------------------------|-----------------------------------------------------------------------|------------|-------------------------|-------------------|
| | Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 63,036 | \$ - | \$ 151 | \$ 63,187 |
| Construction in Progress | 1,854 | 2,143 | (3,246) | 751 |
| Total Non-Depreciable Capital Assets | 64,890 | 2,143 | (3,095) | 63,938 |
| Depreciable Capital Assets: | | | | |
| Structures and Improvements | 119,623 | - | 2,770 | 122,393 |
| Equipment | 3,781 | 95 | 229 | 4,105 |
| Total Depreciable Capital Assets | 123,404 | 95 | 2,999 | 126,498 |
| Less Accumulated Depreciation/Amortization For: | | | | |
| Structures and Improvements | (19,531) | (4,401) | - | (23,932) |
| Equipment | (2,967) | (400) | - | (3,367) |
| Total Accumulated Depreciation/Amortization | (22,498) | (4,801) | - | (27,299) |
| Total Depreciable Capital Assets - Net of Depreciation/Amortization | 100,906 | (4,706) | 2,999 | 99,199 |
| Capital Assets, Net | \$ 165,796 | \$ (2,563) | \$ (96) | \$ 163,137 |

Discretely Presented Component Units of the San Diego Housing Commission

Capital assets for the discretely presented component units of SDHC as of December 31, 2013 are as follows:

| | |
|---------------------------------------------------------------------|------------------|
| Non-Depreciable Capital Assets: | |
| Land | \$ 1,655 |
| Construction in Progress | <u>793</u> |
| Total Non-Depreciable Capital Assets | <u>2,448</u> |
| Depreciable Capital Assets: | |
| Structures and Improvements | 15,374 |
| Equipment | <u>612</u> |
| Total Depreciable Capital Assets | 15,986 |
| Less Accumulated Depreciation/Amortization | <u>(2,479)</u> |
| Total Depreciable Capital Assets - Net of Depreciation/Amortization | <u>13,507</u> |
| Capital Assets, Net | <u>\$ 15,955</u> |

Successor Agency - Private-Purpose Trust Fund

Capital asset activities for the City's Successor Agency for the year ended June 30, 2014 are as follows:

| | <u>Successor Agency - Private-Purpose Trust Fund</u> | | |
|------------------------------------------------------------------------|----------------------------------------------------------|-------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Ending Balance</u> |
| Non-Depreciable Capital Assets: | | | |
| Land and Rights of Way | \$ 105,947 | \$ - | \$ 105,947 |
| Total Non-Depreciable Capital Assets | <u>105,947</u> | <u>-</u> | <u>105,947</u> |
| Depreciable Capital Assets: | | | |
| Structures and Improvements | 69,732 | - | 69,732 |
| Equipment | <u>819</u> | <u>-</u> | <u>819</u> |
| Total Depreciable Capital Assets | <u>70,551</u> | <u>-</u> | <u>70,551</u> |
| Less Accumulated Depreciation/Amortization For: | | | |
| Structures and Improvements | (12,348) | (1,743) | (14,091) |
| Equipment | <u>(819)</u> | <u>-</u> | <u>(819)</u> |
| Total Accumulated Depreciation/Amortization | <u>(13,167)</u> | <u>(1,743)</u> | <u>(14,910)</u> |
| Total Depreciable Capital Assets - Net of Depreciation/Amortization | <u>57,384</u> | <u>(1,743)</u> | <u>55,641</u> |
| Capital Assets, Net | <u>\$ 163,331</u> | <u>\$ (1,743)</u> | <u>\$ 161,588</u> |

5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (Dollars in Thousands)

a. Long-Term Liabilities

The composition of the governmental long-term liabilities as of June 30, 2014 is reflected in the table below, followed by additional information on some of these items:

| Type of Obligation | Interest Rates | Fiscal Year Maturity Date | Original Amount | Balance Outstanding June 30, 2014 |
|----------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------|-----------------|-----------------------------------|
| Compensated Absences | | | | \$ 70,646 |
| Liability Claims | | | | 331,946 |
| Capital Lease Obligations | 0.71 - 5.0% | 2023 | | 58,094 |
| Qualified Energy Conservation Bonds (QECCB) Lease Obligation | 6.16 ¹ | 2026 | \$ 13,142 | 10,864 |
| Contracts Payable: | | | | |
| Facilities Financing Reimbursement Agreement Obligations | | | | 16,820 |
| Loans Payable: | | | | |
| California Energy Resources Conservation and Development Commission, dated January 2007 | 4.5 | 2021 | 1,280 | 612 |
| California Energy Resources Conservation and Development Commission, dated March 2007 | 3.95 | 2019 | 2,154 | 966 |
| California Energy Resources Conservation and Development Commission, dated December 2011 | 3.0 | 2023 | 2,987 | 2,839 |
| California Energy Resources Conservation and Development Commission, dated December 2012 | 1.0 | 2027 | 474 | 474 |
| Bank of America, N.A. McGuigan Judgment, dated June 2010 | 3.79 ² | 2015 | 32,762 | 8,661 |
| Total Loans Payable | | | | 13,552 |
| Section 108 Loans Payable | | 2025 | 5,910 | 4,081 |
| Lease Revenue Bonds: | | | | |
| Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007 A | 5.0 - 5.25 ³ | 2032 | 156,560 | 129,780 |
| Public Facilities Financing Authority Lease Revenue Refunding Bonds, Series 2010 A | 3.0-5.25 ³ | 2040 | 167,635 | 155,170 |
| Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 2012 A | 3.8 - 5.25 ³ | 2028 | 140,440 | 126,610 |
| Public Facilities Financing Authority CIP Lease Revenue Bonds, Series 2012 A | 2.0 - 5.25 ³ | 2042 | 72,000 | 70,215 |
| Public Facilities Financing Authority Fire and Life Safety Lease Revenue Refunding Bonds, Series 2012 B | 2.0 - 5.0 ³ | 2032 | 18,745 | 17,720 |
| Public Facilities Financing Authority CIP/Old Town Light Rail Extension Lease Revenue Refunding Bonds, Series 2013 A | 3.0 - 5.0 ³ | 2043 | 43,245 | 41,590 |
| Public Facilities Financing Authority Balboa Park/Mission Bay Park Lease Revenue Refunding Bonds, Series 2013 B | 3.0 - 5.0 ³ | 2024 | 6,285 | 5,845 |
| Total Lease Revenue Bonds | | | | 546,930 |
| Tobacco Settlement Asset-Backed Bonds: | | | | |
| Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006 | 7.125 ³ | 2023 ⁴ | 105,400 | 77,785 |
| Total Bonds Payable | | | | 624,715 |
| Net Other Postemployment Benefits Obligation | | | | 188,846 |
| Net Pension Obligation | | | | 114,022 |
| Total Governmental Activities Long-Term Liabilities | | | | \$ 1,433,586 |

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

² McGuigan Judgment loan payable has a 3.79% fixed rate for term of borrowing. The McGuigan Judgment loan was paid in full on July 1, 2014.

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

⁴ Final maturity date is June 1, 2032. The date listed reflects final turbo redemption payment date projected at the time of issuance.

Arbitrage rebate liability is calculated via third party providers in accordance with the provisions of the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations effective as of July 1, 1993, as amended. As of June 30, 2014, there was no outstanding arbitrage liability for the governmental funds.

Liability claims are primarily liquidated by the General Fund, Long-Term Disability Internal Service Fund, and Enterprise Funds. Compensated absences are generally liquidated by the general fund, enterprise funds, and certain internal service funds. Pension and Other Postemployment healthcare liabilities are paid out of operating funds based on a percentage of covered payroll.

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

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

On June 30, 2010, the City entered into an Agreement Regarding Purchase of McGuigan Judgment with Bank of America, N.A. (BANA). The Agreement is related to the Settlement Agreement and Judgment between William J. McGuigan (Class Representative) and the City of San Diego, under which the City agreed to pay SDCERS \$173,000 in excess of the ARC no later than June 8, 2011. Under the terms of the Agreement, the outstanding balance of \$32,762 on the McGuigan Judgment was transferred to BANA as a loan payable of the City and is repaid in four annual payments beginning in fiscal year 2012. The Judgment Installment Payments to BANA have a fixed rate of 3.79% and the fourth and final payment was made on July 1, 2014.

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. The loans are arranged through the U.S. Department of Housing and Urban Development and a fixed repayment schedule is provided that allocates a portion of the total obligation issued to each borrower including the City as well as other municipalities. No interest rate is stated on the repayment schedule.

Lease revenue bonds are lease obligations secured by a lease-back arrangement with a public entity, where the general operating revenues are pledged to pay the lease payments, which are in turn used to pay debt service on the bonds. Lease revenue bonds provide long-term financing through a lease agreement, installment sales agreement, or loan agreement that does not constitute indebtedness under the state constitutional debt limitation and is not subject to other statutory requirements applicable to bonds.

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

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2014, including interest payments to maturity, are as follows:

| Year Ending June 30 | Capital Lease Obligations | | Qualified Energy Conservation Bonds Lease Obligation | | Contracts Payable | | Loans Payable | |
|---------------------------|---------------------------|-----------------|---------------------------------------------------------|-----------------|-------------------|-------------|------------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 14,435 | \$ 970 | \$ 792 | \$ 669 | \$ - | \$ - | \$ 9,297 | \$ 478 |
| 2016 | 12,338 | 726 | 811 | 620 | - | - | 660 | 122 |
| 2017 | 9,194 | 534 | 830 | 570 | - | - | 685 | 96 |
| 2018 | 6,804 | 376 | 850 | 519 | - | - | 487 | 73 |
| 2019 | 6,555 | 250 | 871 | 467 | - | - | 504 | 56 |
| 2020-2024 | 8,768 | 263 | 4,678 | 1,505 | - | - | 1,445 | 111 |
| 2025-2029 | - | - | 2,032 | 188 | - | - | - | - |
| 2030-2034 | - | - | - | - | - | - | - | - |
| 2035-2039 | - | - | - | - | - | - | - | - |
| 2040-2044 | - | - | - | - | - | - | - | - |
| Unscheduled ¹ | - | - | - | - | 16,820 | - | 474 | - |
| Total | <u>\$ 58,094</u> | <u>\$ 3,119</u> | <u>\$ 10,864</u> | <u>\$ 4,538</u> | <u>\$ 16,820</u> | <u>\$ -</u> | <u>\$ 13,552</u> | <u>\$ 936</u> |

| Year Ending June 30 | Section 108 Loans Payable | | Lease Revenue Bonds | | Tobacco Settlement Asset-Backed Bonds | |
|---------------------------|---------------------------|-----------------|------------------------|-------------------|------------------------------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal ² | Interest |
| 2015 | \$ 280 | \$ 227 | \$ 20,210 | \$ 26,588 | \$ 5,400 | \$ 5,542 |
| 2016 | 294 | 212 | 21,055 | 25,750 | 5,700 | 5,157 |
| 2017 | 310 | 195 | 21,945 | 24,858 | 6,200 | 4,751 |
| 2018 | 325 | 178 | 22,905 | 23,888 | 6,600 | 4,310 |
| 2019 | 345 | 159 | 23,960 | 22,848 | 7,000 | 3,839 |
| 2020-2024 | 2,042 | 461 | 136,025 | 95,122 | 46,885 | 9,964 |
| 2025-2029 | 485 | 14 | 139,335 | 59,051 | - | - |
| 2030-2034 | - | - | 78,045 | 30,439 | - | - |
| 2035-2039 | - | - | 55,825 | 14,474 | - | - |
| 2040-2044 | - | - | 27,625 | 2,080 | - | - |
| Total | <u>\$ 4,081</u> | <u>\$ 1,446</u> | <u>\$ 546,930</u> | <u>\$ 325,098</u> | <u>\$ 77,785</u> | <u>\$ 33,563</u> |

¹ The contracts payable for the Facilities Financing Reimbursement Agreements in the amount of \$16,820 do not have an annual repayment schedule. Annual payments to the Facilities Financing Reimbursement Agreements are based on availability of Facilities Benefit Assessment (FBA) and Development Impact Fee (DIF) revenues. Loan Payable of \$474 to California Energy Resources Conservation and Development Commission does not have a fixed annual repayment schedule until construction of the project is completed and final billing submitted.

² The Tobacco Asset-Backed Bond Principal Debt Service requirements are based upon final turbo redemption payments projected at time of issuance.

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, 2014. The effect of bond issuance premiums and discounts are reflected as adjustments to the carrying value of long-term liabilities.

| | Governmental Activities | | | | |
|----------------------------------------------|---------------------------------------------------|-------------------|---------------------|---------------------|------------------------|
| | Beginning Balance, as Restated ¹ | Additions | Reductions | Ending Balance | Due Within One Year |
| Compensated Absences | \$ 71,318 | \$ 52,022 | \$ (52,694) | \$ 70,646 | \$ 30,090 |
| Liability Claims | 339,002 | 61,047 | (68,103) | 331,946 | 39,485 |
| Capital Lease Obligations | 65,369 | 31,235 | (38,510) | 58,094 | 14,435 |
| Qualified Energy Conservation Bonds | | | | | |
| Lease Obligation | 11,637 | - | (773) | 10,864 | 792 |
| Contracts Payable | 7,454 | 16,951 | (7,585) | 16,820 | - |
| Loans Payable | 21,638 | 761 | (8,847) | 13,552 | 9,297 |
| Section 108 Loans Payable | 5,630 | - | (1,549) | 4,081 | 280 |
| Lease Revenue Bonds | 533,235 | 49,530 | (35,835) | 546,930 | 20,210 |
| Unamortized Bond Premiums and Discounts | 24,522 | 2,183 | (1,627) | 25,078 | 1,558 |
| Net Lease Revenue Bonds | 557,757 | 51,713 | (37,462) | 572,008 | 21,768 |
| Tobacco Settlement Asset-Backed Bonds | 81,635 | - | (3,850) | 77,785 | 5,400 |
| Net Other Postemployment Benefits Obligation | 188,428 | 418 | - | 188,846 | - |
| Net Pension Obligation | 115,925 | - | (1,903) | 114,022 | - |
| Total | <u>\$ 1,465,793</u> | <u>\$ 214,147</u> | <u>\$ (221,276)</u> | <u>\$ 1,458,664</u> | <u>\$ 121,547</u> |

¹ Beginning balances for liability claims and net lease revenue bonds have been restated, due to the reclassification of components of the Self Insurance Internal Service Fund to the General Fund, and GASB 65 implementation, respectively. Additional information on the restatements is included in Note 23.

PFFA issued \$43,245 of Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding) and \$6,285 of Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding). The Series 2013A fully refunded the outstanding City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding). The Series 2013B fully refunded all the outstanding City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding). The 2013A and 2013B bonds are special, limited obligations of PFFA secured solely by the base rental payments paid by the City for the use and occupancy of the leased property and certain funds held under the indenture.

d. Redemption of Debt

The Lease Revenue Refunding Bonds, Series 2013A (Old Town Light Rail Extension Refunding) were issued to refund the outstanding City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) and the Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding) were issued to refund the outstanding City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding). Since the refunded bonds have been fully redeemed prior to fiscal year end, the liability has been removed from the Statement of Net Position. The refunding transaction resulted in a total economic gain of \$771 and a cash flow savings of approximately \$1,188. The refunded 2003 Lease Revenue Refunding Bonds were fully redeemed on July 11, 2013 and the refunded 2003 Certificates of Participation were fully redeemed on November 1, 2013.

e. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2014 are comprised of the following:

| Type of Pledged Revenue | Fiscal Year Maturity Date | Pledged Revenue to Maturity | Debt Principal & Interest Paid | Pledged Revenue Recognized |
|--------------------------------------------------------------------------------|------------------------------------|-----------------------------------|--------------------------------------|----------------------------------|
| Pledged Developer Revenue: | | | | |
| Regional Transportation Center Redevelopment Project (Section 108) | 2021 | \$ - | \$ 1,325 | \$ 1,325 |
| Pledged Development Impact Fee (DIF) Revenue: | | | | |
| Kearny Mesa Reimbursement Agreement, dated June 2005 | | 309 | 735 | 735 |
| Pledged Facilities Benefit Assessment (FBA) Revenue: | | | | |
| Facilities Financing Reimbursement Agreement Obligations | | 16,511 | 6,850 | 6,850 |
| Naval Training Center Civic, Arts, and Cultural Center (Section 108) | 2025 | 5,527 | 506 | 506 |
| Total Pledged Facilities Benefit Assessment (FBA) Revenue | | <u>22,038</u> | <u>7,356</u> | <u>7,356</u> |
| Pledged Tobacco Settlement Revenue: | | | | |
| Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006 | 2023 | 111,348 | 9,666 | 9,082 |
| Total | | <u>\$ 133,695</u> | <u>\$ 19,082</u> | <u>\$ 18,498</u> |

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

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2014 are comprised of the following:

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Fiscal Year Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 2014</u> |
|---------------------------------------------------------------|------------------------------|----------------------------------|------------------------|------------------------------------------|
| Arbitrage Liability | | | | \$ 90 |
| Compensated Absences | | | | 13,267 |
| Liability Claims | | | | 37,844 |
| Capital Lease Obligations | 1.665% - 1.838% ¹ | 2022 | | 2,590 |
| Loans Payable: | | | | |
| State Water Resources Control Board, issued February 9, 2000 | 1.80% ² | 2020 | \$ 10,606 | 3,590 |
| State Water Resources Control Board, issued February 9, 2000 | 1.80% ² | 2022 | 6,684 | 2,965 |
| State Water Resources Control Board, issued March 30, 2001 | 1.80% ² | 2022 | 33,720 | 14,944 |
| State Water Resources Control Board, issued May 17, 2001 | 1.80% ² | 2022 | 7,742 | 3,432 |
| State Water Resources Control Board, issued May 17, 2001 | 1.80% ² | 2021 | 860 | 337 |
| State Water Resources Control Board, issued June 11, 2001 | 1.80% ² | 2021 | 2,525 | 988 |
| State Water Resources Control Board, issued October 3, 2002 | 1.99% ² | 2020 | 3,767 | 1,408 |
| State Water Resources Control Board, issued October 3, 2002 | 1.80% ² | 2023 | 8,068 | 3,987 |
| State Water Resources Control Board, issued December 14, 2005 | 1.89% ² | 2024 | 10,093 | 5,759 |
| Department of Health Services, issued July 6, 2005 | 2.51% ² | 2026 | 21,525 | 13,669 |
| State Water Resources Control Board, issued October 15, 2006 | 1.99% ² | 2024 | 3,858 | 2,311 |
| State Water Resources Control Board, issued February 28, 2007 | 1.89% ² | 2026 | 11,068 | 7,439 |
| Department of Health Services, issued May 30, 2011 | 2.31% ² | 2032 | 12,000 | 10,783 |
| Department of Health Services, issued January 1, 2012 | 2.31% ² | 2032 | 20,000 | 17,971 |
| Department of Health Services, issued January 1, 2012 | 2.50% ² | 2032 | 18,000 | 16,576 |
| State Water Resources Control Board, issued February 17, 2012 | 2.70% ² | 2034 | 21,092 | 21,092 |
| State Water Resources Control Board, issued July 10, 2012 | 2.20% ² | 2033 | 16,008 | 15,472 |
| Department of Health Services, issued January 29, 2013 | 2.093% ² | 2034 | 4,775 | 4,775 |
| Department of Health Services, issued January 29, 2013 | 2.093% ² | 2034 | 2,301 | 2,301 |
| State Water Resources Control Board, issued June 26, 2013 | 2.20% ² | 2034 | 3,964 | 3,964 |
| State Water Resources Control Board, issued August 22, 2013 | 2.20% ² | 2034 | 7,597 | 7,597 |
| Total Loans Payable | | | | <u>161,360</u> |

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Fiscal Year Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 2014</u> |
|-------------------------------------------------------------|------------------------|----------------------------------------------|----------------------------|--------------------------------------------------|
| Bonds Payable: | | | | |
| Senior Sewer Revenue Bonds, Series 2009 A | 2.0-5.375 ¹ | 2039 | \$ 453,775 | \$ 394,500 |
| Senior Sewer Revenue Refunding Bonds Series 2009 B | 3.0-5.5 ¹ | 2025 | 634,940 | 469,640 |
| Water Revenue Refunding Bonds, Series 2009 A | 2.5-5.25 ¹ | 2039 | 157,190 | 151,520 |
| Water Revenue Bonds, Series 2009 B | 2.5-5.75 ¹ | 2040 | 328,060 | 306,140 |
| Senior Sewer Revenue Refunding Bonds Series 2010 A | 5.25 | 2029 | 161,930 | 161,930 |
| Water Revenue Refunding Bonds, Series 2010 A | 5.0-5.25 ¹ | 2029 | 123,075 | 123,075 |
| Water Revenue Refunding Bonds, Series 2012 A | 2.0-5.0 ¹ | 2033 | 188,610 | 171,505 |
| Total Bonds Payable | | | | <u>1,778,310</u> |
| Estimated Landfill Closure and Postclosure Care | | | | 23,290 |
| Net Other Postemployment Benefits Obligation | | | | 54,277 |
| Net Pension Obligation | | | | <u>22,610</u> |
| Total Business-Type Activities Long-Term Liabilities | | | | <u>\$ 2,093,638</u> |

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

² Effective rate.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2014, including interest payments to maturity, are as follows:

| Year Ending June 30 | Capital Lease Obligations | | Loans Payable | | Revenue Bonds Payable | |
|--------------------------|---------------------------|---------------|-------------------|------------------|-----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 340 | \$ 41 | \$ 8,855 | \$ 2,546 | \$ 75,370 | \$ 89,240 |
| 2016 | 357 | 36 | 9,038 | 2,363 | 79,255 | 85,847 |
| 2017 | 363 | 30 | 9,226 | 2,175 | 82,205 | 82,127 |
| 2018 | 370 | 24 | 9,416 | 1,984 | 86,410 | 78,104 |
| 2019 | 376 | 18 | 9,612 | 1,789 | 90,695 | 73,819 |
| 2020-2024 | 784 | 17 | 40,529 | 6,050 | 493,915 | 298,290 |
| 2025-2029 | - | - | 20,735 | 2,554 | 414,280 | 177,179 |
| 2030-2034 | - | - | 11,220 | 485 | 213,305 | 95,531 |
| 2035-2039 | - | - | - | - | 221,720 | 39,780 |
| 2040-2044 | - | - | - | - | 21,155 | 582 |
| Unscheduled ¹ | - | - | 42,729 | - | - | - |
| Total | <u>\$ 2,590</u> | <u>\$ 166</u> | <u>\$ 161,360</u> | <u>\$ 19,946</u> | <u>\$ 1,778,310</u> | <u>\$ 1,020,499</u> |

¹ The loans payable to the State Water Resources Control Board in the amount of \$35,653 and loans payable to Department of Health Services in the amount of \$7,076 do not have fixed annual repayment schedules until construction of the projects are completed and final billing submitted.

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014. The effect of bond premiums and discounts are reflected as adjustments to long-term liabilities.

| | Business-Type Activities | | | | |
|----------------------------------------------|---------------------------------------------------|------------------|---------------------|---------------------|------------------------|
| | Beginning Balance, as Restated ¹ | Additions | Reductions | Ending Balance | Due Within One Year |
| Arbitrage Liability | \$ 60 | \$ 30 | \$ - | \$ 90 | \$ - |
| Compensated Absences | 13,347 | 10,926 | (11,006) | 13,267 | 6,016 |
| Liability Claims | 37,285 | 10,333 | (9,774) | 37,844 | 6,427 |
| Capital Lease Obligations | - | 2,590 | - | 2,590 | 340 |
| Loans Payable | 145,330 | 24,717 | (8,687) | 161,360 | 8,855 |
| Revenue Bonds Payable | 1,850,645 | - | (72,335) | 1,778,310 | 75,370 |
| Unamortized Bond Premiums and Discounts | 78,778 | - | (5,317) | 73,461 | 5,317 |
| Net Revenue Bonds Payable | 1,929,423 | - | (77,652) | 1,851,771 | 80,687 |
| Estimated Landfill Closure/Postclosure Care | 22,565 | 725 | - | 23,290 | - |
| Net Other Postemployment Benefits Obligation | 54,169 | 108 | - | 54,277 | - |
| Net Pension Obligation | 23,076 | - | (466) | 22,610 | - |
| Totals | <u>\$ 2,225,255</u> | <u>\$ 49,429</u> | <u>\$ (107,585)</u> | <u>\$ 2,167,099</u> | <u>\$ 102,325</u> |

¹ Liability Claims and Net Revenue Bonds beginning balances have been restated due to reclassification of components of the Self Insurance Internal Service Fund to the General Fund, and GASB 65 implementation, respectively. Additional information on the restatements is included in Note 23.

d. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2014 are comprised of the following:

| <u>Type of Pledged Revenue</u> | <u>Fiscal Year Maturity Date</u> | <u>Pledged Revenue to Maturity</u> | <u>Debt Principal & Interest Paid</u> | <u>Pledged Revenue Recognized</u> |
|---------------------------------------------------------------|----------------------------------|------------------------------------|-------------------------------------------|-----------------------------------|
| Pledged Net Sewer Systems Revenue: | | | | |
| Loans | | | | |
| State Water Resources Control Board, issued February 9, 2000 | 2020 | \$ 3,820 | \$ 637 | \$ 637 |
| State Water Resources Control Board, issued February 9, 2000 | 2022 | 3,210 | 401 | 401 |
| State Water Resources Control Board, issued March 30, 2001 | 2022 | 16,197 | 2,025 | 2,025 |
| State Water Resources Control Board, issued May 17, 2001 | 2022 | 3,717 | 464 | 464 |
| State Water Resources Control Board, issued May 17, 2001 | 2021 | 360 | 52 | 52 |
| State Water Resources Control Board, issued June 11, 2001 | 2021 | 1,060 | 152 | 152 |
| State Water Resources Control Board, issued October 3, 2002 | 2020 | 1,507 | 251 | 251 |
| State Water Resources Control Board, issued October 3, 2002 | 2023 | 4,357 | 484 | 484 |
| State Water Resources Control Board, issued December 14, 2005 | 2024 | 6,375 | 638 | 638 |
| State Water Resources Control Board, issued October 15, 2006 | 2024 | 2,573 | 257 | 257 |
| State Water Resources Control Board, issued February 28, 2007 | 2026 | 8,388 | 699 | 699 |
| State Water Resources Control Board, issued February 17, 2012 | 2034 | 21,092 | - | - |
| State Water Resources Control Board, issued July 10, 2012 | 2033 | 18,394 | 810 | 810 |
| State Water Resources Control Board, issued June 26, 2013 | 2034 | 3,964 | - | - |
| State Water Resources Control Board, issued August 22, 2013 | 2034 | 7,597 | - | - |
| Bonds and Notes | | | | |
| Senior Sewer Revenue Bonds, Series 2009 A | 2039 | 691,706 | 36,280 | 32,577 |
| Senior Sewer Revenue Refunding Bonds, Series 2009 B | 2025 | 608,482 | 57,702 | 53,751 |
| Senior Sewer Revenue Refunding Bonds, Series 2010 A | 2029 | 264,342 | 8,502 | 8,502 |
| Total Pledged Net Sewer Systems Revenue | | <u>1,667,141</u> | <u>109,354</u> | <u>101,700</u> |

Continued on Next Page

| <u>Type of Pledged Revenue</u> | <u>Fiscal Year Maturity Date</u> | <u>Pledged Revenue to Maturity</u> | <u>Debt Principal & Interest Paid</u> | <u>Pledged Revenue Recognized</u> |
|-----------------------------------------------------------|----------------------------------------------|--------------------------------------------|-----------------------------------------------|---------------------------------------|
| Pledged Net Water Systems Revenue: | | | | |
| Loans | | | | |
| Department of Health Services, issued July 6, 2005 | 2026 | \$ 15,823 | \$ 1,376 | \$ 1,376 |
| Department of Health Services, issued May 30, 2011 | 2032 | 13,169 | 753 | 753 |
| Department of Health Services, issued January 1, 2012 | 2032 | 21,938 | 1,254 | 1,254 |
| Department of Health Services, issued January 1, 2012 | 2032 | 20,689 | 1,149 | 1,149 |
| Department of Health Services, issued January 29, 2013 | 2034 | 4,775 | 19 | 19 |
| Department of Health Services, issued January 29, 2013 | 2034 | 2,301 | 22 | 22 |
| Bonds and Notes | | | | |
| Water Revenue Refunding Bonds, Series 2009 A | 2039 | 219,212 | 8,681 | 8,468 |
| Water Revenue Bonds, Series 2009 B | 2040 | 565,147 | 21,735 | 21,217 |
| Water Revenue Refunding Bonds, Series 2010 A | 2029 | 198,356 | 6,311 | 5,802 |
| Water Revenue Refunding Bonds, Series 2012 A | 2033 | 251,564 | 25,394 | 25,346 |
| Total Pledged Net Water Systems Revenue | | <u>1,312,974</u> | <u>66,694</u> | <u>65,406</u> |
| Total Pledged Revenues | | <u>\$ 2,980,115</u> | <u>\$ 176,048</u> | <u>\$ 167,106</u> |

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

Narratives and tables presented in the following sections are taken from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2014.

San Diego Convention Center Corporation

Long-term liabilities of SDCCC as of June 30, 2014 are comprised of the following:

| Type of Obligation | Interest Rate | Fiscal Year Maturity Date | Original Amount | Balance Outstanding June 30, 2014 | Due Within One Year |
|----------------------------------------------------|---------------|---------------------------------|--------------------|-----------------------------------------|------------------------|
| Compensated Absences | | | | \$ 1,245 | \$ 1,218 |
| Notes Payable: | | | | | |
| Fifth Avenue Landing LLC | 5.27% | 2015 | \$ 12,500 | 12,500 | 12,500 |
| San Diego Gas and Electric - Retrocommissioning | 0.00% | 2015 | 418 | 127 | 127 |
| CG 7600 LLC | 0.00% | 2023 | 22 | 19 | 2 |
| Total Notes Payable | | | | 12,646 | 12,629 |
| Total Long-Term Liabilities | | | | \$ 13,891 | \$ 13,847 |

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

On April 25, 2012, SDCCC entered into a Financing Loan Agreement at a zero percent per annum rate with San Diego Gas & Electric (SDG&E) for \$418, the proceeds of which were used to apply "retrocommissioning," a systematic process for improving and optimizing a building's operations through reduced energy usage, lengthened equipment life, and improved indoor air quality and occupant comfort. The obligation is payable over 23 equal installments payable through an on-bill financing arrangement through SDCCC's monthly utility bill based on estimated energy cost savings.

On April 15, 2013, SDCCC entered into a commercial lease agreement with CG 7600, LLC (lessor) in which the lessor financed a warehouse capital improvement for SDCCC valued at \$22. The agreement calls for the loan to be amortized as part of SDCCC's monthly rent over 10 years at a zero percent per annum rate. In the event SDCCC does not exercise the option to extend, the amortized portion becomes payable and due upon termination of the contract.

Annual requirements to amortize long-term debt as of June 30, 2014, are as follows:

| <u>Notes Payable</u> | | |
|--------------------------------|------------------|-----------------|
| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
| 2015 | \$ 12,629 | \$ 1,297 |
| 2016 | 2 | - |
| 2017 | 2 | - |
| 2018 | 2 | - |
| 2019 | 2 | - |
| 2020-2023 | 9 | - |
| Total | <u>\$ 12,646</u> | <u>\$ 1,297</u> |

San Diego Housing Commission

Long-term liabilities of SDHC as of June 30, 2014 are comprised of the following:

| <u>Type of Obligation</u> | <u>Interest Rate</u> | <u>Fiscal Year Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 2014 ¹</u> | <u>Due Within One Year</u> |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------------------------------|----------------------------|---------------------------------------------------------------|--------------------------------|
| Compensated Absences | | | | \$ 1,738 | \$ 1,738 |
| Notes Payable: | | | | | |
| Debts of SDHC | | | | | |
| GE Capital, (Smart Corner & Maya) dated November 2011 | 6.08% | 2027 | \$ 15,000 | 11,344 | 492 |
| Successor Agency of the Redevelopment Agency of the City of San Diego dated March 1992 | 0.00% forgivable | 2022 | 696 | 696 | - |
| Successor Agency of the Redevelopment Agency of the City of San Diego dated March 18, 2010 | 1.00% forgivable | 2065 | 6,095 | 6,030 | - |
| State of California, Housing Loan Conversion Program dated March 10, 2013 | 3.00% | 2068 | 4,555 | 4,555 | - |
| Debts of the LLCs | | | | | |
| Greystone Servicing Corp, Inc. Fannie Mae (Belden) | 7.32% | 2040 | 12,320 | 11,729 | 162 |
| Greystone Servicing Corp, Inc. Fannie Mae (Northern) | 7.32% | 2040 | 10,810 | 10,292 | 142 |
| Greystone Servicing Corp, Inc. Fannie Mae (Central) | 7.32% | 2040 | 14,010 | 13,338 | 184 |
| PNC Bank, NA FHA (Southern) | 3.76% | 2046 | 25,017 | 23,627 | 405 |
| PNC Bank, NA FHA (Northern) | 3.76% | 2046 | 17,500 | 16,528 | 283 |
| PNC Bank, NA FHA (Central) | 3.65% | 2046 | 15,726 | 14,855 | 258 |
| Total Notes Payable | | | | <u>112,994</u> | <u>1,926</u> |
| Total Long-Term Liabilities ¹ | | | | <u>\$ 114,732</u> | <u>\$ 3,664</u> |

¹ Long-term liabilities of the discrete component units of SDHC are not included

In November 2011, SDHC entered into a loan agreement with GE Commercial Finance to refinance the Smart Corner Building, which houses the administrative offices of SDHC. The term of the loan is for 15 years, amortized over 25 years with a fixed interest rate of 6.08% for ten years. In November 2013, SDHC exercised the annual option to pay down the loan in the amount of \$1.3 million.

In May 2013, the State of California loan was renegotiated through the Housing Loan Conversion Program and extended for 55 years to 2068. It now bears an interest rate of 3% with required annual interest payments and potential residual receipt requirements.

SDHC entered into a loan agreement with the former RDA as of March 18, 2010, for the acquisition and rehabilitation of the Hotel Sandford. The loan from the former RDA is a forgivable loan, with a term of 55 years and 1% simple interest. The total approved loan amount is \$6,095 with \$6,030 disbursed as of June 30, 2014.

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

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

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (“BABs”) program. State and local governments receive directly from the U.S. Treasury subsidy payments for a portion of their borrowing costs on Build America Bonds equal to 35 percent of the total coupon interest paid. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA LLC, the Northern SDHC FHA LLC and the Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs loans. SDHC has received \$753 in fiscal year 2014 subsidy payments.

The annual requirements to amortize such long-term liabilities as of June 30, 2014 are as follows:

| Year Ending June 30 | Notes Payable | |
|------------------------|-------------------|------------------|
| | Principal | Interest |
| 2015 | \$ 1,926 | \$ 5,485 |
| 2016 | 2,031 | 5,382 |
| 2017 | 2,143 | 5,270 |
| 2018 | 2,260 | 5,152 |
| 2019 | 2,383 | 5,028 |
| 2020-2024 | 14,743 | 23,002 |
| 2025-2029 | 18,076 | 18,377 |
| 2030-2034 | 17,435 | 13,690 |
| 2035-2039 | 23,009 | 8,088 |
| 2040-2044 | 14,700 | 2,933 |
| 2045-2068 | 14,288 | 4,651 |
| Total | <u>\$ 112,994</u> | <u>\$ 97,058</u> |

Discretely Presented Component Units of the San Diego Housing Commission

The long-term liabilities for the discretely presented component units of SDHC as of December 31, 2013 are as follows:

HDP Mason

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Note payable is held by the San Diego Housing Commission in the original amount of \$2,365. The note bears interest at 3% per annum. Beginning May 1, 2014 and annually on May 1 of each year thereafter, principal and interest are due and payable from 47.8% of "residual receipts" as defined in the loan agreement through February 2068. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$115 at December 31, 2013. | \$ 2,353 |
| Note payable is held by the Successor Agency to the former Redevelopment Agency of the City of San Diego in the original amount of \$1,319. The note bears interest at 5% per annum. Principal and interest are due and payable from 26.6% of "residual receipts" each operating year as defined in the loan agreement note through May 2057. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$81 at December 31, 2013. | 1,319 |
| Note payable is held by California Housing Finance Agency in the original amount of \$1,181. The note bears interest at 3% per annum. Annual payments of principal and interest are payable from 23.9% of the Development's "residual receipts," as defined in the loan agreement through December 2066. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$49 at December 31, 2013. | 1,181 |
| Note payable is held by the San Diego Housing Commission in the original amount of \$226. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 1.7% of "residual receipts," as defined in the loan agreement through May 2057. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$21 at December 31, 2013. | 69 |
| Note payable is held by the San Diego Housing Commission in the original amount of \$230. The note is noninterest bearing. The note shall be incrementally forgiven beginning May 2013 at 10% per year provided the Corporation has complied with all provisions of the note. The note is secured by a deed of trust on the Mason Hotel. Forgiveness of debt totaled \$23 for the year ended December 31, 2013. | 207 |
| Total HDP Mason | <u>5,129</u> |

Continued on Next Page

Casa Colina

Note payable is held by Red Mortgage Capital, Inc. in the original amount of \$3,465. Monthly payments of \$19 including principal and interest at 5.68% are due through February 1, 2039. The note is secured by a deed of trust on Casa Colina. Accrued interest totaled \$14 at December 31, 2013. \$ 3,053

Note payable is held by the San Diego Housing Commission in the original amount of \$1,600. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 50% of "residual Receipts," as defined in the loan agreement through February 2059. The note is secured by a deed of trust on Casa Colina. Accrued interest totaled \$132 at December 31, 2013. 1,600

Total Casa Colina 4,653

Logan

The Series A-1 and Series A-2 promissory notes payable to the Housing Authority of the City of San Diego (Housing Authority) totaling \$5,025 were originated on November 7, 2012 in connection with the Housing Authority's issuance of Multifamily Housing Revenue Bonds in the amount of \$5,300. The Series A-1 note in the amount of \$3,311 and the Series A-2 note in the amount of \$1,714 are being serviced by JP Morgan Chase Bank, N.A. Interest on the notes is payable monthly at a variable rate of one-month LIBOR rate quoted by JP Morgan Chase Bank, N.A. plus 2.17% (2.42% at December 31, 2013) through May 1, 2014. Principal and interest on the Series A-2 note is due May 1, 2014 at which time the Series A-1 note converts to a permanent loan. The permanent loan converted on February 28, 2014 and bears interest at a fixed rate of 5.58% and is payable in monthly installments of principal and interest through May 1, 2044. The note is secured by a deed of trust on Knox Glen Townhomes. Accrued interest totaled \$0 at December 31, 2013. 4,456

The mortgage note which was originated on November 30, 1995 is held by the San Diego Housing Commission in the original amount of \$1,400 and bears interest at 6% per annum. Payments of principal and interest are payable annually from residual receipts, as defined in the note. Principal and accrued interest are due November 20, 2050. The note is secured by a deed of trust on Knox Glen Townhomes. Accrued interest totaled \$1,391 at December 31, 2013. 1,400

The mortgage note which was originated on December 1, 1995 is held by the Successor Agency to the former Redevelopment Agency of the City of San Diego in the original amount of \$150. The note bears interest at 3% per annum. Principal and accrued interest are due in December, 2050. The note is secured by a deed of trust on Knox Glen Townhomes. Accrued interest totaled \$80 at December 31, 2013. 150

Total Logan 6,006

HDP

Note payable is held by Local Initiatives Support Corporation in the original amount of \$711. The note bears interest at 6% per annum. Interest is payable on a monthly basis until all amounts due under this note are paid in full. Principal and accrued interest are due and payable on the earlier of the closing and initial funding date of any construction financing or the first day of the nineteenth full month after the closing date. The note is unsecured. Accrued interest totaled \$0 at December 31, 2013.

\$ 418

Churchill

Note payable is held by San Diego Housing Commission in the original amount of \$3,800. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 75% of residual receipts as defined in the loan agreement through July 2068. The note is secured by a deed of trust on Hotel Churchill. Accrued interest totaled \$1 at December 31, 2013.

143

Total Notes Payable

16,349

Less: Current Portion

(3,423)

Notes Payable, Net of Current Portion

\$ 12,926

The future principal payments on the notes payable following December 31, 2013 are as follows:

| | | |
|------------|----|----------------------|
| 2014 | \$ | 3,423 |
| 2015 | | 546 |
| 2016 | | 134 |
| 2017 | | 141 |
| 2018 | | 148 |
| Thereafter | | <u>11,957</u> |
| Total | \$ | <u><u>16,349</u></u> |

8. JOINTLY GOVERNED ORGANIZATIONS (Dollars in Thousands)San Diego Workforce Partnership

The City and the County jointly govern the San Diego Workforce Partnership (Consortium). The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The purpose of the Consortium is to provide regional employment and training services in order to develop and create job opportunities throughout San Diego County. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The City does not appoint a majority of the Consortium Board, is not able to impose its will on the Consortium, and the Consortium is not fiscally dependent on the City. Therefore, it is the City's conclusion that the Consortium is a governmental organization with a jointly appointed board and not a component unit of the City. However, in the event the Consortium incurs a liability it cannot financially sustain, the City and the County have agreed to share in the payment of such an obligation. For the fiscal year ended June 30, 2013, the Partnership reported an increase in net position of \$28 and ending net position of \$463.

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

San Diego Geographic Information Source (SanGIS)

SanGIS was created in July 1997 as a joint powers agreement between the City and the County. SanGIS is governed by a Board of Directors consisting of one voting member from the City and one from the County. The Board approves the annual budget and fiscal audit, sets long range plans and strategic goals, and authorizes major project funding. All initiatives and decisions must be approved by a consensus of both members of the Board before being implemented. SanGIS objectives are to create and maintain a geographic information system, to market and license digital geographic data and software, to provide technical services and to publish geographical and land-related information. The SanGIS annual budget of \$1,235 is funded primarily by equal contributions from the City and County. In its latest audited report, for the fiscal year ended June 30, 2013, SanGIS reported an increase in net position of \$13 and an ending net position of \$333.

Complete financial statements can be requested from SanGIS, 5510 Overland Ave., Suite 230, San Diego, CA 92123.

9. LEASE COMMITMENTS (Dollars in Thousands)

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

Capital Leases

The City has entered into various capital leases for equipment and structures. These capital leases have maturity dates ranging from July 1, 2014 through June 1, 2023 and interest rates ranging from 0.71% to 5.00%. A schedule of future minimum lease payments under capital leases as of June 30, 2014 is provided in Note 5. The value of all governmental capital leased assets as of June 30, 2014 is \$64,193, net of accumulated depreciation of \$50,941. These amounts are categorized by major asset class in the table below.

| Values of Capital Leased Assets by Major Asset Class | | | |
|------------------------------------------------------|-------------------|--------------------|------------------|
| | Gross | | Net Book |
| | Value | Depreciation | Value |
| Governmental | | | |
| Equipment | \$ 111,500 | \$ (49,114) | \$ 62,386 |
| Structures & Improvements | 3,634 | (1,827) | 1,807 |
| Total Governmental | <u>\$ 115,134</u> | <u>\$ (50,941)</u> | <u>\$ 64,193</u> |

Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. Lease obligations for City-leased space include rent, utility charges, common area maintenance, storage, and parking. If a department pays for parking, storage, etc. that is not contracted for in the lease those charges are not included. Departments are allocated charges based on the percentage of the total leased space occupied. 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, 2014:

| Year Ending | Amount |
|-------------|------------------|
| June 30 | |
| 2015 | \$ 5,644 |
| 2016 | 4,826 |
| 2017 | 4,596 |
| 2018 | 4,717 |
| 2019 | 4,880 |
| 2020-2022 | 729 |
| Total | <u>\$ 25,392</u> |

Rent expense, as related to operating leases, was \$13,930 for the year ended June 30, 2014, of which \$12,019 was reported as governmental activities, and \$1,911 as business-type activities.

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately \$156,680, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. Minimum annual lease revenues are reported in the following schedule:

| Year Ending June 30 | Amount |
|------------------------|-------------------|
| 2015 | \$ 39,702 |
| 2016 | 38,451 |
| 2017 | 36,123 |
| 2018 | 34,145 |
| 2019 | 33,204 |
| 2020-2024 | 154,689 |
| 2025-2029 | 141,466 |
| 2030-2034 | 132,353 |
| 2035-2039 | 124,662 |
| 2040-2044 | 116,018 |
| 2045-2049 | 88,176 |
| 2050-2054 | 27,710 |
| 2055-2059 | 10,289 |
| 2060-2064 | 2,741 |
| Total | <u>\$ 979,729</u> |

This amount does not include contingent rentals, which may be received under certain leases of property on the basis of percentage returns. Rental income as related to operating leases was \$64,816 for the year ended June 30, 2014, which includes contingent rentals of \$24,676.

10. DEFERRED COMPENSATION PLAN (Dollars in Thousands)

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

Prior to dissolution, SDDPC offered a 457(b) deferred compensation plan to its employees. The plan was effectively terminated on December 3, 2013 and, as of the end of fiscal year 2014, was in the process of winding down.

11. PENSION PLANS (Dollars in Thousands)

The City has a defined benefit pension plan and various defined contribution pension plans covering substantially all of its employees. The defined benefit pension plan (Pension Plan) has been closed for all new employees hired on or after July 20, 2012 except for sworn police officers.

An initiative titled "Comprehensive Pension Reform of San Diego" (Proposition B) was approved by voters on June 5, 2012. Generally, the measure amended the City Charter to provide all new City employees hired on or after the effective date of the amendments, except sworn police officers, with a 401(k)-style defined contribution plan instead of a defined benefit plan. The initiative contains other provisions intended to limit pension costs for existing employees by directing the City to seek, through labor negotiations, to limit City employees' compensation used to calculate pension benefits. This limitation on the City's negotiating authority is in effect until June 30, 2018. Pensionable pay increases may be authorized with a 2/3 vote of the City Council following preparation of an actuarial report that discloses the impact of any proposed increases in compensation or benefits on the City's Pension Plan. In fiscal year 2013, the City reached five year agreements with each of the employees' collective bargaining units for non-pensionable compensation increases for fiscal years 2014 through 2018. The labor agreements may be reopened at the option of employee organizations in fiscal years 2017 and 2018.

Proposition B resulted in increased costs to the City of \$27,000 for fiscal year 2014. This is largely a result of the closing of the non-Police portion of the Pension Plan and the use of the level dollar amortization method for the non-Police Unfunded Actuarial Accrued Liability (UAAL) used by the actuary in calculating the Annual Required Contribution (ARC). Proposition B did not affect the City's UAAL.

Proposition B is the subject of ongoing litigation before the California Public Employment Relations Board (PERB). On February 11, 2013, a PERB administrative law judge issued a proposed decision finding that the City violated state labor laws by failing to meet and confer with City labor organizations prior to placing Proposition B on the ballot. The City has filed exceptions to the proposed decision, which will be reviewed by the full PERB board. The decision of the PERB board may also be appealed to the Fourth District Court of Appeal. The actuarial valuation as of June 30, 2013 assumes the validity of Proposition B, that the City has fully implemented its requirements, and that the City intends to comply with those requirements under the terms specified in the initiative.

DEFINED BENEFIT PLAN

a. Pension Plan Description

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

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees initially hired before July 20, 2012 working half-time or greater, all sworn police officers of the City, irrespective of hire date, and all 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 pursuant to GASB Statement No. 14; however, the financial statements of the SDCERS Pension Trust do include the Port and the Airport activity and are reported in the fiduciary funds section of this report.

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

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

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

Deferred Retirement Option Plan (DROP)

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

Upon entering DROP, the participant stops making pension contributions to SDCERS and stops earning service credit. Instead, amounts equivalent to the participant's retirement benefit plus additional DROP contributions are credited to an interest bearing individual account held in the participant's name. While participants were employed by the City, the annual interest credited to the DROP participant accounts was 1.2%. When the participant leaves DROP and retires from City service, the participant's DROP account balance may be paid in a lump sum, rolled over to another plan, or converted to monthly payments. The DROP annuity factor used to calculate the monthly payments in the first half of fiscal year 2014 was 3.3% and 3.2% in the second half. During the period of participation, the participant continues to receive employer offered benefits available to regular employees with exception to earning service credit, as previously discussed.

Purchase of Service Credits

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

Preservation of Benefits Plan (POB Plan)

The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under 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, which is funded by the City. For purposes of disclosure requirements under GASB Statement No. 67, the City considers the POB plan to be an arrangement that allows payment of benefits earned under the Pension Plan and does not consider the POB Plan to be a separate defined benefit plan.

In fiscal year 2014, approximately \$1,403 in benefits above 415(b) limits were paid by the City for the POB Plan. The number of participants in any given year for the POB Plan is determined by the number of Pension Plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for calendar year 2013 was \$205 and \$210 for calendar year 2014. For non-safety members, the limit is adjusted downward depending on the age of the participant when benefits began. In fiscal year 2014, the City's POB Plan pension cost was approximately \$662; however, the City contributed approximately \$1,403 to the POB Plan, and therefore, the \$741 difference decreased the City's Net Pension Obligation (NPO). Financial statements for the POB Plan are included in the fiduciary funds section of this report.

Supplemental Cost-of-Living Benefit

On August 5, 2013, the City Council amended the San Diego Municipal Code to provide a method for funding a supplemental cost-of-living benefit (the "Supplemental COLA") previously given to a closed group of retirees who retired on or before June 30, 1982. The total benefit in fiscal year 2014 was \$2,366, of which \$1,844 was paid by the City and \$522 from the Supplemental COLA reserve held by SDCERS. Plan assets are not used to pay this benefit. Any future Supplemental COLA benefits will be paid in cash by the City, less any balance remaining in the Supplemental COLA reserve. As of June 30, 2014, the Supplemental COLA reserve had a balance of \$344. SDCERS accounts for changes to the Supplemental COLA reserve balances through the use of reserve accounts.

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 Pension Plan. See Note 1(e) for additional disclosures on SDCERS' method used to value investments.

c. Offset Agreements

The City has historically negotiated employee retirement contribution offset agreements with certain employee groups, which have required the City to pay a portion of the employees' retirement contributions. In fiscal year 2014, the City eliminated the retirement contribution offset amounts related to Municipal Employees Association (MEA) and Teamsters Local 911 employees as a result of the five-year labor agreements. With this reduction, the retirement contribution offset has now been eliminated for all labor groups.

d. **Funding Policy and Contribution Rates**

City Charter Article IX Section 143 requires employees and employers to contribute to the Pension Plan. The Charter section stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and Board enter into any multi-year funding agreements that delay full funding of the Pension Plan. The City's Annual Required Contribution is calculated by SDCERS' actuary and approved by the Board. The Charter requires that employer contributions for normal retirement allowances 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 a fixed Annual Required Contribution. The entire expense of SDCERS' administration is charged against the earnings and Pension Plan assets of SDCERS.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2014, based on the June 30, 2012 actuarial valuation, expressed as percentages of expected payroll:

| | <u>Employer Contribution Rates</u> | |
|---------------------------------------------------------------------------|------------------------------------|-----------------------|
| | <u>Non-Safety Members</u> | <u>Safety Members</u> |
| Normal Cost | 8.74% | 14.55% |
| Amortization Payment ¹ | 45.53% | 56.08% |
| Normal Cost Adjusted for Amortization Payment ¹ | 52.27% | 70.63% |
| City Contribution Rates Adjusted for Payment at the Beginning of the Year | 50.41% | 68.11% |

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

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

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

Members are required to contribute a percentage of their annual salary to the Pension Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2014, the City employee weighted average contribution rates as a percentage of annual covered payroll was 9.93% for general members and 14.67% for safety members.

In accordance with Chapter 2, Article 4, Division 15 of the SDMC, earnings in excess of the assumed actuarial rate of return are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: First, Pension Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which was 7.5% for fiscal year 2014, to the Employer and Employee Contribution Reserves and 1.2% to the DROP member accounts. Second, Pension Plan assets fund the SDCERS Annual Budget. Third, Pension Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in priority order: 1) Annual Supplement Benefit Payment (13th Check) paid to retirees, which ranges from \$30 to \$75 (whole dollars) times the number of years of service credit. 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue and remain an obligation of SDCERS until paid). 3) Crediting interest to the Reserve for Supplemental Cost of Living Adjustment (SCOLA).

e. **Funded Status and Funding Progress**

The following table summarizes the Pension Plan's funding status as reported in the June 30, 2013 valuation:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | UAAL (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------------|----------------------------------------|------------------------------------------|-----------------|--------------------------|---------------------------|-----------------------------------------------------------------|
| 6/30/2013 | \$ 5,317,778 | \$ 7,555,527 | \$ 2,237,749 | 70.38% | \$ 499,463 | 448.03% |

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

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

Annual Pension Cost

The City's annual pension cost for fiscal year 2014 is based on the SDCERS June 30, 2012 Actuarial Valuation. The following table summarizes the principal actuarial methods and assumptions used in the June 30, 2012 and June 30, 2013 actuarial valuations:

| Description | Method/Assumption for the Valuation Ended | |
|----------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| | June 30, 2012 | June 30, 2013 |
| Actuarial Method | Entry Age Normal (EAN) | Entry Age Normal (EAN) |
| Amortization Method | Closed; Level % (Police) Level \$ (non-Police) | Closed; Level % (Police) Level \$ (non-Police) |
| Equivalent Single Amortization Period | 15.117 years ¹ | 15.233 years ² |
| Asset Smoothing Method | Expected Value Method | Expected Value Method |
| Annual Rate of Return on Investments | 7.50%, net of administrative expenses | 7.25% net of administrative expenses |
| Inflation Rate | 3.75% per year, compounded annually | 3.3% per year, compounded annually |
| Cost of Living Adjustment | 2.00% per year, compounded annually | 2.00% per year, compounded annually |
| Projected Salary Increases Due to Inflation ³ | 0% for the next year, 3.75% thereafter | 0% for FY15-FY18, 3.3% thereafter |

¹ 15 years for the outstanding balance of the 2007 UAL, 15 years for experienced gains and losses, 30 years for changes in methods and assumptions, five years for benefit changes, and 15 years for the non-police UAL as of June 30, 2012.

² 14 years for the outstanding balance of the 2007 UAL, 15 years for experienced gains and losses, 30 years for changes in methods and assumptions, five years for benefit changes, and 15 years for the non-police UAL as of June 30, 2012.

³ Additional merit salary increases of 0.50% to 8.00% based on a participant's years of service, and membership group are also assumed. These increases are not used in the amortization of the City's UAL.

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

The following table shows the City's annual pension cost (APC) and the percentage of APC contributed for the fiscal year ended June 30, 2014 and two preceding years (dollars in thousands):

| Fiscal Year Ended June 30 | APC | Percentage Contributed | Net Pension Obligation |
|------------------------------|------------|---------------------------|------------------------------|
| 2012 | \$ 232,349 | 100.21% | \$ 140,763 |
| 2013 | 231,530 | 100.49% | 139,621 |
| 2014 | 274,419 | 100.87% | 137,237 |

Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference between the annual pension cost and the employer's contributions to the Pension 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, 2014, the City's NPO is approximately \$137,237 and is reported in accordance with GASB Statement No. 27. See table below.

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

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

| | Pension | POB | Total |
|--------------------------------------|-------------------|-----------------|-------------------|
| ARC [Fiscal Year 2014] | \$ 275,400 | \$ 708 | \$ 276,108 |
| Interest on NPO | 9,851 | 271 | 10,122 |
| ARC Adjustment | (11,494) | (317) | (11,811) |
| Annual Pension Cost | 273,757 | 662 | 274,419 |
| Contributions [Fiscal Year 2014] | (275,400) | (1,403) | (276,803) |
| Change in NPO | (1,643) | (741) | (2,384) |
| NPO Beginning of Year [July 1, 2013] | 135,877 | 3,744 | 139,621 |
| NPO End of Year [June 30, 2014] | <u>\$ 134,234</u> | <u>\$ 3,003</u> | <u>\$ 137,237</u> |

DEFINED CONTRIBUTION PLANS

a. Supplemental Pension Savings Plan - City

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan (SPSP). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare (SPSP-M). The SPSP and SPSP-M 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 Council established the Supplemental Pension Savings Plan-Hourly (SPSP-H). These supplemental plans are defined contribution plans administered by Wells Fargo to provide pension

benefits for eligible employees. The City Council can amend any provisions of the plans that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Millais-Brown Act. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general members, lifeguard members and elected officers participate in the plan. Eligible employees may participate from the date of employment; however, the plan was closed to general and lifeguard members hired on or after July 1, 2009 and January 1, 2011, respectively.

The following table details plan participation as of June 30, 2014:

| <u>Plan</u> | <u>Participants</u> |
|-------------|---------------------|
| SPSP | 6,787 |
| SPSP – H | 5,217 |

The SPSP 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, 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 SPSP Plan cost.

In fiscal year 2014, the City and the covered employees contributed \$21,755 and \$21,753, respectively. As of June 30, 2014, the fair value of plan assets totaled \$646,673. SPSP, which includes SPSP-H, is considered part of the City's financial reporting entity and is reported as a pension trust fund.

Defined Contribution Plan under Proposition B

Proposition B amended the City Charter to provide all new City employees initially hired on or after July 20, 2012, except sworn police officers, with a 401(k)-style defined contribution plan. Due to ongoing litigation regarding Proposition B, the City has not established a new plan for eligible employees. Instead, the City has contributed funds to SPSP-H, an existing 401(a) plan, to eligible employees in accordance with the SPSP-H plan provisions. The City will continue to contribute funds for such employees through the SPSP-H, pending resolution of Proposition B litigation.

b. 401(a) Plan - City

The City Council established a 401(a) Plan for all General Member employees hired on or after July 1, 2009. The 401(a) Plan is a defined contribution plan administered by Wells Fargo to provide pension benefits for eligible employees. Employees are eligible to participate from the date of employment and are immediately 100% vested. Employees contribute 1% on a mandatory basis, which is matched by City contributions. Additionally, employees can make voluntary contributions to their 401(a) Plan accounts through payroll deductions not to exceed IRS limits. Voluntary contributions to the plan are not matched by the City. The City Council can amend any provisions of the plans that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Millais-Brown Act.

The City and employees contributed \$335 and \$432, respectively, during the year ended June 30, 2014. As of June 30, 2014, the fair value of plan assets totaled \$2,310. The 401(a) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

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

The City Council established a 401(k) Plan effective July 1, 1985. The 401(k) Plan is a defined contribution plan administered by Wells Fargo to provide pension benefits for eligible employees. Employees are eligible to participate from the date of employment. Employees make contributions to their 401(k) Plan accounts through payroll deductions. The City Council can amend any provisions of the plans that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Millais-Brown Act.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed \$15,650 during the year ended June 30, 2014. There is no City contribution towards the 401(k) Plan.

As of June 30, 2014, the fair value of plan assets totaled \$328,811. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

d. **Pension Plan - San Diego Data Processing Corporation**

On August 5, 2013, acting as the sole member of SDDPC, the City Council elected to take the necessary steps to wind-up and dissolve SDDPC. Additionally, the City Council directed SDDPC's board to adopt retirement plan amendment resolutions ending SDDPC's retirement plans and discontinuing funding of the Plans effective on or before the date of final dissolution of SDDPC.

SDDPC administered a Money Purchase Pension Plan (SDDPC 401(a) Plan), a defined contribution plan covering all employees of SDDPC who were eligible for membership as defined by the plan document. The SDDPC 401(a) plan was effectively terminated on December 3, 2013 and is in the process of winding down. The SDDPC 401(a) Plan was intended to be a "governmental plan" as defined in section 411(e)(1)(A) and section 414(d) of the IRC and section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA). The SDDPC 401(a) Plan operated under the authority of section 401(a) of the IRC as well as under the direction of the SDDPC Board of Directors.

Upon employment and any re-employment, employees could become a member of the SDDPC 401(a) Plan. The SDDPC 401(a) Plan was an alternative plan to Social Security, and members did not contribute to Social Security under the Omnibus Budget Reconciliation Act of 1991. SDDPC contributed 20% of plan defined eligible wages for each participant in the plan. SDDPC contributions for each employee were fully vested after four years of continuous service. SDDPC's required 20% contribution to the SDDPC 401(a) Plan, amounting to \$141 for the year ended June 30, 2014, was funded from forfeited contributions on hand in the Plan. Plan members voluntarily contributed \$4 to the SDDPC 401(a) Plan for the year ended June 30, 2014.

SDDPC also administered a Tax Sheltered Annuity Plan (SDDPC 403(b) Plan), a voluntary defined contribution plan covering all employees of SDDPC who were eligible for membership as defined by the plan document and who elect to participate in the SDDPC 403(b) Plan. The SDDPC 403(b) plan was effectively terminated on December 3, 2013. The SDDPC 403(b) Plan operated under the authority of IRC section 403(b)(7) as well as under the direction of the SDDPC Board of Directors.

Upon employment and any re-employment, employees could become a member of the SDDPC 403(b) Plan. There were no employer contributions to the SDDPC 403(b) Plan. SDDPC 403(b) plan members contributed \$26

for the year ended June 30, 2014.

The City does not act in a trustee or agency capacity for the SDDPC 401(a) Plan or the SDDPC 403(b); therefore, these assets are not reported within the City's basic financial statements.

Narratives presented in the following sections (e. through g.) are taken directly from the fiscal year 2014 annual financial reports of the corresponding entity (certain terms have been modified to conform to the City's CAFR presentation).

e. **Pension Plan - Civic San Diego (CSD)**

CSD sponsors and administers a Tax Deferred Annuity Plan (CSD Plan) under section 403(b) of the Internal Revenue Code of 1986 which is provided to all full-time regular employees. The CSD Plan operates under the direction of CSD's Board of Directors, who established the CSD Plan and can amend it. The CSD Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the CSD Plan by the employer and the employees, plus investment earnings. Contribution requirements of the CSD Plan are established and can be amended by the Board of Directors. All full time regular employees are eligible to participate on their first day of employment an amount equal to 7.5% of their semi-monthly CSD Plan compensation. Effective on the first payroll following three months of employment, CSD contributes an amount equal to 12% of the total semi-monthly CSD Plan compensation for all full-time regular employees.

CSD's contributions for each employee are fully vested at the time of contribution. CSD's total payroll (excluding benefits) for fiscal year 2014 was \$2,545. CSD's contributions were calculated based on the CSD Plan's compensation amounts for all eligible employees, which totaled \$2,534. CSD made its required contribution amounting to \$299 for fiscal year 2014.

The fiduciary responsibilities of CSD consist of making timely contributions and remitting deposits collected. The CSD Plan is not a component unit of CSD and is therefore not reported in the basic financial statements.

During the year ended June 30, 2013, there were two amendments made to the CSD Plan. CSD amended the employer contribution percentage for each eligible participant. Effective July 1, 2012, CSD's employer contribution percentage was changed from 16% to 12% of each eligible participant's compensation.

Finally, CSD defined that an eligible participant is a permanent and full-time employee that normally works at least 30 hours per week. An employee is considered to work at least 30 hours per week, if for the 12-month period beginning on the date the employee's employment commenced, CSD reasonably expects the employee to work at least 1,500 service hours and, for each CSD Plan year ending after the close of that 12-month period, the employee has worked at least 1,500 service hours.

f. **Pension Plan - San Diego Convention Center Corporation**

The SDCCC Money Purchase Pension Plan (SDCCC Plan) is a governmental plan under IRC section 414(d), which was established effective January 1, 1986, by SDCCC's Board of Directors. The SDCCC Plan is administered by SDCCC through a Defined Contribution Committee, represented by the SDCCC Board and staff, who act by a majority of its members in office to carry out the general administration of the plan. Any recommended plan amendments are subject to the approval and adoption by SDCCC's Board of Directors. As part of the SDCCC Plan, SDCCC through Board action selected Wells Fargo & Company as Trustee, to hold and administer plan assets subject to the terms of the SDCCC Plan. The SDCCC Plan is a qualified defined contribution plan and as such, benefits depend on amounts contributed to the plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers all employees who have completed at least 1,000 or more

hours in one year and are not covered through a union retirement plan. Employees are eligible to participate in the SDCCC Plan on the first day of the month after completion of 1,000 hours of service during the twelve-month period beginning from the employee's hire date (or during any subsequent plan year). For each plan year, SDCCC contributes 10% of compensation paid after becoming an eligible participant, which is transferred to the fund on behalf of each qualifying individual.

SDCCC's Plan year is defined as a calendar year. The balance in the SDCCC Plan 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 SDCCC Plan provisions. A trustee bank holds the SDCCC Plan assets.

For the year ended June 30, 2014, pension expense amounted to \$1,107 with no employee contributions made to the SDCCC Plan. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in gross income covered compensation.

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.

g. **Pension Plan - San Diego Housing Commission**

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (SDHC Plan). The SDHC Plan is a qualified pension plan under Section 401 of the IRC and is therefore exempt from all Federal income and California franchise taxes. The plan is an alternative to Social Security under the Omnibus Budget Reconciliation Act of 1991. The SDHC Plan includes both a pension provision and a voluntary tax sheltered annuity provision under §401(a) (1) and §401(a) (4) of the IRS code.

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 SDHC's current-period contribution requirement.

The SDHC Plan is administered by SDHC, with outside recordkeeping performed by Diversified. SDHC has the authority to establish and amend the provisions of the SDHC Plan, including the contribution requirements, with the approval of the Board of Commissioners. The SDHC Plan is audited by an outside firm and a copy of the report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

SDHC's covered payroll in fiscal year 2014 was \$16,399. SDHC made the required 14% contribution, amounting to \$2,296 and plan members contributed \$136 for the fiscal year ended June 30, 2014.

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.

12. OTHER POSTEMPLOYMENT BENEFITS (Dollars in Thousands)

a. Plan Description

The City provides postemployment healthcare benefits to qualifying general, safety and elected members, as provided for in SDMC Sections 24.1201 through 24.1204 and 29.0101 through 29.0103. The Other Postemployment Benefit Plan (OPEB Plan), which includes approximately 6,403 retirees and 6,566 active employees as of June 30, 2014, is comprised of defined benefit and defined contribution options. The defined benefit option includes 6,076 retirees and 1,511 active employees and the defined contribution plan includes 327 retirees and 5,055 active employees.

Effective April 1, 2012, pursuant to a memoranda of understanding between the City and employees collective bargaining units ("Healthcare MOU"), OPEB offerings were modified and a significant group of participants opted out of the defined benefit plan and into a defined contribution plan. Accordingly, those participants were removed from the defined benefit plan actuarially accrued liability valuation.

Plan selection is based on hire date, retire date and individual employee elections. The City's defined benefit portion of the OPEB Plan is closed to employees hired on or after July 1, 2005. Employees retiring after June 30, 2011 are entitled to an Annual Inflation (described below) with exception of members of the Police Officers Association (POA) and Local 127.

The City pre-funds future postemployment healthcare benefits for active members through the California Employers' Retiree Benefit Trust (CERBT), an investment trust administered by the California Public Employees' Retirement System (CalPERS) as an agent multiple-employer plan. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the CERBT, which can be found online at www.calpers.ca.gov. The OPEB Plan does not issue a separate annual financial report.

Defined Benefit Plan

The defined benefit portion of the OPEB Plan is primarily for health eligible retirees, not inclusive of dependents, who were actively employed on or after October 5, 1980, but before April 1, 2012, and were otherwise entitled to retirement allowances. Additionally, employees in the defined benefit plan must have 10 years of service with the City to receive 50% of the retiree health benefit and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Health eligible retirees can obtain health insurance coverage with the plan of their choice, including any City sponsored, union sponsored, or privately secured health plan. Health eligible retirees who are also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, ranging from approximately \$8,400¹ to \$9,700¹ per year depending on retirement date, in addition to reimbursement/payment for Medicare Part B premiums, ranging from \$1,200¹ to \$1,400¹ per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, ranging from approximately \$8,900¹ to \$10,300¹ per year depending on retirement date. Reimbursements for health eligible retirees are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services (Annual Inflation). Annual adjustments may not exceed 10% for any plan year. Non-health eligible employees who retired or terminated prior to October 6, 1980 and who are otherwise eligible for retirement allowances are also eligible for reimbursement/payment of healthcare benefits limited to a total of \$1,200¹ per year. Reimbursements for non-health eligible retirees are not subject to annual adjustments.

¹ Reported as whole number

Defined Contribution Plan

The City also provides two defined contribution OPEB Plan options to eligible employees. For employees hired prior to July 1, 2005 and who elected to participate in the plan, the City provides a lump sum benefit to members when they become service and age eligible for retirement benefits (Option C Plan). There is no member contribution to this plan.

For general members hired after July 1, 2009, the City established a trust vehicle for a defined contribution plan (Medical Trust Plan), which requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Contributions to these defined contribution plans are reported in an agency fund, as the City does not administer them and simply passes through contribution amounts to the plan administrators. Elected and safety members are ineligible for this plan.

b. Summary of Significant Accounting Policies

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

Method Used to Value Investments – CalPERS, which administers the CERBT, states investments at fair value. The diversity of the investment types in which CalPERS invests requires a wide range of techniques to determine fair value. CalPERS has established internal unitized investment pools whereby multiple funds, including the fund used to account for the CERBT, can participate in the unitized pools. These internal investment pools are valued at net asset value (NAV), which includes investment receivables, payables, interest, and dividend income. For financial reporting purposes, in accordance with GASB Statement No. 31, each fund participating in the unitized pool reports the fund's pro rata share of participation in the pool.

c. Contributions and Reserves

In accordance with SDMC Section 24.1204, postemployment healthcare benefits are to be paid directly by the City from any source available to it other than the Pension Plan. Member contributions to the OPEB Plan are dependent upon plan election. In addition, members are required to pay for the benefits of their beneficiaries (amounts vary based on coverage elections). The ARC for the OPEB Plan is calculated by the City's actuary on an annual basis.

Pursuant to the Healthcare MOU, the City's total retiree healthcare payment is not anticipated to be more than \$57,782 annually for fiscal years 2013-15. The City's payment will increase by up to 2.5% annually thereafter and the terms of the Healthcare MOU may not be renegotiated until fiscal year 2015 at the earliest. In addition, the City makes contributions to the Medical Trust Plan (for General members hired after July 1, 2009).

The Healthcare MOU payment is allocated to various components of the OPEB Plan based on the following priority order: (1) fund current year defined benefit plan pay-as-you-go postemployment healthcare benefits, including administrative costs; (2) fund contributions to the defined contribution Option C Plan for those employees who become service and age eligible for retirement benefits during the fiscal year; and (3) contribute the residual balance to the CERBT. To the extent the planned contribution of \$57,782 is insufficient to cover (1) and (2) above, funds are drawn from the CERBT to fund the difference.

In fiscal year 2014, the City made Healthcare MOU payments of \$57,782 related to the postemployment healthcare benefit plan as follows: (1) \$31,540 was contributed to the defined benefit plan, (2) \$603 was incurred for administration of the defined benefit plan; and (3) \$25,639 was contributed to the Option C Plan. In addition to the \$31,540 funded by the Healthcare MOU payments, the City also paid \$2,634 of pay-go defined benefit costs by drawing funds from the CERBT. The City also contributed \$137 to the defined contribution Medical Trust Plan.

All contributions to the CERBT become trust assets, which can only be used to pay for expenses of the defined benefit plan. As of June 30, 2014, the fair value of the City's assets invested in the CERBT was approximately \$128,238. This balance is net of all contributions to and distributions from the plan, as well as fiscal year 2014 annual investment earnings and administrative expenses amounting to approximately \$17,637 and \$169, respectively.

d. Funded Status and Funding Progress

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

| Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll ¹ (c) | UAAL as % of Covered Payroll ((b-a)/c) |
|----------------|-------------------------------|---------------------------------------|--------------------|--------------------|----------------------------------|----------------------------------------|
| 6/30/2014 | \$ 128,238 | \$ 607,712 | \$ 479,474 | 21.10% | \$ 98,742 | 485.58% |

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

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

The Schedule of Employer Contributions is intended to present trend information about the amounts contributed to the OPEB Plan by employers in comparison to the ARC determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed 23 year period commencing with fiscal year 2014.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the City and plan members through June 30, 2014. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the actuarial value of assets.

The table on the following page summarizes the more significant actuarial methods and assumptions used to calculate the ARC for the fiscal year 2014 (actuarial valuation as of June 30, 2013), as well as for the most current actuarial valuation (as of June 30, 2014):

| Description | Method/Assumption | |
|----------------------------------|--------------------------------------------------|--------------------------------------------------|
| | June 30, 2013 | June 30, 2014 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level Dollar | Level Dollar |
| Remaining Amortization Period | 23 years, closed | 23 years, closed |
| Actuarial Asset Valuation Method | Market Value | Market Value |
| Discount Rate | 6.81% | 6.81% |
| Inflation Rate | N/A ¹ | N/A ¹ |
| Projected Payroll Increases | N/A ¹ | N/A ¹ |
| Healthcare Cost Trend Rate | FY13 8.5% grading down 0.5% each year to 4.5% | FY14 8.0% grading down 0.5% each year to 4.5% |

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

Source: Buck Consultants

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

The following table presents the annual NOPEBO cost, the percentage of annual NOPEBO cost contributed during the fiscal year, and the NOPEBO at the end of fiscal year 2014, as well as for the two preceding fiscal years:

| Fiscal Year Ended | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|-------------------|------------------|------------------------|---------------------|
| 6/30/2012 | \$ 54,027 | 44.16% | \$ 247,467 |
| 6/30/2013 | 34,078 | 109.94% | 244,081 |
| 6/30/2014 | 34,773 | 98.48% | 244,610 |

The following table shows the calculation of the City's NOPEBO for the fiscal year ended June 30, 2014 (based on the valuation as of June 30, 2013):

| | |
|-----------------------------------------|------------|
| ARC [Fiscal Year 2014] | \$ 38,097 |
| Interest on NOPEBO | 16,621 |
| ARC Adjustment | (19,945) |
| Annual OPEB Cost | 34,773 |
| Contributions [Fiscal Year 2014] | (34,244) |
| Change in NOPEBO | 529 |
| NOPEBO Beginning of Year [July 1, 2013] | 244,081 |
| NOPEBO End of Year [June 30, 2014] | \$ 244,610 |

13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Dollars in Thousands)

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. The \$38,805 balance is mainly comprised of a \$29,670 loan from the General Fund to PFFA in order to fund expenditures related to the PFFA Lease Revenue Bonds Series 2012A and 2013A until eligible costs are reimbursed from the trustee held funds, and a \$9,100 loan from the General Fund to the Capital Grants Fund, in order to cover negative cash resulting from deferred inflows of resources (unavailable grant revenue).

| <u>Contributing Fund (Receivable)</u> | <u>Benefitting Fund (Payable)</u> | |
|---------------------------------------|-----------------------------------|--------|
| | <u>Nonmajor Governmental</u> | |
| General Fund | \$ | 38,805 |

Interfund Working Capital Advance (WCA) balances are the result of loans between funds (recorded as advances to/from other funds) that are expected to be repaid in excess of one year. The \$6,754 balance is comprised of a \$1,548 advance from the General Fund to Civic San Diego, mainly for administrative costs, and \$5,206 advanced from the Capital Outlay Fund to Civic San Diego for various construction projects.

| <u>Contributing Fund (Receivable)</u> | <u>Benefitting Fund (Payable)</u> | |
|---------------------------------------|-----------------------------------|-------|
| | <u>Nonmajor Governmental</u> | |
| General Fund | \$ | 1,548 |
| Nonmajor Governmental | | 5,206 |
| Total | \$ | 6,754 |

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT 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. During fiscal year 2014, there was a net transfer of capital assets of \$3,259 from the SDDPC Internal Service Fund to the governmental activities, mainly related to the dissolution of SDDPC and the transfer of their remaining assets to the City. Interfund transfer balances for the year ended June 30, 2014 are as follows:

| <u>Contributing Fund</u> | <u>Benefitting Fund</u> | | | | | | <u>Total</u> |
|--------------------------|-------------------------|------------------------------|----------------------|----------------------|----------------------------|-------------------------|--------------|
| | <u>General Fund</u> | <u>Nonmajor Governmental</u> | <u>Sewer Utility</u> | <u>Water Utility</u> | <u>Nonmajor Enterprise</u> | <u>Internal Service</u> | |
| General Fund | \$ - | \$ 37,804 | \$ 19 | \$ 3,608 | \$ 6 | \$ 5,501 | \$ 46,938 |
| Nonmajor Governmental | 27,798 | 98,455 | - | - | - | 58 | 126,311 |
| Sewer Utility | 6,924 | 31 | - | - | - | 2,077 | 9,032 |
| Water Utility | 7,083 | 11 | - | - | - | 356 | 7,450 |
| Nonmajor Enterprise | 1,983 | 566 | - | - | 535 | 24 | 3,108 |
| Internal Service | 11,119 | 275 | 77 | 44 | 32 | - | 11,547 |
| Total | \$ 54,907 | \$ 137,142 | \$ 96 | \$ 3,652 | \$ 573 | \$ 8,016 | \$ 204,386 |

14. RISK MANAGEMENT (Dollars in Thousands)

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

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

The City is self-insured for workers' compensation and long-term disability (LTD). Workers' compensation activity is reported within the General Fund. All operating departments of the City contribute an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenses in the contributing funds and operating revenues in the General Fund. The Long-Term Disability Fund is included in the Miscellaneous Internal Service Fund. Similarly, all operating departments of the City contribute an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenses in the contributing funds and operating revenues in the Miscellaneous Internal Service Fund.

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2014 were determined based on results of independent actuarial valuations and include amounts for claims incurred but not reported. Claims liabilities were calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Nonincremental claims adjustment expenses have been included in the actuarial calculations for public liability. Estimated liabilities for public liability claims have been recorded in the government-wide financial statements, Sewer Utility Fund, Water Utility Fund, and the Successor Agency Private Purpose Trust Fund. Estimated liabilities for workers' compensation claims have been recorded in the government-wide financial statements, the Water Utility Fund, Sewer Utility Fund, Nonmajor Enterprise Funds, and Internal Service Funds. Estimated long-term disability liabilities were recorded in the Internal Service Funds.

A reconciliation of total liability claims for the City's Public Liability, Workers' Compensation, and Long-Term Disability obligations, showing current and prior year activity is presented below:

| | Public Liability ¹ | Workers' Compensation & Long-Term Disability | Total |
|---------------------------------|-------------------------------|----------------------------------------------------|-------------------|
| Balance, July 1, 2012 | \$ 114,918 | \$ 174,480 | \$ 289,398 |
| Claims and Changes in Estimates | 134,683 | 73,325 | 208,008 |
| Claim Payments | <u>(24,186)</u> | <u>(26,535)</u> | <u>(50,721)</u> |
| Balance, June 30, 2013 | 225,415 | 221,270 | 446,685 |
| Claims and Changes in Estimates | 26,367 | 45,013 | 71,380 |
| Claim Payments | <u>(52,373)</u> | <u>(25,695)</u> | <u>(78,068)</u> |
| Balance, June 30, 2014 | <u>\$ 199,409</u> | <u>\$ 240,588</u> | <u>\$ 439,997</u> |

¹ Fiscal year 2013 amounts have been restated to include the Successor Agency Private-Purpose Trust Fund.

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

Earthquake coverage is provided for designated buildings/structures and certain designated City lease-financed locations in the amount of \$65,000, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 5% of total insured values per unit per occurrence, subject to a \$100 minimum. The City's earthquake coverage is purchased jointly and limits are 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 earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

The City is a public agency subject to liability for the dishonest and negligent acts or omissions of its officers and employees acting within the scope of their duty ("employee dishonesty" and "faithful performance"). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the CSAC-EIA pool. Coverage is provided in the amount of \$15,000 per occurrence, subject to a \$25 deductible.

During fiscal year 2014, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements which were covered by insurance have not exceeded such insurance coverage.

See Note 17 for additional information.

15. FUND BALANCE / NET POSITION DEFICITS (Dollars in Thousands)

The Capital Grants Capital Projects Fund has a fund balance deficit of \$9,997, which represents deferred inflows of resources related to grant revenue which did not meet the City's availability criteria.

The Development Services Enterprise Fund and Publishing Services Internal Service Fund have net position deficits of \$9,447 and \$272, respectively. These deficits are primarily due to the accumulation of unfunded expenses related to the NPO and NOPEBO long-term liabilities. Generally, the NPO and NOPEBO liabilities are reduced yearly as the City continues to fully pay its ARC for the Pension and OPEB Plan, which includes amortized payments of the unfunded actuarial accrued liability for both plans (see Notes 11 and 12). The cost recovery rates for these funds are developed to fully fund the ARC payment for Pension and Postemployment benefits. As the City continues to fully pay its ARC for the Pension and Postemployment defined benefit plans, the net position deficit of these funds will be corrected.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of \$504,753 which represents unfunded liabilities of the former RDA mainly related to long-term debt. Every six months, the Successor Agency submits funding requests to the County of San Diego, through Recognized Obligation Payment Schedules (ROPS). Funding is then allocated to the Successor Agency from the County's Redevelopment Property Tax Trust Fund (RPTTF) to satisfy obligations of the corresponding six month period. As obligations are funded every six months and liabilities are paid, the net position deficit will continue to decrease until being eliminated once all the obligations of the Successor Agency are fully satisfied.

16. COMMITMENTS (Dollars in Thousands)

The City has contractual and regulatory commitments that will result in expenses/expenditures in future years. These include operating and capital contractual commitments for which funds have been encumbered as of June 30, 2014 and are reflected in the table below. It is the City's policy to pay for operating encumbrances remaining at the end of the fiscal year from the following year's appropriations. Encumbrances related to capital projects are funded through current year appropriated budget, which carries over to the following fiscal year. Additional commitments resulting from regulatory matters are described following the table.

| | |
|-------------------------------|-------------------|
| General Fund | \$ 21,773 |
| Nonmajor Governmental Funds | 101,563 |
| Sewer Utility | 95,412 |
| Water Utility | 81,998 |
| Nonmajor Enterprise Funds | 9,322 |
| Total Contractual Commitments | <u>\$ 310,068</u> |

California Regional Water Quality Control Board Administrative Proceeding – Municipal Storm Water Permit

On May 8, 2013, the Regional Water Quality Control Board (RWQCB), the State agency charged with implementing the federal Clean Water Act, adopted the City's Municipal Storm Water Permit (Order No. R9-2013-0001), which incorporated Dissolved Metals and Bacteria Total Maximum Daily Loads (TMDLs) into the Municipal Storm Water Permit in order to limit pollution in the San Diego region watersheds. On July 14, 2014, the State Office of Administrative Law approved a TMDL for Sediment in Los Penasquitos Lagoon. The RWQCB is currently amending the Municipal Storm Water Permit to incorporate the Sediment TMDL requirements. A TMDL is a numeric limitation on the maximum amount of a pollutant that a natural body of water can legally receive while still meeting water quality standards under the federal Clean Water Act. By incorporating the TMDLs into the Municipal Storm Water Permit, the RWQCB made numeric measurements of pollutants a basis for enforcing violations of the Municipal Permit, and not solely on the basis of the City failing to control pollutants to the maximum extent practical. Additionally, the permit also requires that the City implement a schedule of operation and maintenance activities and verify proper operation of all municipal structures in order to minimize the possibility of erosion and sedimentation due to pipe and other system failures. The City Storm Water Division's estimated operating and capital costs to comply with the TMDLs and with flood risk management from fiscal years 2015 through 2019 will be approximately \$882,000. Compliance costs from fiscal years 2020 through 2031 are expected to be up to approximately \$3,022,000, of which an estimated \$1,994,000 are projected capital expenses and \$1,028,000 are operating expenses. These estimates could be higher or lower depending on numerous factors including but not limited to changes in regulatory standards, science and technology advancements. The City is currently negotiating with the RWQCB to update the Dissolved Metals TMDL which could result in a cost reduction of approximately \$980,000 in capital expenditures between Fiscal Year 2019 and 2031.

The City is developing a plan to fund the increased expenditures and implementing a capital program for compliance with the storm water permit requirements. Currently, the available funding sources are storm water fees, general City revenues and bond proceeds. The City Storm Water Division's estimated costs to comply with the TMDLs are significantly higher compared to current spending levels. Estimated expenses for fiscal year 2015 are approximately \$44,800. If no alternate funding sources are established, increased compliance costs will be paid by the General Fund. The City expects to continue to use proceeds from future bond issues to finance the storm water program and water quality capital projects.

If compliance activities are deferred to later fiscal years, the City would risk falling into non-compliance. The Storm Water Permit contains regulatory deadlines including (1) compliance with Areas of Special Biological Significance Structural Controls by March 2018; (2) wet weather Bacteria reduction by April 2018; (3) metal reduction in Chollas Creek by October, 2018; and (4) sediment reductions in the Los Penasquitos Lagoon Watershed and establishment of 84 acres of new salt marsh habitat in the Lagoon by July 2034. Most of these activities represent pollution prevention or control obligations with respect to current storm water operations and are not subject to accrual in the basic financial statements. The habitat restoration requirements identified in (4) above represent pollution remediation obligations subject to accrual, however the related costs cannot be reasonably estimated as of the issuance of this report. The City expects to have reasonable cost estimates in calendar year 2015 as the RWQCB amends the Municipal Storm Water Permit to incorporate Sediment TMDL requirements. Penalties may be assessed for non-compliance, which can amount to \$10 per day per violation from the State, and federal EPA penalties of \$16 per day per violation. Each storm drain outfall that flows to a receiving water body may be assessed as a separate violation. Additionally, should the City fall out of compliance, it could be exposed to litigation from third parties.

Consent Decree

In October 2007, the City settled litigation filed by the U.S. Environmental Protection Agency (EPA) and two environmental groups by agreeing to additional requirements to reduce sewer spills, which are set forth in a court approved Consent Decree (Consent Decree). A provision of the Consent Decree allows for the extension of any CIP schedule for up to one year upon written notification to the EPA. The City requested an extension through December 2013. The City has completed all terms of the Consent Decree as of December 2013 and is in process of preparing documents to submit to EPA for final certification by the end of calendar year 2014.

The City has a condition assessment program and will continue to replace and upgrade its wastewater collection system as dictated by the results of this program. It is anticipated that the City will continue to replace or rehabilitate at least 45 miles of pipeline per year at a cost of \$60,000 per year.

California Department of Public Health Compliance Order

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

For fiscal years 2015 through 2019, the City estimates Compliance Order project costs to total \$90,827. Water Utility expects to fund these commitments through a combination of existing net position, system revenues, and financing proceeds from future bond issuances or loans. Water Utility expects to substantially fulfill all terms of the Compliance Order by fiscal year 2018.

Additionally, the City plans to continue water main replacement of 28 miles in fiscal year 2015 at an estimated cost of \$50,000 to \$60,000. The City will continue to evaluate the water main replacement program for the remaining 70 to 80 miles of distribution cast iron mains and progress with a condition assessment program for the 2,100 miles of asbestos cement water pipeline to determine the appropriate replacement rate for the next 10 years.

17. CONTINGENCIES (Dollars in Thousands)**FEDERAL AND STATE GRANTS**

The City recognizes as revenue grant monies received as reimbursement for costs incurred related to certain Federal and State programs it administers. Although the City's federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2014 is in process.

Eligibility to Receive State Funding or Financial Assistance under Proposition A

On June 5, 2012, San Diego voters passed Proposition A, amending Municipal Code Section 22.4402 to prohibit the City from requiring a Project Labor Agreement (PLA) on City construction projects, except where required by state or federal law as a contracting or procurement obligation, or as a condition of the receipt of state or federal funds. A PLA is generally defined as a collective bargaining agreement between a contractor and a labor organization setting terms and conditions of employment for a given project. State Public Contract Code Section 2503 states that if a charter provision, initiative, or ordinance of a charter city prohibits, limits, or constrains in any way the governing board's authority or discretion to adopt, require, or utilize a project labor agreement that includes all the taxpayer protection provisions of Public Contract Code Section 2500 for some or all of the construction projects to be awarded by the city, then state funding or financial assistance shall not be used to support any construction projects awarded by the city. The City believes that the exception clause, allowing PLAs where required by state or federal law, meets the conditions for receipts of funds under State Law. On October 16, 2014, the State Water Resources Control Board, a State agency that provides funding to cities for water and wastewater projects, sent a letter to the City tentatively accepting the City's interpretation of Proposition A assuming the City Council concurs with the interpretation. On October 20, 2014, the City Council adopted a resolution confirming that under the exception in Proposition A, the City is not prohibited, limited, or constrained in any way from considering PLAs as a condition of state funding or financial assistance. It is reasonably possible that other State agencies could disagree with the City's position, but the City has not been notified by any other State agency that Proposition A is an obstacle to future state and federal funding or financial assistance to the City.

LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material matters, including claims asserted, which are incidental to performing routine governmental and other functions. This litigation includes, but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City received 1,439 notices of claims in fiscal year 2014.

As of June 30, 2014, the City estimates the amount of tort and non-tort liabilities to be \$199,409, which has been reported in the government-wide statement of net position, the proprietary funds financial statements, and the fiduciary funds financial statements. The liability was actuarially determined and was supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The liability recorded is the City's best estimate based on information available as of the issuance of this report. The City Attorney also estimates that in the event of an adverse ruling, certain pending lawsuits and claims have a reasonable possibility of resulting in an additional liability, in the aggregate, ranging from \$0 to \$337,554. However, the potential liabilities related to these claims are not individually accrued because it is not probable that a loss has been incurred as of June 30, 2014.

Additional information on litigation regarding the Pension Plan can be found in the introductory section of Note 11.

Adverse Fiscal Impacts to the City

Pursuant to ABX1 26, the former RDA dissolved as of February 1, 2012, at which time the City, as Successor Agency, received the former RDA's assets and assumed the responsibility for winding down the former RDA's operations. The City also chose to serve as the Housing Successor Entity and retain the former RDA's affordable housing assets and assume related responsibilities. The Successor Agency is an entity separate from the City and is reported as a private-purpose trust fund even though the City serves as the Successor Agency. The Housing Successor Entity is the City, not a separate legal entity, and is reported as a special revenue fund.

The dissolution of the former RDA has resulted in adverse fiscal impacts to the City, mainly from the general rule in ABX1 26 that purports to invalidate agreements between the City and the former RDA, subject to limited exceptions. The California Department of Finance (DOF) has relied upon this general rule to object to payments owed by the Successor Agency to the City under several agreements between the City and the former RDA. For instance, the DOF has invalidated two agreements that involve repayment obligations for federal funds derived from the United States Department of Housing and Urban Development (HUD). These agreements include a repayment agreement for Community Development Block Grant funds by which the Successor Agency owed a remaining principal and interest balance of approximately \$64,040 to the City in scheduled annual installments through FY 2019, as well as a loan agreement for Naval Training Center Section 108 loan funds by which the Successor Agency owed a remaining balance of approximately \$4,346 to the City in scheduled semi-annual installments through FY 2025. If the DOF or a court of law does not restore these loan obligations, it is possible that the City will be required to make the future scheduled installments for the benefit of HUD under the two invalidated agreements.

Additionally, there are interfund loans between the City and the former RDA with total principal and accrued interest balances, as of June 30, 2014, of approximately \$193,759. In consultation with legal counsel, management has taken the position that the obligations of the former RDA due to the City are valid enforceable obligations payable by the Successor Agency. The City's position on this issue is not a position of settled law, and there is considerable legal uncertainty regarding this issue. On October 28, 2014, the DOF disallowed the reinstatement of a modified version of the Long-Term Debt Agreement. At the conclusion of a statutory meet and confer process, the DOF will issue a final determination that could uphold, modify, or reverse its October 28 decision. It is reasonably possible that the DOF's final determination, and if applicable, a subsequent determination in a court of law, may resolve this issue unfavorably to the City. The City reports the balance of these interfund loan receivables in the fund level financial statements, net of allowances for uncollectible amounts. Allowances have been established in the funds to reflect the legal uncertainty regarding collectability of these loans (see Note 1(f) and Note 18(j) for additional information).

While the City is not currently projecting any new potential losses arising from the dissolution of the former RDA relative to the City's prior disclosures, the City could incur new potential losses depending on variables such as pending litigation, future litigation, future decisions and review/audit processes by the DOF and the State Controller, and future potential amendments to the redevelopment dissolution laws.

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In December 2008, the City received a second renewal of a modified permit for the Point Loma Wastewater Treatment Plant (Point Loma) and agreed to identify opportunities to maximize recycling wastewater for potable and non potable uses. In August 2010, the EPA issued another waiver and renewed the modified permit for 5 more years. If the City cannot operate under a modified permit, there could be significant future obligations to fund the secondary treatment requirements. If the City is required to upgrade to secondary treatment, the estimated cost could be approximately \$2,100,000, based on an estimate in 2014, not including financing costs.

The City has worked with stakeholder groups, including the Participating Agencies and the environmental community to develop strategies for the next permit application. As a result of this effort, a consensus has been reached on a recommended strategy. This strategy includes submitting a modified permit renewal application, implementing a potable water reuse program, and based on reduced wastewater discharge to the ocean, seeking approval from the EPA to consider Point Loma to be equivalent to a secondary treatment plant for purposes of compliance with the Federal Clean Water Act (CWA). Because present law does not recognize this form of secondary equivalency, an administrative solution or change to the CWA would be required. Approval of secondary equivalency would mean that Point Loma would be permitted like any other secondary treatment facility, no future modified permits or waivers would be required, and the remaining flow at Point Loma would not have to be converted to secondary treatment.

The City intends to submit the modified permit renewal application by the end of January 2015, six months in advance of the permit expiration in July 2015. The permit will be based on compliance with CWA requirements as modified by the Ocean Pollution Reduction Act, the proposed requirements for secondary equivalency, and a reduction in permitted emissions from the current permit level by December 31, 2015. Additionally, the City will commit to starting the design and environmental review of the first phase of the potable water program. The total capital cost of the potable water program is estimated to be between \$2,500,000 and \$3,000,000, not including financing costs. If the City does not obtain approval of secondary equivalency, it will need to reevaluate its overall compliance strategy, including funding and implementation of the potable water program. See Note 24 for additional information regarding the modified permit renewal application.

POLLUTION REMEDIATION OBLIGATIONS

California Regional Water Quality Control Board (RWQCB) Administrative Proceeding – San Diego Bay

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

A Remedial Action Plan for the cleanup project has been submitted by the Dischargers to the RWQCB. The cleanup project has an estimated cost of \$78,000 plus an additional \$6,000 to \$9,000 of costs related to site investigation, assessment and RWQCB oversight. Actual costs could be higher. The order includes post-remedial monitoring requirements, which, depending on monitoring results and trends, may lead to further cleanup orders. The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) litigation is pending for contribution levels among the Dischargers; however, the parties are continuing to address allocation of these costs in mediation while the litigation is pending. Many variables exist, which make accurate estimation of the City’s share of the total costs impossible at this time. A conservative, high estimate of the City’s exposure is 25% of cleanup and associated response costs; however, a lesser percentage is possible. The remediation costs are an estimate and are subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The City has tendered claims on insurance policies in regard to this order, which remain pending.

On October 8, 2013, the City Council passed a resolution authorizing, subject to a full reservation of rights in the litigation and the insurance claims, to cooperate with the cleanup by committing \$6,541 so that the remediation of the South Shipyard (National Steel and Shipbuilding Co.) sediments can commence according to the ordered schedule. On July 28, 2014, the City Council passed a second resolution authorizing, subject to a full reservation of rights in the litigation and insurance claims, to cooperate with the cleanup by committing an additional \$9,190 so that the remediation of the North Shipyard (BAE Systems, Inc.) sediments can continue according to the ordered schedule.

This action brings the Council authorized amount to date to \$15,731. The City's total share of the cost is expected to be approximately \$19,500. The City has tendered claims on insurance policies which, collectively, may cover approximately half of the City's cost. Notwithstanding, this estimate of coverage could be significantly higher or lower. As of June 30, 2014, the City has incurred expenditures totaling \$4,083 and has accrued an additional \$5,667 in the government-wide financial statements.

18. DEBT WITHOUT GOVERNMENT COMMITMENT (Dollars in Thousands)

The City and former RDA of the City have authorized the issuance of certain Mortgage Revenue Bonds, Parking Revenue Bonds, Tax Allocation Bonds, Pooled Financing Bonds, Special Assessment/Special Tax Bonds, and Loans. The City has no legal obligation to make payment on these bonds, loans or notes and has not pledged any City assets as a guarantee to the bondholders/lenders. These bonds and loans do not constitute indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans, certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. Accordingly, no liability has been recorded in the City's Government-Wide Statement of Net Position. Long-term liabilities of the former RDA are reported in the Successor Agency Private-Purpose Trust Fund.

The following describes the outstanding debt without government commitment:

a. Mortgage Revenue Bonds

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

As of June 30, 2014, the status of mortgage revenue bonds issued is as follows:

| | <u>Original Amount</u> | <u>Balance June 30, 2014</u> |
|------------------|------------------------|----------------------------------|
| Mortgage Revenue | <u>\$ 15,700</u> | <u>\$ 2,605</u> |

b. Special Assessment/Special Tax Bonds

The City has issued, on behalf of the Special Assessment Districts and the Community Facilities Districts, debt to finance infrastructure improvements and facilities necessary to facilitate development of the properties within the respective districts located in the City. The special assessment and special tax bonds are secured by special assessment and special tax liens, respectively, on the real property within the districts and are not direct liabilities of the City. The City has no fiscal obligation beyond the balances in designated District funds for any related bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as the agent in the collection and remittance of the special taxes and assessments for these Districts and initiates foreclosure proceedings as required under the bond covenants.

As of June 30, 2014, the status of each of the special assessment/special tax bonds issued is as follows:

| | Original Amount | Balance June 30, 2014 |
|----------------------------------------------------------------------------------------|--------------------|--------------------------|
| Reassessment District No. 1999-1, Issued February 1999 | \$ 38,145 | \$ 4,083 |
| Communities Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2000 B | 4,350 | 3,475 |
| Reassessment District No. 2003-1, Issued August 2003 | 8,850 | 3,125 |
| Communities Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2004 A | 9,965 | 6,840 |
| Communities Facilities District No.4 (Black Mountain Ranch Villages), Series 2008 A | 12,365 | 11,180 |
| Communities Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2011 A | 51,680 | 46,735 |
| Communities Facilities District No.1 (Miramar Ranch North), Series 2012 | 24,795 | 22,160 |
| Communities Facilities District No.3 (Liberty Station), Series 2013 | 15,770 | 15,495 |
| Assessment District No.4096 (Piper Ranch), Issued July 2013 | 3,830 | 3,830 |
| Total Special Assessment / Special Tax Bonds | <u>\$ 169,750</u> | <u>\$ 116,923</u> |

c. Refunding Revenue Bonds

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

As of June 30, 2014, the status of each of the refunding revenue bonds issued is as follows:

| | Original Amount | Balance June 30, 2014 |
|------------------------------------------------------------------------|--------------------|--------------------------|
| Reassessment District No. 1999-1, Series 1999 A Senior Lien Bonds | \$ 30,515 | \$ 2,695 |
| Reassessment District No. 1999-1, Series 1999 B Subordinate Lien Bonds | 7,630 | 660 |
| Total Refunding Revenue Bonds | <u>\$ 38,145</u> | <u>\$ 3,355</u> |

d. Parking Revenue and Tax Allocation Bonds

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

As of June 30, 2014, the status of each of the parking revenue and tax allocation bonds issued is as follows:

| | Original Amount | Balance June 30, 2014 |
|-------------------------------------------------------------------------------------|--------------------|--------------------------|
| Revenue Bonds: | | |
| Centre City Parking Revenue Bonds, Series 1999 A | \$ 12,105 | \$ 7,905 |
| Centre City Parking Revenue Bonds, Series 2003 B | 20,515 | 14,075 |
| Total Revenue Bonds | <u>32,620</u> | <u>21,980</u> |
| Tax Allocation Bonds: | | |
| Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A | 1,200 | 465 |
| Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A | 12,970 | 2,085 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 1999 A | 25,680 | 16,570 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 1999 C | 13,610 | 10,355 |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 A | 5,690 | 4,255 |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 B | 10,141 | 6,679 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A | 6,100 | 3,730 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B | 21,390 | 15,260 |
| Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000 | 15,025 | 9,610 |
| North Bay Redevelopment Project Tax Allocation Bonds, Series 2000 | 13,000 | 9,720 |
| North Park Redevelopment Project Tax Allocation Bonds, Series 2000 | 7,000 | 5,240 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A | 58,425 | 53,155 |
| Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A | 3,055 | 3,055 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A | 31,000 | 11,980 |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A | 4,955 | 4,955 |
| Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A | 6,325 | 6,325 |
| Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B | 4,530 | 3,615 |
| Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C | 8,000 | 4,705 |

| | Original Amount | Balance June 30, 2014 |
|------------------------------------------------------------------------------------|--------------------|--------------------------|
| North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A | \$ 7,145 | \$ 4,950 |
| North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B | 5,360 | 5,360 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A | 101,180 | 74,440 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C | 27,785 | 20,695 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D | 8,905 | 6,655 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A | 76,225 | 66,525 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B | 33,760 | 29,095 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A | 69,000 | 45,335 |
| North Park Redevelopment Project Tax Allocation Bonds, Series 2009 A | 13,930 | 13,930 |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 A | 5,635 | 5,635 |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 B | 9,590 | 9,590 |
| Crossroads Redevelopment Project Tax Allocation Bonds, Series 2010 A | 4,915 | 4,770 |
| Housing Set-Aside Tax Allocation Bonds, Series 2010 A | 58,565 | 57,840 |
| Naval Training Center Redevelopment Project Tax Allocation Bonds, Series 2010 A | 19,765 | 18,775 |
| San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 A | 2,900 | 2,900 |
| San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 B | 5,030 | 4,735 |
| Total Tax Allocation Bonds | <u>697,786</u> | <u>542,989</u> |
| Total Parking Revenue and Tax Allocation Bonds | <u>\$ 730,406</u> | <u>\$ 564,969</u> |
| Accreted Interest Payable on Tax Allocation Bonds: | | |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 B | | \$ 10,334 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A | | 13,420 |
| Total Accreted Interest Payable | | <u>\$ 23,754</u> |

e. Pooled Financing Bonds

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

| | Original Amount | Balance June 30, 2014 |
|--------------------------------------------------------------------------------|--------------------|--------------------------|
| Pooled Financing Bonds: | | |
| Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A | \$ 17,230 | \$ 14,240 |
| Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B | 17,755 | 15,185 |
| Total Pooled Financing Bonds | <u>\$ 34,985</u> | <u>\$ 29,425</u> |

f. Loans Payable

The former RDA issued loans for the purpose of financing redevelopment activities. The loans are secured by certain pledged revenues of the former RDA. Additional information on obligations due to the City is included in Note 17.

| | Original Amount | Balance June 30, 2014 |
|----------------------------------------------------------------------------|--------------------|--------------------------|
| Loans Payable: | | |
| California Housing Financing Agency (HELP) Loan dated October 2008 | \$ 1,250 | \$ 1,250 |
| City San Diego - Naval Training Center Section 108 Loan dated June 2004 | 5,910 | 4,346 |
| City San Diego - HUD Settlement Agreement dated various dates | 45,311 | 30,948 |
| City of San Diego - Miscellaneous dated various dates | 65,167 | 65,795 |
| Total Loans Payable | <u>\$ 117,638</u> | <u>\$ 102,339</u> |
| Accrued Interest Payable: | | |
| City San Diego - HUD Settlement Agreement | \$ 33,476 | \$ 33,092 |
| City of San Diego - Miscellaneous | - | 127,964 |
| Total Accrued Interest Payable | <u>\$ 33,476</u> | <u>\$ 161,056</u> |

g. Amortization Requirements

The annual requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2014, including interest payments to maturity, are as follows:

| Year Ending June 30 | Loans Payable | | Revenue Bonds | | | |
|---------------------------|---------------|------------|---------------|----------|--|--|
| | Principal | Interest | Principal | Interest | | |
| 2015 | \$ 6,445 | \$ 582 | \$ 1,255 | \$ 1,194 | | |
| 2016 | 8,516 | 1,146 | 1,320 | 1,127 | | |
| 2017 | 11,687 | 1,614 | 1,390 | 1,055 | | |
| 2018 | 788 | 14,488 | 1,465 | 976 | | |
| 2019 | 673 | 16,233 | 1,545 | 893 | | |
| 2020-2024 | 2,042 | 461 | 9,140 | 3,001 | | |
| 2025-2029 | 485 | 14 | 5,865 | 445 | | |
| Unscheduled ² | 71,703 | 128,393 | - | - | | |
| Total | \$ 102,339 | \$ 162,931 | \$ 21,980 | \$ 8,691 | | |

| Year Ending June 30 | Tax Allocation Bonds | | | Pooled Financing Bonds | |
|----------------------------------------------------|-------------------------|----------------------------------------|------------|------------------------|-----------|
| | Principal | Unaccrued Appreciation ¹ | Interest | Principal | Interest |
| 2015 | \$ 27,103 | \$ 2,459 | \$ 29,122 | \$ 950 | \$ 1,671 |
| 2016 | 28,502 | 2,440 | 27,724 | 1,000 | 1,621 |
| 2017 | 30,006 | 2,414 | 26,222 | 1,050 | 1,568 |
| 2018 | 31,572 | 2,376 | 24,648 | 1,105 | 1,511 |
| 2019 | 33,188 | 2,325 | 22,986 | 1,175 | 1,450 |
| 2020-2024 | 143,025 | 8,824 | 90,729 | 5,725 | 6,246 |
| 2025-2029 | 115,593 | 2,182 | 57,265 | 6,880 | 4,470 |
| 2030-2034 | 67,850 | - | 32,509 | 7,895 | 2,155 |
| 2035-2039 | 45,405 | - | 15,579 | 3,645 | 446 |
| 2040-2044 | 20,745 | - | 1,382 | - | - |
| Total | 542,989 | 23,020 | 328,166 | 29,425 | 21,138 |
| Add: Accrued Appreciation through June 30, 2014 | 23,754 | - | - | - | - |
| Total | \$ 566,743 | \$ 23,020 | \$ 328,166 | \$ 29,425 | \$ 21,138 |

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

² The loans payable to the City in the amount of \$70,453, loan payable to the California Housing Financing Agency in the amount of \$1,250 and accrued interest associated with loans payable of \$128,393 are payable when practicable under the original loan terms prior to dissolution of the former RDA, but could be disallowed under provisions of AB X1 26 (see Note 17).

h. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the private-purpose trust fund for the year ended June 30, 2014. The effects of bond accretion, bond premiums and discounts are reflected as adjustments to long-term liabilities.

| | Beginning Balance, as Restated ¹ | Additions | Reductions | Ending Balance |
|-----------------------------------------|---------------------------------------------------|-----------------|--------------------|-------------------|
| Arbitrage Liability | \$ 3 | \$ 1 | \$ - | \$ 4 |
| Liability Claims | 70,398 | - | (191) | 70,207 |
| Note Payable | 8,300 | - | (8,300) | - |
| Loans Payable | 105,324 | - | (2,985) | 102,339 |
| Revenue Bonds | 23,175 | - | (1,195) | 21,980 |
| Unamortized Bond Premiums and Discounts | (68) | - | 6 | (62) |
| Net Revenue Bonds | 23,107 | - | (1,189) | 21,918 |
| Tax Allocation Bonds | 569,238 | - | (26,249) | 542,989 |
| Interest Accretion | 21,993 | 2,455 | (694) | 23,754 |
| Balance with Accretion | 591,231 | 2,455 | (26,943) | 566,743 |
| Unamortized Bond Premiums and Discounts | 3,265 | - | (218) | 3,047 |
| Net Tax Allocation Bonds | 594,496 | 2,455 | (27,161) | 569,790 |
| Pooled Financing Bonds | 30,325 | - | (900) | 29,425 |
| Unamortized Bond Premiums and Discounts | 304 | - | (14) | 290 |
| Net Pooled Financing Bonds | 30,629 | - | (914) | 29,715 |
| Interest Accrued on City Loans and Note | 172,138 | 270 | (11,352) | 161,056 |
| Total | <u>\$ 1,004,395</u> | <u>\$ 2,726</u> | <u>\$ (52,092)</u> | <u>\$ 955,029</u> |

¹ Net Tax Allocation Bonds Beginning Balance has been restated due to GASB 65 implementation. Additional information on the restatements is included in Note 23.

i. Reinstatement of Naval Training Center Interfund Loan

On June 26, 2000, the City and the former RDA entered into a Cooperation Agreement for the Naval Training Center Redevelopment Project. Pursuant to the agreement, the City sold to the former RDA the majority of the Naval Training Center site, comprising approximately 259 acres, for the purchase price of \$8,300. The former RDA acquired the site by executing a loan agreement of \$8,300, payable to the City, which accrued interest at a rate of 8 percent per annum (NTC Loan Agreement). Pursuant to ABX1 26, the former RDA dissolved as of February 1, 2012. Under ABX1 26, agreements between the City and the former RDA were invalidated, including the NTC Loan Agreement.

California Health and Safety Code Section 34191.4(b) enabled the Successor Agency and the City to reinstate, subject to certain conditions and on modified terms, any loan agreement between the former RDA and the City. On August 6, 2014, the Successor Agency Oversight Board passed and adopted a resolution approving the reinstatement of a modified version of the NTC Loan Agreement. However, on September 19, 2014, the California Department of Finance (DOF) disallowed the reinstatement of the original loan stating that the loan was not valid because the June 2000 agreement conveyed the property to the former RDA but no money was actually borrowed.

In consultation with legal counsel, management has taken the position that the obligations of the former RDA due to the City are valid enforceable obligations payable by the Successor Agency. The City's position on this issue is not a position of settled law, and there is considerable legal uncertainty regarding this issue. In the case of the NTC loan, the DOF has made a final determination on the validity of the loan. As such, the City has written off the principal and accrued interest payable on the note and the related interfund note receivable related to the NTC Loan Agreement. The principal component of the note payable which was written off was \$8,300 and the accrued interest component was \$11,310. See Note 17 for additional information on interfund loans between the City and the former RDA.

j. Reinstatement of Modified Long-Term Debt Interfund Loan

On March 1, 2011 the City and the former RDA entered into a Long-Term Debt Agreement memorializing various forms of unpaid debt in the aggregate amount of \$193,759 that had been issued from the City to the former RDA since the late 1970's. On February 1, 2012, pursuant to Assembly Bill x1 26 ("AB 26"), the former RDA was dissolved and all City/Agency loans were purportedly nullified, subject to limited exceptions, pursuant to AB 26 and subsequent legislation. On December 27, 2012, as part of its review of the third Recognized Obligation Payment Schedule ("ROPS"), the California Department of Finance ("DOF") disallowed any payments on the third ROPS, or future ROPS, of certain City/Agency loans or cooperation agreements, including the Long-Term Debt Agreement.

California Health and Safety Code Section 34191.4(b) enabled the Successor Agency and the City to reinstate, subject to certain conditions and on modified terms, any loan agreement between the former RDA and the City. On September 10, 2014, the Successor Agency Oversight Board passed and adopted a resolution approving the reinstatement of a modified version of the Long-Term Debt Agreement. However, on October 28, 2014, the DOF disallowed the reinstatement of the original loan on modified terms, stating that the original loan was not valid because the DOF could not determine if there was an actual exchange of monies, or if any exchange of monies were legally required to be repaid.

In consultation with legal counsel, management has taken the position that the obligations of the former RDA due to the City are valid enforceable obligations payable by the Successor Agency. The City's position on this issue is not a position of settled law, and there is considerable legal uncertainty regarding this issue. In the case of the Long-Term Debt Agreement, the DOF has made a final determination on the validity of the loan. However, the City is currently seeking remedy of the 2011 agreement through the appellate court process and has additional recourse for the 2014 modified agreement through an anticipated ROPS 14-15B meet and confer process with the DOF. Therefore, the City continues to recognize this obligation of the Successor Agency on its financial statements. See Note 17 for additional information on interfund loans between the City and the former RDA.

19. CLOSURE AND POSTCLOSURE CARE COST (Dollars in Thousands)

State and federal laws and regulations require that the City place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition, federal and state regulations also require that the City set aside funds annually to fund closure and postclosure care costs and to demonstrate financial resources sufficient to meet certain corrective actions.

Postclosure Care Liability

The City currently expects to close the landfill in fiscal year 2022. Although closure and postclosure 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 postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$23,290 reported as landfill closure and postclosure care liability as of June 30, 2014 represents the cumulative amount reported to date based on the use of 85% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$4,150 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2014. The costs are estimates and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Funding Requirements

As of June 30, 2014, the City is working with the State to comply with the new capacity calculations and to determine the fiscal year 2014 annual contributions that are required by state and federal laws and regulations to finance closure and postclosure care costs. At the end of fiscal year 2014, cash or equity in pooled cash and investments of \$47,075 was currently held for this purpose. The net position related to this amount is reported as restricted in the statement of net position for the Environmental Services fund. The City expects that future inflation costs will be paid from interest earnings on the balance of these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

As of June 30, 2014, the City is working with the State to comply with the new capacity calculations and to determine the fiscal year 2014 annual contributions that are required by state and federal laws and regulations to demonstrate financial resources sufficient to conduct corrective action for all known or reasonably foreseeable releases from the Miramar Landfill site, meeting the cost estimate approved by the San Diego Regional Water Quality Control Board. At the end of fiscal year 2014, cash or equity in pooled cash and investments of \$1,563 was currently held for this purpose. This amount is reported as restricted assets in the statement of net position 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 postclosure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

20. OPERATING AGREEMENTS (Dollars in Thousands)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 Petco Park Ballpark Facility (Facility). The Padres own 30% and the City owns 70% of the Facility, which is shown as a capital asset on the City's statement of net position. The occupancy agreement expires on December 14, 2033 and includes the right of the Padres to exercise two five-year extensions. Upon expiration, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, subject to certain inflationary adjustments. In fiscal year 2014, the City paid approximately \$4,269 related to the operation and maintenance of the Facility.

21. FUND BALANCES (Dollars in Thousands)

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

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------|-------------------------|-----------------------------------------|-----------------------------------------|
| NONSPENDABLE | | | |
| Not in Spendable Form | \$ 1,248 | \$ 19 | \$ 1,267 |
| Legally/Contractually Required to be Maintained Intact | - | 24,307 | 24,307 |
| Total Nonspendable | <u>1,248</u> | <u>24,326</u> | <u>25,574</u> |
| RESTRICTED | | | |
| Low and Moderate Income Housing | - | 277,139 | 277,139 |
| Facilities Benefit Assessments | - | 185,398 | 185,398 |
| Public Facilities Financing Authority | - | 90,397 | 90,397 |
| Impact Fees | - | 88,574 | 88,574 |
| Emergency Reserve | 85,600 | - | 85,600 |
| Underground Surcharge | - | 68,139 | 68,139 |
| Capital Outlay | - | 40,878 | 40,878 |
| Traffic Congestion Relief (Prop 42) | - | 32,786 | 32,786 |
| TransNet | - | 22,675 | 22,675 |
| Maintenance Assessment Districts | - | 20,607 | 20,607 |
| Developer Contributions | - | 15,171 | 15,171 |
| Mission Bay Reserve | - | 12,633 | 12,633 |
| Tobacco Settlement Revenue Funding Corporation | - | 12,415 | 12,415 |
| Regional Parks | - | 10,268 | 10,268 |
| Tourism Marketing Districts | - | 24,420 | 24,420 |
| Grants ² | 4,258 | 68,206 | 72,464 |
| Fiesta Island Sludge Mitigation | - | 7,042 | 7,042 |
| Special Gas Tax Street Improvement | 6,701 | - | 6,701 |
| Library Donations | - | 6,307 | 6,307 |
| Section 108 | - | 5,596 | 5,596 |
| Environmental Growth | 4,204 | - | 4,204 |
| Animal Shelter Campaign | - | 1,770 | 1,770 |
| Storm Drain | 1,547 | - | 1,547 |
| Prop C Implementation | - | 1,056 | 1,056 |
| Other ¹ | 2,575 | 20,398 | 22,973 |
| Total Restricted | <u>104,885</u> | <u>1,011,875</u> | <u>1,116,760</u> |

¹ The amounts reported in the Restricted and Committed categories as "Other" are composed of a variety of small restrictions/commitments, none of which are significant enough to be identified separately in this schedule.

² Restricted Fund Balance for Grants of \$64,040 and Committed Fund Balance for Capital Outlay of \$31,360 represent long-term receivables due from the Successor Agency. These amounts are not available to satisfy liabilities of the current period.

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------|--------------------------------|--------------------------------|
| COMMITTED | | | |
| Workers' Compensation | \$ 47,196 | \$ - | \$ 47,196 |
| Public Liability | 39,590 | - | 39,590 |
| Capital Outlay ² | - | 62,800 | 62,800 |
| Parking Meter Districts | 26,724 | - | 26,724 |
| Transient Occupancy Tax | - | 17,228 | 17,228 |
| De Anza Operating/Settlement | 11,140 | - | 11,140 |
| Sea World Traffic Mitigation | - | 9,471 | 9,471 |
| Parks and Recreation Districts | - | 6,207 | 6,207 |
| SAP Support | 4,185 | - | 4,185 |
| Qualcomm Stadium Operations | - | 4,124 | 4,124 |
| Tobacco Settlement Revenue | - | 3,790 | 3,790 |
| Civil Penalty Enforcement | - | 3,771 | 3,771 |
| Foreign Trade Zone Expansion | - | 3,674 | 3,674 |
| City TV | - | 3,485 | 3,485 |
| Library Improvement | 4,242 | - | 4,242 |
| Police Decentralization | 3,219 | - | 3,219 |
| Information Technology | 2,687 | - | 2,687 |
| Miscellaneous Public Safety Funds | - | 2,122 | 2,122 |
| Seized Assets | - | 1,870 | 1,870 |
| Wireless Communications Technology | 1,569 | - | 1,569 |
| Cemetery Pre-Need Trust | - | 1,524 | 1,524 |
| Automated Refuse Containers | - | 1,378 | 1,378 |
| Civic San Diego | - | 1,244 | 1,244 |
| Imperial Marketplace | 1,130 | - | 1,130 |
| Emergency Medical Services | 1,003 | - | 1,003 |
| Other ¹ | 4,368 | 17,580 | 21,948 |
| Total Committed | <u>147,053</u> | <u>140,268</u> | <u>287,321</u> |
| ASSIGNED | | | |
| Encumbrances | <u>5,575</u> | <u>-</u> | <u>5,575</u> |
| UNASSIGNED | | | |
| | <u>91,353</u> | <u>(15,156)</u> | <u>76,197</u> |
| GRAND TOTAL | <u><u>\$ 350,114</u></u> | <u><u>\$ 1,161,313</u></u> | <u><u>\$ 1,511,427</u></u> |

22. EXTRAORDINARY GAIN (LOSS) (Dollars in Thousands)

The redevelopment dissolution laws require an independent accounting firm to complete a two-part due diligence review (DDR) of the housing assets and the non-housing assets of the Successor Agency to determine the amount of uncommitted cash or cash equivalents available for transfer by the Successor Agency to the County Auditor. The State issued a final determination letter on the housing DDR in late March 2013 and on the non-housing DDR in late October 2013, concluding that the Successor Agency must pay to the County Auditor approximately \$13,300 in housing cash and approximately \$167,250 in non-housing cash (including accrued interest). The \$13,300 housing obligation was paid in fiscal year 2013 from the Successor Agency Private-Purpose Trust Fund.

The Successor Agency paid the full demanded amount under the non-housing DDR in November 2013, under protest and with a full reservation of rights. In order to allow the Successor Agency to make the full payment, the City loaned approximately \$21,067 from the General Fund to the Successor Agency in November 2013. The loan corresponded to certain prior interagency payments that were reversed through the non-housing DDR. The loan repayment was contingent upon the Oversight Board and the Department of Finance approval of the Successor Agency's repayment of the loan amount as an enforceable obligation. Because the Oversight Board did not approve the Successor Agency's repayment as an enforceable obligation, the loan was written-off, resulting in an extraordinary loss to the General Fund of \$21,067 and a corresponding extraordinary gain in the Successor Agency Private-Purpose Trust Fund of the same amount. Because a loss of \$6,239 had been accrued in the government-wide statement of activities as a contingent liability in fiscal year 2013, the extraordinary loss in the government-wide statement of activities in fiscal year 2014 is \$14,828.

Pursuant to Assembly Bill (AB) 1484, the DOF retroactively invalidated a \$3,000 loan from the former RDA and determined the loan agreement between SDCCC and the Successor Agency to be a non-enforceable obligation per the redevelopment dissolution laws. As a result of the elimination of the debt, SDCCC recognized an extraordinary gain of \$3,000 in fiscal year 2014. The Successor Agency Private-Purpose Trust Fund recognized a corresponding extraordinary loss of the same amount.

California Health and Safety Code Section 34191.4(b) enabled the Successor Agency and the City to reinstate, subject to certain conditions and on modified terms, any loan agreement between the former RDA and the City. On August 6, 2014, the Successor Agency Oversight Board passed and adopted a resolution approving the reinstatement of a modified version of the NTC Loan Agreement. However, on September 19, 2014, the California Department of Finance (DOF) disallowed the reinstatement of the original loan, stating that the loan was not valid because the June 2000 agreement conveyed the property to the former RDA but no money was actually borrowed. Since the DOF has made a final determination on the validity of the loan and there is no current litigation challenging such determination, the City has written off the principal and accrued interest payable on the note and the related note receivable related to the NTC Loan Agreement. The principal component of the note payable written off was \$8,300 and the accrued interest component was \$11,310, resulting in an extraordinary gain to the Successor Agency Private-Purpose Trust Fund of \$19,610. The loan payable was owed to the Capital Outlay Fund. Due to the legal uncertainty surrounding this loan, the City recorded an extraordinary loss in fiscal year 2013 and established an allowance for uncollectable notes receivable, bringing the value of the receivable in the Capital Outlay Fund to \$0.

23. RESTATEMENTS OF FUND BALANCE / NET POSITION (Dollars in Thousands)Implementation of GASB Statements No. 65 and 67

The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation of this statement resulted in reclassification of assets and liabilities as deferred outflows of resources and deferred inflows of resources and recognition of outflows of resources or inflows of resources for certain items that had previously been reported as assets and liabilities, such as bond issuance costs. Accounting changes adopted to conform to the provisions of this Statement were applied retroactively by restating the City's beginning net position for its governmental and business-type activities, and the Private-Purpose Trust Fiduciary Fund. The restatements resulted from expensing cost of issuance, which was previously reported as deferred charges, excluding prepaid bond insurance.

As a result of the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*, the Deferred Retirement Option Program (DROP) benefit, reported in prior years as a liability, has been reclassified as a component of Net Position to conform to the provisions of GASB Statement No. 67. The restatement resulted in an increase to the Pension fund Net Position of \$490,931.

Reclassification of the Self Insurance Internal Service Fund to the General Fund

In the current fiscal year, the balances and activity related to workers' compensation and public liability claims have been reported as part of the General Fund. In previous years, these balances and activities were reported as an internal service fund. The Self Insurance Fund had reported a deficit net position for the past several years since the full amount of the workers' compensation liability was recorded in the Self Insurance Fund. The cost recovery rates charged to other funds were established to fund only the pay-go costs and to establish a reserve balance equal to a percentage of workers' compensation claims, as required by the City's reserve policy. Similarly, cost recovery rates for public liability claims were also established to fund pay-go costs and to establish a reserve balance.

The reclassification of balances related to workers' compensation resulted in restatements to the net position beginning balances for governmental activities of \$25,655 and a corresponding decrease of the same amount for business-type activities. The increase in business-type activities was due to the allocation of a proportionate share of the workers' compensation long-term liability to proprietary funds. Because governmental funds do not report long-term liabilities, the General Fund's beginning fund balance increased by \$39,692 as current assets, mostly cash associated with the workers' compensation reserve, were transferred to the General Fund without a corresponding transfer of related long-term liabilities. The Internal Service funds' beginning net position increased by approximately \$160,658 since the workers' compensation component of the Self Insurance Fund had a deficit net position at June 30, 2013.

The effect of the public liability claims reclassification on the General Fund's beginning fund balance was an increase of \$57,123. As in the case of the workers' compensation reclassification, this was due to the fact that current assets, mostly cash associated with the public liability reserve, are being reported in the General Fund but the related long-term liabilities are not. Internal Service funds' beginning net position decreased by approximately \$24,276 since this component of the Self Insurance Fund had a positive net position at June 30, 2013.

Special Revenue Funds consolidated with the General Fund

In the current fiscal year, the balances and activity of certain funds, previously reported as special revenue funds, were consolidated with the General Fund. These funds were no longer meeting the definition of special revenue funds due to the fact that the majority of their revenue collected was transferred out each year, in order to fund expenditures incurred by the General Fund. This consolidation resulted in an increase in beginning fund balance of \$17,864 for the General Fund and a corresponding decrease of the same amount for Nonmajor Governmental Funds.

Discretely Presented Component Units of the San Diego Housing Commission (SDHC):

SDHC had one discretely presented component unit as of June 30, 2013, with net position of \$1,956. In fiscal year 2013, the City determined that the assets, liabilities, and current year activity of SDHC's discretely presented component units did not represent a material component of the City's basic financial statements and therefore, did not include them in the City's basic financial statements for fiscal year 2013. As of June 30, 2014, SDHC reported nine discretely presented component units in their stand alone financial statements. The City included in its June 30, 2014 basic financial statements the balances and activity of the nine discretely presented component units as part of SDHC's Statement of Net Position and Statement of Activities. This resulted in a restatement of net position totaling \$1,956.

Correction of Accrued Neighborhood Services Expenses/Expenditures

In fiscal year 2013, the City incorrectly accrued neighborhood services expenses/expenditures related to the downtown parking meter district. The resulting adjustment was an increase in Net Position for governmental activities of \$9,607 and an increase to the General Fund Beginning Fund Balance of the same amount.

The tables below summarize the net position and fund balance beginning balance restatements:

| | <u>Governmental Funds</u> | | | |
|-----------------------------------------------------------------------------------------|--------------------------------|---------------------------------|---------------------|------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>General Fund</u> | <u>Nonmajor Governmental</u> |
| Net Position and Fund Balances as of June 30, 2013, as Previously Reported | \$ 4,628,301 | \$ 4,113,010 | \$ 222,498 | \$ 1,047,633 |
| 1 GASB Statement No. 65 Adjustment for bond issuance costs, excluding prepaid insurance | (5,637) | (10,528) | - | - |
| 2 Reclassification of Workers' Compensation Balances | 25,655 | (25,655) | 39,692 | - |
| 3 Reclassification of Public Liability Balances | - | - | 57,123 | - |
| 4 Consolidation of Certain Special Revenue Funds with the General Fund | - | - | 17,864 | (17,864) |
| 5 Correction of accrued neighborhood services expense/expenditure | 9,607 | - | 9,607 | - |
| Net Position and Fund Balances as of June 30, 2013, as Restated | <u>\$ 4,657,926</u> | <u>\$ 4,076,827</u> | <u>\$ 346,784</u> | <u>\$ 1,029,769</u> |

| | <u>Proprietary Funds</u> | | | |
|-----------------------------------------------------------------------------------------|--------------------------|----------------------|-------------------------|-------------------------|
| | <u>Sewer Utility</u> | <u>Water Utility</u> | <u>Other Enterprise</u> | <u>Internal Service</u> |
| Net Position as of June 30, 2013, as Previously Reported | \$ 2,290,918 | \$ 1,652,310 | \$ 176,312 | \$ 32,211 |
| 1 GASB Statement No. 65 Adjustment for bond issuance costs, excluding prepaid insurance | (5,564) | (4,964) | - | - |
| 2 Reclassification of Workers' Compensation Balances | (9,931) | (8,929) | (6,795) | 160,658 |
| 3 Reclassification of Public Liability Balances | - | - | - | (24,276) |
| Net Position and Fund Balances as of June 30, 2013, as Restated | <u>\$ 2,275,423</u> | <u>\$ 1,638,417</u> | <u>\$ 169,517</u> | <u>\$ 168,593</u> |

| | <u>Fiduciary Funds</u> | | <u>Component Unit</u> |
|-----------------------------------------------------------------------------------------|------------------------|------------------------------|-----------------------|
| | <u>Pension</u> | <u>Private-Purpose Trust</u> | <u>SDHC</u> |
| Net Position as of June 30, 2013, as Previously Reported | \$ 6,204,043 | \$ (537,744) | \$ 444,054 |
| 1 GASB Statement No. 65 Adjustment for bond issuance costs, excluding prepaid insurance | - | (4,384) | - |
| 2 GASB Statement No. 67 Adjustment to reclassify DROP liability as Net Position | 490,931 | - | - |
| 3 Addition of SDHC Discretely Presented Component Units | - | - | 1,956 |
| Net Position as of June 30, 2013, as Restated | <u>\$ 6,694,974</u> | <u>\$ (542,128)</u> | <u>\$ 446,010</u> |

24. SUBSEQUENT EVENTS (Dollars in Thousands)

The following information describes certain events that occurred after the end of the fiscal year.

San Diego Convention Center Expansion

For the past several years, the City has been seeking to expand the San Diego Convention Center. In 2012, the City Council approved the formation of the Convention Center Facilities District (CCFD) as a mechanism to finance the expansion. The CCFD is a special tax district that would levy a tax on all hotel properties within the City. The special tax proceeds would be used to support bonds, the proceeds of which would be used to fund the construction of the expansion in conjunction with lease revenue bonds supported by the General Fund. In August 2014, the Court of Appeals invalidated the formation of the CCFD as violating the California Constitution and the City Charter. The CCFD never levied any special tax and there is no financial impact resulting from the invalidation. As part of the expansion plan, SDCCC purchased the right to build the expansion on a leasehold interest owned by Fifth Avenue Landing, LLC (FAL). This purchase was secured by a \$12,500 non-recourse promissory note given to FAL by SDCCC. Unless SDCCC renegotiates the note, without the Convention Center expansion financing, it is expected that SDCCC will default on the note when it comes due on May 6, 2015. If SDCCC defaults on the note, the leasehold will revert back to FAL and SDCCC will have no further obligation to FAL. At this time, the City has no approved plan to move forward with the Convention Center expansion.

Loan Agreements

On August 4, 2014, the City received an additional \$1,079 disbursement from a \$29,961 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the Point Loma Grit Processing Improvement Project. The interest rate on the loan is 2.70% and the repayment period for the loan is 20 years, beginning one year after the completion of construction on the project.

On September 30, 2014, the City received \$3,112 disbursement from a \$11,571 State Revolving Fund Loan agreement with the California Department of Public Health for the Harbor Drive Project. The interest rate on the loan is 2.093% and the repayment period for the loan is 20 years, beginning one year after completion of the construction project.

In February, 2014, the City Council authorized the issuance of PFFA lease revenue bonds in an amount of approximately \$120,000 for various General Fund capital improvements. The issuance of these bonds was delayed due to litigation challenging the bond financing structure. On November 3, 2014, the Superior Court ruled in favor of the bond issuance. The City expects to issue the PFFA lease revenue bonds in calendar year 2015.

Changes in Other Postemployment Benefit Actuarial Assumptions

The City pre-funds future defined benefit postemployment healthcare benefits for active members through the California Employers' Retiree Benefit Trust (CERBT), administered by CalPERS. On September 17, 2014, the CalPERS Board of Administration approved a change to the expected long-term rate of return for the investment strategy selected by the City under the CERBT, from 6.81% to 6.73%, beginning with the June 30, 2015 valuation. The OPEB actuarial valuation assumes a discount rate based on the expected long-term rate of return of the investment strategy selected by the City under the CERBT. If all other assumptions remain constant, a decrease in the assumed discount rate on investments increased the City's OPEB Actuarial Accrued Liability. The City funds its OPEB Plan pursuant to a 15 year Postemployment Health Benefit Memorandum of Understanding. The City's total retiree

healthcare payment is not required to exceed \$57,782 annually for fiscal years 2013-15, with an annual escalator of 2.5% thereafter, which is allocated to the various components of the OPEB plan, including the defined benefit plan's ARC.

Reinstatement of Redevelopment Interfund Loans

On September 19, 2014, the California Department of Finance (DOF) disallowed the reinstatement of the Naval Training Center loan between the City and the former RDA, stating that the loan was not valid because the June 2000 agreement conveyed the property to the former RDA but no money was actually borrowed (see Note 18(i)).

On October 28, 2014, the DOF also disallowed the reinstatement of a Long-Term Debt Agreement memorializing various forms of unpaid debt in the aggregate amount of \$193,759 that had been issued from the City to the former RDA since the late 1970's. The DOF stated that the loan was not valid because the department could not determine if there was an actual exchange of monies, or if any exchange of monies were legally required to be repaid (see Note 18(j)).

San Vicente Dam and Reservoir

On September 25, 2014, the City assumed the maintenance and operation responsibilities of the San Vicente Dam and Reservoir. The San Diego County Water Authority raised San Vicente Dam by 117 feet, which more than doubled the reservoir's capacity. The cost of the expansion was approximately \$280,770. Upon completion, the City assumed ownership and will share maintenance and operating costs of the expanded dam and reservoir. Fiscal year 2015 operating costs of \$840 are budgeted in the Water Utility Fund. The book value of the asset at the time of conveyance, including the expansion, was \$281,450.

Dissolution of the City of San Diego/Metropolitan Transit Development Board Authority (City/MTDB Authority)

On October 2, 2014, a Council resolution was passed authorizing and directing the City Comptroller to take appropriate measures to terminate the City of San Diego/Metropolitan Transit Development Board Authority (City/MTDB Authority). All related funds and accounts have been closed and the filing of dissolution with the Secretary of the State to fully dissolve the entity was completed on October 31, 2014.

Litigation - De Anza Cove Homeowners Association, Inc. et al. v. City of San Diego et al.

A class action suit for relocation benefits was filed by residents of the De Anza Cove Mobilehome Park, which sits on City-owned property. The suit was filed against the City on November 18, 2003, alleging the City was required to prepare a tenant impact report and pay relocation benefits to the residents prior to park closure pursuant to the Mobilehome Residency Law ("MRL") and Government Code. This case has now settled. On October 24, 2014, the plaintiffs accepted the City's offer to accept the terms of the Amended Judgment, which require the City to pay \$32,042. This amount has been accrued in the government-wide financial statements.

Council District 6 Election

On November 4, 2014, the City held a General Election for Council District No. 6 between candidates Chris Cate and Carol Kim. Preliminary results report candidate Chris Cate receiving a majority of the votes cast and is expected to be sworn into office on December 10, 2014.

Issuer Rating Upgrade

On November 12, 2014, Moody's Investors Service upgraded the City's issuer rating to Aa2 from Aa3 and upgraded the City's outstanding Lease Revenue Bonds to A1 from A2. Moody's outlook on the ratings is stable.

Modified Permit Renewal Application for the Point Loma Wastewater Treatment Plant

On November 18, 2014, the City Council passed a resolution approving the application to renew the National Pollutant Discharge Elimination System (NPDES) permit for the Point Loma Wastewater Treatment Plant. As part of the application, the City will commit to starting the design and environmental review of the first phase of the potable water program, referred to as Pure Water San Diego. The total capital cost of the potable water program is estimated to be between \$2,500,000 and \$3,000,000, not including financing costs.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

PENSION AND OPEB TRUST FUNDS

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2014

PENSION TRUST FUND

Schedule of Funding Progress

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | UAAL (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------|-------------------------------|---------------------------------|--------------|--------------------|---------------------|-----------------------------------------------------|
| 6/30/2011 | \$ 4,739,399 | \$ 6,917,175 | \$ 2,177,776 | 68.52% | \$ 514,265 | 423.47% |
| 6/30/2012 | 4,982,442 | 7,261,731 | 2,279,289 | 68.61% | 511,091 | 445.97% |
| 6/30/2013 | 5,317,778 | 7,555,527 | 2,237,749 | 70.38% | 499,463 | 448.03% |

Source: Cheiron, Inc.

OPEB TRUST FUND

Schedule of Funding Progress

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | UAAL (b - a) | Funded Ratio (a/b) | Covered Payroll ¹ (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------|-------------------------------|---------------------------------|--------------|--------------------|----------------------------------|-----------------------------------------------------|
| 6/30/2012 | \$ 104,304 | \$ 553,432 | \$ 449,128 | 18.85% | \$ 124,675 | 360.24% |
| 6/30/2013 | 113,404 | 557,551 | 444,147 | 20.34% | 112,782 | 393.81% |
| 6/30/2014 | 128,238 | 607,712 | 479,474 | 21.10% | 98,742 | 485.58% |

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

Schedule of Employer Contributions

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

| Fiscal Year | Annual Required Contribution | Actual Contribution | Percentage Contributed |
|-------------|------------------------------|---------------------|------------------------|
| 6/30/2012 | \$ 49,061 | \$ 23,857 | 48.63% |
| 6/30/2013 | 35,348 | 37,464 | 105.99% |
| 6/30/2014 | 38,097 | 34,244 | 89.89% |

Source: Buck Consultants

This Page Intentionally Left Blank

GENERAL FUND

GENERAL FUND

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

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

Current expenditures are classified by the following functions: General Government and Support; Public Safety -Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; Capital Outlay; and Debt Service Principal and Interest. This fund is appropriated annually.

Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. The City administers certain of these funds as separate budgetary entities. The budgeted funds are listed below.

- Concourse and Parking Garages Operating Fund
- Environmental Growth One Third Fund
- Environmental Growth Two Thirds Fund
- Fire and Lifeguard Facilities Fund
- Fire Emergency Medical Services Transport Program Fund
- Gas Tax Fund
- Geographic Information System (GIS) Fund
- Information Technology Fund
- OneSD Support Fund
- Police Decentralization Fund
- Public Safety Needs and Debt Service Fund
- Storm Drain Fund
- Wireless Communications Technology Fund

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | General Fund ¹ | | | Variance with Final Budget Positive (Negative) |
|-------------------------------------------------------------------|---------------------------|-------------------|-------------------|---------------------------------------------------------|
| | Original Budget | Final Budget | Actual Amounts | |
| REVENUES | | | | |
| Property Taxes..... | \$ 408,003 | \$ 443,930 | \$ 460,592 | \$ 16,662 |
| Sales Taxes..... | 248,139 | 248,139 | 245,932 | (2,207) |
| Transient Occupancy Taxes..... | 87,858 | 87,858 | 89,673 | 1,815 |
| Other Local Taxes..... | 75,457 | 75,458 | 80,262 | 4,804 |
| Licenses and Permits..... | 31,827 | 31,837 | 34,952 | 3,115 |
| Fines, Forfeitures and Penalties..... | 29,350 | 29,350 | 30,327 | 977 |
| Revenue from Use of Money and Property..... | 47,255 | 47,254 | 48,952 | 1,698 |
| Revenue from Federal Agencies..... | 2,975 | 2,975 | 302 | (2,673) |
| Revenue from Other Agencies..... | 5,873 | 5,873 | 8,120 | 2,247 |
| Revenue from Private Sources..... | 2,069 | 2,069 | 2,645 | 576 |
| Charges for Current Services..... | 176,657 | 176,658 | 164,739 | (11,919) |
| Other Revenue..... | 2,753 | 2,753 | 5,170 | 2,417 |
| TOTAL REVENUES..... | 1,118,216 | 1,154,154 | 1,171,666 | 17,512 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government and Support..... | 226,386 | 261,221 | 248,164 | 13,057 |
| Public Safety - Police..... | 404,846 | 417,333 | 416,956 | 377 |
| Public Safety - Fire and Life Safety and Homeland Security..... | 215,958 | 219,548 | 218,906 | 642 |
| Parks, Recreation, Culture and Leisure..... | 131,293 | 133,094 | 132,968 | 126 |
| Transportation..... | 65,273 | 62,830 | 62,166 | 664 |
| Sanitation and Health..... | 69,878 | 69,445 | 68,110 | 1,335 |
| Neighborhood Services..... | 25,199 | 25,604 | 23,832 | 1,772 |
| Capital Outlay..... | - | 3,056 | 3,022 | 34 |
| Principal Retirement..... | 3,564 | 2,980 | 2,784 | 196 |
| Interest..... | 3,858 | 3,859 | 1,193 | 2,666 |
| TOTAL EXPENDITURES..... | 1,146,255 | 1,198,970 | 1,178,101 | 20,869 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | | | | |
| | (28,039) | (44,816) | (6,435) | 38,381 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Proprietary Funds..... | - | 10,100 | 10,100 | - |
| Transfers from Other Funds..... | 87,464 | 83,243 | 94,619 | 11,376 |
| Transfers to Proprietary Funds..... | (5,409) | (5,409) | (5,409) | - |
| Transfers to Other Funds..... | (76,457) | (67,883) | (67,881) | 2 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 5,598 | 20,051 | 31,429 | 11,378 |
| NET CHANGE IN FUND BALANCES..... | (22,441) | (24,765) | 24,994 | 49,759 |
| Fund Balances - Beginning..... | 179,540 | 179,540 | 179,540 | - |
| FUND BALANCES - ENDING..... | \$ 157,099 | \$ 154,775 | \$ 204,534 | \$ 49,759 |

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

| Concourse and Parking Garages Operating Fund ² | | | | Environmental Growth One Third Fund ² | | | |
|-----------------------------------------------------------|----------------|----------------|------------------------------------------------|--------------------------------------------------|----------------|-----------------|------------------------------------------------|
| Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 3,937 | 3,937 | 4,428 | 491 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 3,013 | 3,013 | 3,014 | 1 | 9 | 9 | 2 | (7) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>3,013</u> | <u>3,013</u> | <u>3,014</u> | <u>1</u> | <u>3,946</u> | <u>3,946</u> | <u>4,430</u> | <u>484</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 2,262 | 2,421 | 2,421 | - |
| 1,992 | 1,812 | 1,807 | 5 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 767 | 713 | 62 | 651 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>1,992</u> | <u>1,812</u> | <u>1,807</u> | <u>5</u> | <u>3,029</u> | <u>3,134</u> | <u>2,483</u> | <u>651</u> |
| <u>1,021</u> | <u>1,201</u> | <u>1,207</u> | <u>6</u> | <u>917</u> | <u>812</u> | <u>1,947</u> | <u>1,135</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | (1,700) | (1,571) | (1,266) | 305 |
| - | - | - | - | - | - | - | - |
| <u>(675)</u> | <u>(1,204)</u> | <u>(1,204)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>(675)</u> | <u>(1,204)</u> | <u>(1,204)</u> | <u>-</u> | <u>(1,700)</u> | <u>(1,571)</u> | <u>(1,266)</u> | <u>305</u> |
| 346 | (3) | 3 | 6 | (783) | (759) | 681 | 1,440 |
| 666 | 666 | 666 | - | 1,160 | 1,160 | 1,160 | - |
| <u>\$ 1,012</u> | <u>\$ 663</u> | <u>\$ 669</u> | <u>\$ 6</u> | <u>\$ 377</u> | <u>\$ 401</u> | <u>\$ 1,841</u> | <u>\$ 1,440</u> |

See accompanying note to required supplementary information.

Continued on Next Page

² These funds are budgeted individually by the City but do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. These funds are included within the General Fund financial statements prepared on a GAAP basis.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
 Year Ended June 30, 2014
 (Dollars in Thousands)

| | Environmental Growth Two Thirds Fund ¹ | | | |
|-------------------------------------------------------------------|---------------------------------------------------|----------------|-----------------|---------------------------------------------------------|
| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
| REVENUES | | | | |
| Property Taxes..... | \$ - | \$ - | \$ - | \$ - |
| Sales Taxes..... | - | - | - | - |
| Transient Occupancy Taxes..... | - | - | - | - |
| Other Local Taxes..... | 7,874 | 7,874 | 8,803 | 929 |
| Licenses and Permits..... | - | - | - | - |
| Fines, Forfeitures and Penalties..... | - | - | - | - |
| Revenue from Use of Money and Property..... | 25 | 25 | 17 | (8) |
| Revenue from Federal Agencies..... | - | - | - | - |
| Revenue from Other Agencies..... | - | - | - | - |
| Revenue from Private Sources..... | - | - | - | - |
| Charges for Current Services..... | - | - | - | - |
| Other Revenue..... | - | - | - | - |
| TOTAL REVENUES..... | 7,899 | 7,899 | 8,820 | 921 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government and Support..... | - | - | - | - |
| Public Safety - Police..... | - | - | - | - |
| Public Safety - Fire and Life Safety and Homeland Security..... | - | - | - | - |
| Parks, Recreation, Culture and Leisure..... | - | 2 | 2 | - |
| Transportation..... | - | - | - | - |
| Sanitation and Health..... | - | - | - | - |
| Neighborhood Services..... | - | - | - | - |
| Capital Outlay..... | 1,254 | 1,252 | 338 | 914 |
| Principal Retirement..... | - | - | - | - |
| Interest..... | - | - | - | - |
| TOTAL EXPENDITURES..... | 1,254 | 1,254 | 340 | 914 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 6,645 | 6,645 | 8,480 | 1,835 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Proprietary Funds..... | - | - | - | - |
| Transfers from Other Funds..... | - | - | - | - |
| Transfers to Proprietary Funds..... | - | - | - | - |
| Transfers to Other Funds..... | (8,230) | (8,230) | (8,230) | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (8,230) | (8,230) | (8,230) | - |
| NET CHANGE IN FUND BALANCES..... | (1,585) | (1,585) | 250 | 1,835 |
| Fund Balances - Beginning..... | 2,013 | 2,013 | 2,013 | - |
| FUND BALANCES - ENDING..... | \$ 428 | \$ 428 | \$ 2,263 | \$ 1,835 |

¹ These funds are budgeted individually by the City but do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. These funds are included within the General Fund financial statements prepared on a GAAP basis.

| Fire and Lifeguard Facilities Fund ¹ | | | | Fire/Emergency Medical Services Transport Program Fund ¹ | | | |
|-------------------------------------------------|--------------|----------------|------------------------------------------------|---------------------------------------------------------------------|--------------|----------------|------------------------------------------------|
| Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 1 | 1 | - | - | 15 | 15 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 10,770 | 10,770 | 9,909 | (861) |
| - | - | - | - | - | - | 1 | 1 |
| - | - | 1 | 1 | 10,770 | 10,770 | 9,925 | (845) |
| 46 | 46 | 21 | 25 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 6,486 | 7,134 | 7,134 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 633 | 600 | 435 | 165 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 46 | 46 | 21 | 25 | 7,119 | 7,734 | 7,569 | 165 |
| (46) | (46) | (20) | 26 | 3,651 | 3,036 | 2,356 | (680) |
| - | - | - | - | - | - | - | - |
| 1,380 | 1,380 | 1,380 | - | - | - | 15 | 15 |
| - | - | - | - | - | (67) | (67) | - |
| (1,380) | (1,380) | (1,378) | 2 | (4,797) | (4,730) | (4,133) | 597 |
| - | - | 2 | 2 | (4,797) | (4,797) | (4,185) | 612 |
| (46) | (46) | (18) | 28 | (1,146) | (1,761) | (1,829) | (68) |
| 244 | 244 | 244 | - | 2,429 | 2,429 | 2,429 | - |
| \$ 198 | \$ 198 | \$ 226 | \$ 28 | \$ 1,283 | \$ 668 | \$ 600 | \$ (68) |

See accompanying note to required supplementary information.

Continued on Next Page

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Gas Tax Fund ¹ | | | Variance with Final Budget Positive (Negative) |
|-------------------------------------------------------------------|---------------------------|-----------------|-----------------|---------------------------------------------------------|
| | Original Budget | Final Budget | Actual Amounts | |
| REVENUES | | | | |
| Property Taxes..... | \$ - | \$ - | \$ - | \$ - |
| Sales Taxes..... | - | - | - | - |
| Transient Occupancy Taxes..... | - | - | - | - |
| Other Local Taxes..... | 20,490 | 20,490 | 23,854 | 3,364 |
| Licenses and Permits..... | - | - | - | - |
| Fines, Forfeitures and Penalties..... | - | - | - | - |
| Revenue from Use of Money and Property..... | 249 | 249 | 110 | (139) |
| Revenue from Federal Agencies..... | - | - | - | - |
| Revenue from Other Agencies..... | - | - | - | - |
| Revenue from Private Sources..... | - | - | - | - |
| Charges for Current Services..... | - | - | - | - |
| Other Revenue..... | - | - | 1 | 1 |
| TOTAL REVENUES..... | 20,739 | 20,739 | 23,965 | 3,226 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government and Support..... | - | 23 | 23 | - |
| Public Safety - Police..... | - | - | - | - |
| Public Safety - Fire and Life Safety and Homeland Security..... | - | - | - | - |
| Parks, Recreation, Culture and Leisure..... | - | - | - | - |
| Transportation..... | 4,929 | 625 | 615 | 10 |
| Sanitation and Health..... | - | - | - | - |
| Neighborhood Services..... | - | - | - | - |
| Capital Outlay..... | 2,721 | 2,721 | 912 | 1,809 |
| Principal Retirement..... | - | - | - | - |
| Interest..... | - | - | - | - |
| TOTAL EXPENDITURES..... | 7,650 | 3,369 | 1,550 | 1,819 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | | | | |
| | 13,089 | 17,370 | 22,415 | 5,045 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Proprietary Funds..... | - | - | - | - |
| Transfers from Other Funds..... | - | - | - | - |
| Transfers to Proprietary Funds..... | - | - | - | - |
| Transfers to Other Funds..... | (15,809) | (20,090) | (20,090) | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (15,809) | (20,090) | (20,090) | - |
| NET CHANGE IN FUND BALANCES..... | (2,720) | (2,720) | 2,325 | 5,045 |
| Fund Balances - Beginning..... | 4,366 | 4,366 | 4,366 | - |
| FUND BALANCES - ENDING..... | \$ 1,646 | \$ 1,646 | \$ 6,691 | \$ 5,045 |

¹ These funds are budgeted individually by the City but do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. These funds are included within the General Fund financial statements prepared on a GAAP basis.

| GIS Fund ¹ | | | | Information Technology Fund ¹ | | | |
|-----------------------|---------------|----------------|------------------------------------------------|------------------------------------------|-----------------|-----------------|------------------------------------------------|
| Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 3 | 3 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 31 | 31 |
| <u>195</u> | <u>195</u> | <u>85</u> | <u>(110)</u> | <u>-</u> | <u>-</u> | <u>4</u> | <u>4</u> |
| 195 | 195 | 85 | (110) | - | - | 38 | 38 |
| 1,585 | 1,585 | 1,307 | 278 | 9,381 | 9,376 | 8,493 | 883 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 6 | 12 | 12 | - |
| - | - | - | - | 599 | 599 | 593 | 6 |
| - | - | - | - | <u>105</u> | <u>105</u> | <u>104</u> | <u>1</u> |
| 1,585 | 1,585 | 1,307 | 278 | 10,091 | 10,092 | 9,202 | 890 |
| (1,390) | (1,390) | (1,222) | 168 | (10,091) | (10,092) | (9,164) | 928 |
| - | - | 734 | 734 | - | - | 4,251 | 4,251 |
| 1,421 | 1,421 | 538 | (883) | 9,090 | 9,090 | 5,326 | (3,764) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | <u>(142)</u> | <u>(142)</u> | <u>(142)</u> | <u>-</u> |
| 1,421 | 1,421 | 1,272 | (149) | 8,948 | 8,948 | 9,435 | 487 |
| 31 | 31 | 50 | 19 | (1,143) | (1,144) | 271 | 1,415 |
| 519 | 519 | 519 | - | 2,411 | 2,411 | 2,411 | - |
| <u>\$ 550</u> | <u>\$ 550</u> | <u>\$ 569</u> | <u>\$ 19</u> | <u>\$ 1,268</u> | <u>\$ 1,267</u> | <u>\$ 2,682</u> | <u>\$ 1,415</u> |

See accompanying note to required supplementary information.

Continued on Next Page

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | OneSD Support Fund ¹ | | | Variance with Final Budget Positive (Negative) |
|-------------------------------------------------------------------|---------------------------------|-----------------|-----------------|---------------------------------------------------------|
| | Original Budget | Final Budget | Actual Amounts | |
| REVENUES | | | | |
| Property Taxes..... | \$ - | \$ - | \$ - | \$ - |
| Sales Taxes..... | - | - | - | - |
| Transient Occupancy Taxes..... | - | - | - | - |
| Other Local Taxes..... | - | - | - | - |
| Licenses and Permits..... | - | - | - | - |
| Fines, Forfeitures and Penalties..... | - | - | - | - |
| Revenue from Use of Money and Property..... | - | - | 25 | 25 |
| Revenue from Federal Agencies..... | - | - | - | - |
| Revenue from Other Agencies..... | - | - | - | - |
| Revenue from Private Sources..... | - | - | - | - |
| Charges for Current Services..... | 8,615 | - | - | - |
| Other Revenue..... | - | - | 50 | 50 |
| TOTAL REVENUES..... | 8,615 | - | 75 | 75 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government and Support..... | 14,993 | 14,993 | 13,306 | 1,687 |
| Public Safety - Police..... | - | - | - | - |
| Public Safety - Fire and Life Safety and Homeland Security..... | - | - | - | - |
| Parks, Recreation, Culture and Leisure..... | - | - | - | - |
| Transportation..... | - | - | - | - |
| Sanitation and Health..... | - | - | - | - |
| Neighborhood Services..... | - | - | - | - |
| Capital Outlay..... | 1,160 | 1,160 | - | 1,160 |
| Principal Retirement..... | 5,447 | 5,623 | 5,623 | - |
| Interest..... | 592 | 416 | 416 | - |
| TOTAL EXPENDITURES..... | 22,192 | 22,192 | 19,345 | 2,847 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | | | | |
| | (13,577) | (22,192) | (19,270) | 2,922 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Proprietary Funds..... | - | 8,615 | 10,898 | 2,283 |
| Transfers from Other Funds..... | 12,486 | 12,486 | 10,162 | (2,324) |
| Transfers to Proprietary Funds..... | - | - | - | - |
| Transfers to Other Funds..... | (93) | (93) | (93) | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 12,393 | 21,008 | 20,967 | (41) |
| NET CHANGE IN FUND BALANCES..... | (1,184) | (1,184) | 1,697 | 2,881 |
| Fund Balances - Beginning..... | 2,480 | 2,480 | 2,480 | - |
| FUND BALANCES - ENDING..... | \$ 1,296 | \$ 1,296 | \$ 4,177 | \$ 2,881 |

¹ These funds are budgeted individually by the City but do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. These funds are included within the General Fund financial statements prepared on a GAAP basis.

| Police Decentralization Fund ¹ | | | | Public Safety Needs and Debt Service ¹ | | | |
|-------------------------------------------|--------------|----------------|------------------------------------------------|---------------------------------------------------|--------------|----------------|------------------------------------------------|
| Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | 8,397 | 8,397 | 8,287 | (110) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 10 | 10 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 8,397 | 8,397 | 8,297 | (100) |
| - | - | - | - | - | - | - | - |
| 5,120 | 5,657 | 5,657 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 5,120 | 5,657 | 5,657 | - | - | - | - | - |
| (5,120) | (5,657) | (5,657) | - | 8,397 | 8,397 | 8,297 | (100) |
| - | - | - | - | - | - | - | - |
| 3,750 | 3,750 | 3,750 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | (8,397) | (8,397) | (7,647) | 750 |
| 3,750 | 3,750 | 3,750 | - | (8,397) | (8,397) | (7,647) | 750 |
| (1,370) | (1,907) | (1,907) | - | - | - | 650 | 650 |
| 5,126 | 5,126 | 5,126 | - | 4 | 4 | 4 | - |
| \$ 3,756 | \$ 3,219 | \$ 3,219 | \$ - | \$ 4 | \$ 4 | \$ 654 | \$ 650 |

See accompanying note to required supplementary information.

Continued on Next Page

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Storm Drain Fund ¹ | | | Variance with Final Budget Positive (Negative) |
|-------------------------------------------------------------------|-------------------------------|-----------------|-----------------|---------------------------------------------------------|
| | Original Budget | Final Budget | Actual Amounts | |
| REVENUES | | | | |
| Property Taxes..... | \$ - | \$ - | \$ - | \$ - |
| Sales Taxes..... | - | - | - | - |
| Transient Occupancy Taxes..... | - | - | - | - |
| Other Local Taxes..... | - | - | - | - |
| Licenses and Permits..... | - | - | - | - |
| Fines, Forfeitures and Penalties..... | - | - | - | - |
| Revenue from Use of Money and Property..... | - | - | - | - |
| Revenue from Federal Agencies..... | - | - | - | - |
| Revenue from Other Agencies..... | - | - | - | - |
| Revenue from Private Sources..... | - | - | - | - |
| Charges for Current Services..... | 5,700 | 5,700 | 5,996 | 296 |
| Other Revenue..... | - | - | - | - |
| TOTAL REVENUES..... | 5,700 | 5,700 | 5,996 | 296 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government and Support..... | 65 | 65 | 61 | 4 |
| Public Safety - Police..... | - | - | - | - |
| Public Safety - Fire and Life Safety and Homeland Security..... | - | - | - | - |
| Parks, Recreation, Culture and Leisure..... | - | - | - | - |
| Transportation..... | - | - | - | - |
| Sanitation and Health..... | - | - | - | - |
| Neighborhood Services..... | - | - | - | - |
| Capital Outlay..... | - | - | - | - |
| Principal Retirement..... | - | - | - | - |
| Interest..... | - | - | - | - |
| TOTAL EXPENDITURES..... | 65 | 65 | 61 | 4 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 5,635 | 5,635 | 5,935 | 300 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Proprietary Funds..... | - | - | - | - |
| Transfers from Other Funds..... | - | - | - | - |
| Transfers to Proprietary Funds..... | - | - | - | - |
| Transfers to Other Funds..... | (5,635) | (5,635) | (5,635) | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (5,635) | (5,635) | (5,635) | - |
| NET CHANGE IN FUND BALANCES..... | - | - | 300 | 300 |
| Fund Balances - Beginning..... | 1,247 | 1,247 | 1,247 | - |
| FUND BALANCES - ENDING..... | \$ 1,247 | \$ 1,247 | \$ 1,547 | \$ 300 |

¹ These funds are budgeted individually by the City but do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. These funds are included within the General Fund financial statements prepared on a GAAP basis.

| Wireless Communications Technology Fund ¹ | | | | Total | | | |
|------------------------------------------------------|--------------|----------------|------------------------------------------------|-----------------|--------------|----------------|------------------------------------------------|
| Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ 408,003 | \$ 443,930 | \$ 460,592 | \$ 16,662 |
| - | - | - | - | 256,536 | 256,536 | 254,219 | (2,317) |
| - | - | - | - | 87,858 | 87,858 | 89,673 | 1,815 |
| - | - | - | - | 107,758 | 107,759 | 117,347 | 9,588 |
| - | - | - | - | 31,827 | 31,837 | 34,952 | 3,115 |
| - | - | - | - | 29,350 | 29,350 | 30,327 | 977 |
| - | - | 8 | 8 | 50,551 | 50,550 | 52,157 | 1,607 |
| - | - | - | - | 2,975 | 2,975 | 302 | (2,673) |
| - | - | 209 | 209 | 5,873 | 5,873 | 8,329 | 2,456 |
| - | - | - | - | 2,069 | 2,069 | 2,645 | 576 |
| 456 | 456 | 71 | (385) | 202,198 | 193,584 | 180,746 | (12,838) |
| - | - | 10 | 10 | 2,948 | 2,948 | 5,321 | 2,373 |
| 456 | 456 | 298 | (158) | 1,187,946 | 1,215,269 | 1,236,610 | 21,341 |
| 6,805 | 6,745 | 5,821 | 924 | 259,261 | 294,054 | 277,196 | 16,858 |
| - | - | - | - | 409,966 | 422,990 | 422,613 | 377 |
| - | - | - | - | 222,444 | 226,682 | 226,040 | 642 |
| - | - | - | - | 133,555 | 135,517 | 135,391 | 126 |
| - | - | - | - | 72,194 | 65,267 | 64,588 | 679 |
| - | - | - | - | 69,878 | 69,445 | 68,110 | 1,335 |
| - | - | - | - | 25,199 | 25,604 | 23,832 | 1,772 |
| 39 | 74 | 74 | - | 6,580 | 9,588 | 4,855 | 4,733 |
| 1,611 | 1,611 | 1,611 | - | 11,221 | 10,813 | 10,611 | 202 |
| 90 | 90 | 90 | - | 4,645 | 4,470 | 1,803 | 2,667 |
| 8,545 | 8,520 | 7,596 | 924 | 1,214,943 | 1,264,430 | 1,235,039 | 29,391 |
| (8,089) | (8,064) | (7,298) | 766 | (26,997) | (49,161) | 1,571 | 50,732 |
| - | - | 1,127 | 1,127 | - | 18,715 | 27,110 | 8,395 |
| 7,078 | 7,078 | 5,948 | (1,130) | 120,969 | 116,877 | 120,472 | 3,595 |
| - | (25) | (25) | - | (5,409) | (5,501) | (5,501) | - |
| (324) | (324) | (324) | - | (121,939) | (118,108) | (116,757) | 1,351 |
| 6,754 | 6,729 | 6,726 | (3) | (6,379) | 11,983 | 25,324 | 13,341 |
| (1,335) | (1,335) | (572) | 763 | (33,376) | (37,178) | 26,895 | 64,073 |
| 2,138 | 2,138 | 2,138 | - | 204,343 | 204,343 | 204,343 | - |
| \$ 803 | \$ 803 | \$ 1,566 | \$ 763 | \$ 170,967 | \$ 167,165 | \$ 231,238 | \$ 64,073 |

See accompanying note to required supplementary information.

This Page Intentionally Left Blank

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

On or before the first meeting in May of each year, the Mayor 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 governmental funds:

- **General Fund**
- **Special Revenue Funds**
 - City of San Diego:
 - Acquisition, Improvement and Operations
 - Qualcomm Stadium Operations
 - Transient Occupancy Tax
 - Underground Surcharge
 - Zoological Exhibits
 - Other Special Revenue
 - Civic San Diego
- **Capital Projects Funds**
 - City of San Diego:
 - TransNet
 - Capital Outlay

Included in the budget are funds that include appropriations for personnel expenses and capital projects and certain funds that collect restricted or committed revenue sources. For those funds not specifically included in the budget, the Appropriation Ordinance includes authorization to appropriate funds for the purpose established by applicable laws and/or in accordance with provisions of agreements authorized by the City Council.

Public hearings are conducted to obtain residents' comments on the proposed budget. A budget resolution legally adopting the budget for the next fiscal year is passed prior to June 30. During the month of July, the Appropriation Ordinance is passed by the City Council appropriating funds according to the budget resolution. Budgets are prepared on the modified accrual basis of accounting, with the exception that any increase/decrease in advances to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments and proceeds from capital leases.

Budgetary control is established at the highest level by the City Charter and further defined by the City Council in the Appropriation Ordinance. The level of budgetary control for all City funds is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the General Fund is at the department level. All amendments to the adopted budget require City Council approval except as delegated in the Appropriation Ordinance.

Reported budget figures are as originally adopted or subsequently amended. Appropriations lapse at year-end to the extent that they have not been expended except for those of a capital nature, which continue to subsequent years.

The following is a reconciliation of the net change in fund balance for the General Fund prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2014 (dollars in thousands):

| | General Fund |
|----------------------------------------------|------------------|
| Net Change in Fund Balance - GAAP Basis | \$ 3,330 |
| Add (Deduct): | |
| Extraordinary Loss | 21,067 |
| Unrealized Gain, June 30, 2014 | (321) |
| Unrealized Loss, June 30, 2013 | (336) |
| Working Capital Advance, June 30, 2014 | (1,248) |
| Working Capital Advance, June 30, 2013 | 1,593 |
| Other Fund Activity ¹ | 909 |
| Net Change in Fund Balance - Budgetary Basis | <u>\$ 24,994</u> |

¹ The General Fund budgetary schedule includes funds associated with General Fund operations as reported in the City's budget. General Fund financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. The City administers certain of these funds as separate budgetary entities.

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. It is the City's policy to pay for operating encumbrances remaining at the end of the fiscal year from the following year's appropriations, except for encumbrances related to capital projects which are funded through current year appropriated budget that carries over to the following fiscal year. Encumbrances outstanding at year-end are disclosed as commitments since they will be honored through subsequent years' appropriations and are included within the Restricted, Committed and Assigned fund balance categories.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

**GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)**

| | Actual ¹ | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------------|---------------------|----------------------------------------|------------------------------------|-----------------|---------------------------------------------------------|
| PROPERTY TAXES | | | | | |
| One Percent Property Tax Allocation | \$ - | \$ - | \$ - | \$ 291,414 | \$ (291,414) |
| Current Year - Secured (One Percent Allocation)..... | 269,122 | - | 269,122 | - | 269,122 |
| Current Year Supplemental - Secured | 4,460 | - | 4,460 | - | 4,460 |
| Current Year - Unsecured | 9,443 | - | 9,443 | - | 9,443 |
| Current Unsecured Supplemental Roll | 68 | - | 68 | - | 68 |
| Homeowners' Exemptions - Secured | 2,564 | - | 2,564 | - | 2,564 |
| Homeowners' Exemptions - Unsecured | 2 | - | 2 | - | 2 |
| Prior years' - Secured | 1,581 | - | 1,581 | - | 1,581 |
| Prior years' - Unsecured | (348) | - | (348) | - | (348) |
| In-Lieu Vehicle License Fees | 108,439 | - | 108,439 | 106,396 | 2,043 |
| Interest and Penalties on Delinquent Taxes | 1,332 | - | 1,332 | - | 1,332 |
| Escapes - Secured | 4,233 | - | 4,233 | - | 4,233 |
| Escapes - Unsecured | 451 | - | 451 | - | 451 |
| Other Property Taxes | 52,551 | - | 52,551 | 46,120 | 6,431 |
| State Secured Unitary | 6,694 | - | 6,694 | - | 6,694 |
| TOTAL PROPERTY TAXES..... | 460,592 | - | 460,592 | 443,930 | 16,662 |
| SALES TAXES | 245,932 | - | 245,932 | 248,139 | (2,207) |
| TRANSIENT OCCUPANCY TAXES | 89,673 | - | 89,673 | 87,858 | 1,815 |
| OTHER LOCAL TAXES | | | | | |
| Franchises | 71,953 | - | 71,953 | 68,431 | 3,522 |
| Property Transfer Tax | 8,309 | - | 8,309 | 7,027 | 1,282 |
| TOTAL OTHER LOCAL TAXES | 80,262 | - | 80,262 | 75,458 | 4,804 |
| LICENSES AND PERMITS | | | | | |
| General Business Licenses | 7,621 | - | 7,621 | 6,953 | 668 |
| Refuse Collection Business Licenses | 750 | - | 750 | 660 | 90 |
| Other Regulatory Business Licenses | - | - | - | 1 | (1) |
| Rental Unit Tax | 7,497 | - | 7,497 | 6,785 | 712 |
| Parking Meter Revenue | 8,695 | - | 8,695 | 8,370 | 325 |
| Other Licenses and Permits | 10,389 | - | 10,389 | 9,068 | 1,321 |
| TOTAL LICENSES AND PERMITS | 34,952 | - | 34,952 | 31,837 | 3,115 |
| FINES, FORFEITURES AND PENALTIES | | | | | |
| California Vehicle Code Violations | 26,887 | - | 26,887 | 25,256 | 1,631 |
| Other City Ordinance Code Violations | 3,440 | - | 3,440 | 4,094 | (654) |
| TOTAL FINES, FORFEITURES AND PENALTIES | 30,327 | - | 30,327 | 29,350 | 977 |
| REVENUE FROM USE OF MONEY AND PROPERTY | | | | | |
| Interest on Investments | 970 | (657) | 313 | 3,175 | (2,862) |
| Balboa Park Rents and Concessions | 429 | - | 429 | 311 | 118 |
| Mission Bay Park Rents and Concessions | 29,760 | - | 29,760 | 28,615 | 1,145 |
| Other Rents and Concessions | 18,450 | - | 18,450 | 15,153 | 3,297 |
| TOTAL REVENUE FROM USE OF MONEY AND PROPERTY | 49,609 | (657) | 48,952 | 47,254 | 1,698 |
| REVENUE FROM FEDERAL AGENCIES | 302 | - | 302 | 2,975 | (2,673) |

Continued on Next Page

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

**GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)**

| | Actual ¹ | 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 | \$ 584 | \$ - | \$ 584 | \$ - | \$ 584 |
| Local Relief | 71 | - | 71 | 110 | (39) |
| State Grants | 7,465 | - | 7,465 | 5,763 | 1,702 |
| TOTAL REVENUE FROM OTHER AGENCIES | 8,120 | - | 8,120 | 5,873 | 2,247 |
| REVENUE FROM PRIVATE SOURCES | 2,645 | - | 2,645 | 2,069 | 576 |
| CHARGES FOR CURRENT SERVICES | | | | | |
| Administrative Services to Other Agencies | 923 | - | 923 | 1,234 | (311) |
| Cemetery Revenue | 580 | - | 580 | 665 | (85) |
| Engineering Services | 641 | - | 641 | 445 | 196 |
| Fire Services | 7,596 | - | 7,596 | 7,731 | (135) |
| Library Revenue | 1,036 | - | 1,036 | 1,066 | (30) |
| Miscellaneous Recreation Revenue | 3,635 | - | 3,635 | 3,145 | 490 |
| Other Services | 3,060 | - | 3,060 | 990 | 2,070 |
| Paramedic Services | 449 | - | 449 | 382 | 67 |
| Planning and Miscellaneous Filing Fees | 81 | - | 81 | 30 | 51 |
| Police Services | 7,049 | - | 7,049 | 5,328 | 1,721 |
| Swimming Pools Revenue | 1,052 | - | 1,052 | 1,166 | (114) |
| Services Rendered to Other Funds for: | | | | | |
| General Government and Financial | 130,865 | - | 130,865 | 145,661 | (14,796) |
| Park Design | - | - | - | 1,095 | (1,095) |
| Miscellaneous Services | 7,772 | - | 7,772 | 7,720 | 52 |
| TOTAL CHARGES FOR CURRENT SERVICES | 164,739 | - | 164,739 | 176,658 | (11,919) |
| OTHER REVENUE | | | | | |
| Other Refunds of Prior Years' Expenditures | 2,123 | - | 2,123 | 150 | 1,973 |
| Repairs and Damage Recoveries | 486 | - | 486 | 370 | 116 |
| Sale of Personal Property | 80 | - | 80 | 113 | (33) |
| Miscellaneous Revenue | 2,481 | - | 2,481 | 2,120 | 361 |
| TOTAL OTHER REVENUE | 5,170 | - | 5,170 | 2,753 | 2,417 |
| TOTAL REVENUES | 1,172,323 | (657) | 1,171,666 | 1,154,154 | 17,512 |
| TRANSFERS FROM PROPRIETARY FUNDS | | | | | |
| Internal Service Funds: | | | | | |
| City of San Diego: | | | | | |
| Fleet Services | 195 | - | 195 | 195 | - |
| Miscellaneous Internal Service | 58 | - | 58 | 58 | - |
| SDDPC | 9,847 | - | 9,847 | 9,847 | - |
| TOTAL TRANSFERS FROM PROPRIETARY FUNDS | 10,100 | - | 10,100 | 10,100 | - |

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

**GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)**

| | <u>Actual ¹</u> | <u>Adjustment to Budgetary Basis</u> | <u>Actual on Budgetary Basis</u> | <u>Final Budget</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-------------------------------------------------------------------|----------------------------|--------------------------------------------------|----------------------------------------------|-------------------------|-------------------------------------------------------------------|
| TRANSFERS FROM OTHER FUNDS | | | | | |
| Special Revenue Funds: | | | | | |
| City of San Diego: | | | | | |
| Interfund Transfers | \$ 67,617 | \$ - | \$ 67,617 | \$ 56,241 | \$ 11,376 |
| Transient Occupancy Tax | 16,062 | - | 16,062 | 16,062 | - |
| Zoological Exhibits | 11 | - | 11 | 11 | - |
| Other Special Revenue - Budgeted | 54 | - | 54 | 54 | - |
| Other Special Revenue - Unbudgeted | 108 | - | 108 | 108 | - |
| Capital Projects Funds: | | | | | |
| City of San Diego: | | | | | |
| TransNet | 9,866 | - | 9,866 | 9,866 | - |
| Capital Grants | 87 | - | 87 | 87 | - |
| Parks and Recreation Districts | 1 | - | 1 | 1 | - |
| Capital Outlay - Unbudgeted | 342 | - | 342 | 342 | - |
| Permanent Funds: | | | | | |
| Cemetery Perpetuity | 471 | - | 471 | 471 | - |
| TOTAL TRANSFERS FROM OTHER FUNDS | 94,619 | - | 94,619 | 83,243 | 11,376 |
| CAPITAL LEASE PROCEEDS | 8,985 | (8,985) | - | - | - |
| TOTAL REVENUE, TRANSFERS, AND CAPITAL LEASE PROCEEDS | \$ 1,286,027 | \$ (9,642) | \$ 1,276,385 | \$ 1,247,497 | \$ 28,888 |

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Actual ¹ | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
|---------------------------------------|---------------------|----------------------------------------|------------------------------------|-----------------|---------------------------------------------------------|
| GENERAL GOVERNMENT AND SUPPORT | | | | | |
| Departmental: | | | | | |
| Office of the Mayor | | | | | |
| Salaries and Wages..... | \$ 1,813 | \$ - | \$ 1,813 | \$ 1,897 | \$ 84 |
| Non-Personnel..... | 1,501 | - | 1,501 | 1,718 | 217 |
| Total Office of the Mayor..... | <u>3,314</u> | <u>-</u> | <u>3,314</u> | <u>3,615</u> | <u>301</u> |
| City Council District 1 | | | | | |
| Salaries and Wages..... | 482 | - | 482 | 482 | - |
| Non-Personnel..... | 431 | - | 431 | 602 | 171 |
| Total City Council District 1..... | <u>913</u> | <u>-</u> | <u>913</u> | <u>1,084</u> | <u>171</u> |
| City Council District 2 | | | | | |
| Salaries and Wages..... | 485 | - | 485 | 505 | 20 |
| Non-Personnel..... | 426 | - | 426 | 562 | 136 |
| Total City Council District 2..... | <u>911</u> | <u>-</u> | <u>911</u> | <u>1,067</u> | <u>156</u> |
| City Council District 3 | | | | | |
| Salaries and Wages..... | 431 | - | 431 | 565 | 134 |
| Non-Personnel..... | 505 | - | 505 | 603 | 98 |
| Total City Council District 3..... | <u>936</u> | <u>-</u> | <u>936</u> | <u>1,168</u> | <u>232</u> |
| City Council District 4 | | | | | |
| Salaries and Wages..... | 590 | - | 590 | 590 | - |
| Non-Personnel..... | 584 | - | 584 | 664 | 80 |
| Total City Council District 4..... | <u>1,174</u> | <u>-</u> | <u>1,174</u> | <u>1,254</u> | <u>80</u> |
| City Council District 5 | | | | | |
| Salaries and Wages..... | 508 | - | 508 | 605 | 97 |
| Non-Personnel..... | 300 | - | 300 | 679 | 379 |
| Total City Council District 5..... | <u>808</u> | <u>-</u> | <u>808</u> | <u>1,284</u> | <u>476</u> |
| City Council District 6 | | | | | |
| Salaries and Wages..... | 550 | - | 550 | 641 | 91 |
| Non-Personnel..... | 411 | - | 411 | 532 | 121 |
| Total City Council District 6..... | <u>961</u> | <u>-</u> | <u>961</u> | <u>1,173</u> | <u>212</u> |
| City Council District 7 | | | | | |
| Salaries and Wages..... | 606 | - | 606 | 700 | 94 |
| Non-Personnel..... | 384 | - | 384 | 450 | 66 |
| Total City Council District 7..... | <u>990</u> | <u>-</u> | <u>990</u> | <u>1,150</u> | <u>160</u> |
| City Council District 8 | | | | | |
| Salaries and Wages..... | 534 | - | 534 | 663 | 129 |
| Non-Personnel..... | 448 | - | 448 | 532 | 84 |
| Total City Council District 8..... | <u>982</u> | <u>-</u> | <u>982</u> | <u>1,195</u> | <u>213</u> |
| City Council District 9 | | | | | |
| Salaries and Wages..... | 458 | - | 458 | 524 | 66 |
| Non-Personnel..... | 439 | - | 439 | 646 | 207 |
| Total City Council District 9..... | <u>897</u> | <u>-</u> | <u>897</u> | <u>1,170</u> | <u>273</u> |
| Council Administration | | | | | |
| Salaries and Wages..... | 802 | - | 802 | 940 | 138 |
| Non-Personnel..... | 791 | - | 791 | 926 | 135 |
| Total Council Administration..... | <u>1,593</u> | <u>-</u> | <u>1,593</u> | <u>1,866</u> | <u>273</u> |

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Actual ¹ | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
|--------------------------------------------------|---------------------|----------------------------------------|------------------------------------|-----------------|---------------------------------------------------------|
| City Clerk | | | | | |
| Salaries and Wages..... | \$ 2,127 | \$ - | \$ 2,127 | \$ 2,337 | \$ 210 |
| Non-Personnel..... | 2,650 | - | 2,650 | 2,839 | 189 |
| Total City Clerk..... | <u>4,777</u> | <u>-</u> | <u>4,777</u> | <u>5,176</u> | <u>399</u> |
| Independent Budget Analyst | | | | | |
| Salaries and Wages..... | 1,007 | - | 1,007 | 1,019 | 12 |
| Non-Personnel..... | 719 | - | 719 | 737 | 18 |
| Total Independent Budget Analyst..... | <u>1,726</u> | <u>-</u> | <u>1,726</u> | <u>1,756</u> | <u>30</u> |
| City Attorney | | | | | |
| Salaries and Wages..... | 24,779 | - | 24,779 | 25,020 | 241 |
| Non-Personnel..... | 19,276 | - | 19,276 | 20,333 | 1,057 |
| Total City Attorney..... | <u>44,055</u> | <u>-</u> | <u>44,055</u> | <u>45,353</u> | <u>1,298</u> |
| Personnel | | | | | |
| Salaries and Wages..... | 3,771 | - | 3,771 | 3,772 | 1 |
| Non-Personnel..... | 3,280 | - | 3,280 | 3,282 | 2 |
| Total Personnel..... | <u>7,051</u> | <u>-</u> | <u>7,051</u> | <u>7,054</u> | <u>3</u> |
| Ethics Commission | | | | | |
| Salaries and Wages..... | 431 | - | 431 | 431 | - |
| Non-Personnel..... | 481 | - | 481 | 536 | 55 |
| Total Ethics Commission..... | <u>912</u> | <u>-</u> | <u>912</u> | <u>967</u> | <u>55</u> |
| Office of the City Auditor | | | | | |
| Salaries and Wages..... | 1,766 | - | 1,766 | 1,775 | 9 |
| Non-Personnel..... | 1,707 | - | 1,707 | 2,073 | 366 |
| Total Office of the City Auditor..... | <u>3,473</u> | <u>-</u> | <u>3,473</u> | <u>3,848</u> | <u>375</u> |
| Assistant Chief Operating Officer | | | | | |
| Salaries and Wages..... | 695 | - | 695 | 696 | 1 |
| Non-Personnel..... | 857 | - | 857 | 861 | 4 |
| Total Assistant Chief Operating Officer..... | <u>1,552</u> | <u>-</u> | <u>1,552</u> | <u>1,557</u> | <u>5</u> |
| Citywide Administration | | | | | |
| Salaries and Wages..... | 769 | - | 769 | 770 | 1 |
| Non-Personnel..... | 879 | - | 879 | 879 | - |
| Total Citywide Administration..... | <u>1,648</u> | <u>-</u> | <u>1,648</u> | <u>1,649</u> | <u>1</u> |
| Human Resources | | | | | |
| Salaries and Wages..... | 1,570 | - | 1,570 | 1,589 | 19 |
| Non-Personnel..... | 1,365 | - | 1,365 | 1,365 | - |
| Total Human Resources..... | <u>2,935</u> | <u>-</u> | <u>2,935</u> | <u>2,954</u> | <u>19</u> |
| Department of Information Technology | | | | | |
| Non-Personnel..... | 2,344 | - | 2,344 | 2,600 | 256 |
| Total Department of Information Technology..... | <u>2,344</u> | <u>-</u> | <u>2,344</u> | <u>2,600</u> | <u>256</u> |
| Office of the Chief Operating Officer | | | | | |
| Salaries and Wages..... | 745 | - | 745 | 807 | 62 |
| Non-Personnel..... | 514 | - | 514 | 627 | 113 |
| Total Office of the Chief Operating Officer..... | <u>1,259</u> | <u>-</u> | <u>1,259</u> | <u>1,434</u> | <u>175</u> |
| Multimedia Services | | | | | |
| Salaries and Wages..... | 328 | - | 328 | 328 | - |
| Non-Personnel..... | 289 | - | 289 | 355 | 66 |
| Total Multimedia Services..... | <u>617</u> | <u>-</u> | <u>617</u> | <u>683</u> | <u>66</u> |

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Actual ¹ | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------|---------------------|----------------------------------------|------------------------------------|-----------------|---------------------------------------------------------|
| Chief Financial Officer | | | | | |
| Salaries and Wages..... | \$ 485 | \$ - | \$ 485 | \$ 485 | \$ - |
| Non-Personnel..... | 311 | - | 311 | 500 | 189 |
| Total Chief Financial Officer..... | 796 | - | 796 | 985 | 189 |
| City Comptroller | | | | | |
| Salaries and Wages..... | 5,578 | - | 5,578 | 5,780 | 202 |
| Non-Personnel..... | 4,948 | - | 4,948 | 5,067 | 119 |
| Total City Comptroller..... | 10,526 | - | 10,526 | 10,847 | 321 |
| Civic & Urban Initiatives | | | | | |
| Salaries and Wages..... | 125 | - | 125 | 195 | 70 |
| Non-Personnel..... | 303 | - | 303 | 522 | 219 |
| Total Civic & Urban Initiatives..... | 428 | - | 428 | 717 | 289 |
| Debt Management | | | | | |
| Salaries and Wages..... | 1,347 | - | 1,347 | 1,380 | 33 |
| Non-Personnel..... | 956 | - | 956 | 1,029 | 73 |
| Total Debt Management..... | 2,303 | - | 2,303 | 2,409 | 106 |
| Financial Management | | | | | |
| Salaries and Wages..... | 2,083 | - | 2,083 | 2,233 | 150 |
| Non-Personnel..... | 1,706 | - | 1,706 | 1,774 | 68 |
| Total Financial Management..... | 3,789 | - | 3,789 | 4,007 | 218 |
| Purchasing and Contracting | | | | | |
| Salaries and Wages..... | 2,284 | - | 2,284 | 2,457 | 173 |
| Non-Personnel..... | 1,676 | - | 1,676 | 2,238 | 562 |
| Total Purchasing and Contracting..... | 3,960 | - | 3,960 | 4,695 | 735 |
| City Treasurer | | | | | |
| Salaries and Wages..... | 6,018 | - | 6,018 | 6,505 | 487 |
| Non-Personnel..... | 8,980 | - | 8,980 | 9,602 | 622 |
| Total City Treasurer..... | 14,998 | - | 14,998 | 16,107 | 1,109 |
| Real Estate Assets | | | | | |
| Salaries and Wages..... | 2,051 | - | 2,051 | 2,066 | 15 |
| Non-Personnel..... | 2,017 | - | 2,017 | 2,705 | 688 |
| Total Real Estate Assets..... | 4,068 | - | 4,068 | 4,771 | 703 |
| Engineering and Capital Projects | | | | | |
| Salaries and Wages..... | 23,722 | - | 23,722 | 23,925 | 203 |
| Non-Personnel..... | 22,192 | - | 22,192 | 22,482 | 290 |
| Total Engineering and Capital Projects..... | 45,914 | - | 45,914 | 46,407 | 493 |
| General Services | | | | | |
| Salaries and Wages..... | 5,998 | - | 5,998 | 6,321 | 323 |
| Non-Personnel..... | 9,489 | - | 9,489 | 10,172 | 683 |
| Total General Services..... | 15,487 | - | 15,487 | 16,493 | 1,006 |
| Office of ADA Compliance & Accessibility | | | | | |
| Salaries and Wages..... | 230 | - | 230 | 310 | 80 |
| Non-Personnel..... | 187 | - | 187 | 308 | 121 |
| Total Office of ADA Compliance & Accessibility..... | 417 | - | 417 | 618 | 201 |

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Actual ¹ | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
|----------------------------------------------------------------------------------|---------------------|----------------------------------------|------------------------------------|-----------------|---------------------------------------------------------|
| Public Works - Contracting | | | | | |
| Salaries and Wages..... | \$ 1,183 | \$ - | \$ 1,183 | \$ 1,183 | \$ - |
| Non-Personnel..... | 935 | - | 935 | 936 | 1 |
| Total Public Works - Contracting..... | 2,118 | - | 2,118 | 2,119 | 1 |
| Citywide Expenses | | | | | |
| Non-Personnel..... | 57,530 | - | 57,530 | 59,859 | 2,329 |
| Total Citywide Expenses | 57,530 | - | 57,530 | 59,859 | 2,329 |
| Citywide Other / Special Funds | | | | | |
| Non-Personnel..... | 2 | - | 2 | 130 | 128 |
| Total Citywide Other / Special Funds | 2 | - | 2 | 130 | 128 |
| TOTAL GENERAL GOVERNMENT AND SUPPORT..... | 248,164 | - | 248,164 | 261,221 | 13,057 |
| PUBLIC SAFETY-POLICE | | | | | |
| Departmental: | | | | | |
| Police | | | | | |
| Salaries and Wages..... | 206,616 | - | 206,616 | 206,617 | 1 |
| Non-Personnel..... | 210,340 | - | 210,340 | 210,716 | 376 |
| Total Police | 416,956 | - | 416,956 | 417,333 | 377 |
| TOTAL PUBLIC SAFETY - POLICE..... | 416,956 | - | 416,956 | 417,333 | 377 |
| PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY | | | | | |
| Fire - Rescue | | | | | |
| Salaries and Wages..... | 112,137 | - | 112,137 | 112,778 | 641 |
| Non-Personnel..... | 104,996 | - | 104,996 | 104,996 | - |
| Total Fire - Rescue..... | 217,133 | - | 217,133 | 217,774 | 641 |
| Office of Homeland Security | | | | | |
| Salaries and Wages..... | 965 | - | 965 | 965 | - |
| Non-Personnel..... | 808 | - | 808 | 809 | 1 |
| Total Office of Homeland Security..... | 1,773 | - | 1,773 | 1,774 | 1 |
| TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY..... | 218,906 | - | 218,906 | 219,548 | 642 |
| PARKS, RECREATION, CULTURE AND LEISURE | | | | | |
| Departmental: | | | | | |
| Library | | | | | |
| Salaries and Wages..... | 17,060 | - | 17,060 | 17,161 | 101 |
| Non-Personnel..... | 24,717 | - | 24,717 | 24,717 | - |
| Total Library..... | 41,777 | - | 41,777 | 41,878 | 101 |
| Parks and Recreation | | | | | |
| Salaries and Wages..... | 32,523 | - | 32,523 | 32,523 | - |
| Non-Personnel..... | 56,340 | - | 56,340 | 56,340 | - |
| Total Parks and Recreation..... | 88,863 | - | 88,863 | 88,863 | - |
| Reservoir Concessions | | | | | |
| Non-Personnel..... | 2,328 | - | 2,328 | 2,353 | 25 |
| Total Reservoir Concessions..... | 2,328 | - | 2,328 | 2,353 | 25 |
| TOTAL PARKS, RECREATION CULTURE AND LEISURE..... | 132,968 | - | 132,968 | 133,094 | 126 |

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Actual ¹ | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
|-----------------------------------------|---------------------|----------------------------------------|------------------------------------|------------------|---------------------------------------------------------|
| TRANSPORTATION | | | | | |
| Departmental: | | | | | |
| Right-Of-Way-Design | | | | | |
| Salaries and Wages..... | \$ 8,831 | \$ - | \$ 8,831 | \$ 8,931 | \$ 100 |
| Non-Personnel..... | 6,509 | - | 6,509 | 6,509 | - |
| Total Right-of-Way Design..... | <u>15,340</u> | <u>-</u> | <u>15,340</u> | <u>15,440</u> | <u>100</u> |
| Transportation & Storm Water | | | | | |
| Salaries and Wages..... | 16,421 | - | 16,421 | 16,983 | 562 |
| Non-Personnel..... | 30,405 | - | 30,405 | 30,407 | 2 |
| Total Transportation & Storm Water..... | <u>46,826</u> | <u>-</u> | <u>46,826</u> | <u>47,390</u> | <u>564</u> |
| TOTAL TRANSPORTATION..... | <u>62,166</u> | <u>-</u> | <u>62,166</u> | <u>62,830</u> | <u>664</u> |
| SANITATION AND HEALTH | | | | | |
| Departmental: | | | | | |
| Environmental Services | | | | | |
| Salaries and Wages..... | 7,660 | - | 7,660 | 7,751 | 91 |
| Non-Personnel..... | 27,648 | - | 27,648 | 28,097 | 449 |
| Total Environmental Services..... | <u>35,308</u> | <u>-</u> | <u>35,308</u> | <u>35,848</u> | <u>540</u> |
| Storm Water | | | | | |
| Salaries and Wages..... | 7,044 | - | 7,044 | 7,044 | - |
| Non-Personnel..... | 25,758 | - | 25,758 | 26,553 | 795 |
| Total Storm Water..... | <u>32,802</u> | <u>-</u> | <u>32,802</u> | <u>33,597</u> | <u>795</u> |
| TOTAL SANITATION AND HEALTH..... | <u>68,110</u> | <u>-</u> | <u>68,110</u> | <u>69,445</u> | <u>1,335</u> |
| NEIGHBORHOOD SERVICES | | | | | |
| Departmental: | | | | | |
| Development Services | | | | | |
| Salaries and Wages..... | 6,330 | - | 6,330 | 6,768 | 438 |
| Non-Personnel..... | 6,389 | - | 6,389 | 7,518 | 1,129 |
| Total Development Services..... | <u>12,719</u> | <u>-</u> | <u>12,719</u> | <u>14,286</u> | <u>1,567</u> |
| Economic Development | | | | | |
| Salaries and Wages..... | 2,941 | - | 2,941 | 3,146 | 205 |
| Non-Personnel..... | 8,517 | (345) | 8,172 | 8,172 | - |
| Total Economic Development..... | <u>11,458</u> | <u>(345)</u> | <u>11,113</u> | <u>11,318</u> | <u>205</u> |
| TOTAL NEIGHBORHOOD SERVICES..... | <u>24,177</u> | <u>(345)</u> | <u>23,832</u> | <u>25,604</u> | <u>1,772</u> |
| CAPITAL OUTLAY..... | <u>3,830</u> | <u>(808)</u> | <u>3,022</u> | <u>3,056</u> | <u>34</u> |
| DEBT SERVICE | | | | | |
| Principal Retirement..... | 10,913 | (8,129) | 2,784 | 2,980 | 196 |
| Interest..... | 1,242 | (49) | 1,193 | 3,859 | 2,666 |
| TOTAL DEBT SERVICE..... | <u>12,155</u> | <u>(8,178)</u> | <u>3,977</u> | <u>6,839</u> | <u>2,862</u> |
| TOTAL EXPENDITURES..... | <u>1,187,432</u> | <u>(9,331)</u> | <u>1,178,101</u> | <u>1,198,970</u> | <u>20,869</u> |

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Actual ¹ | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
|--------------------------------------------------|---------------------|----------------------------------------|------------------------------------|---------------------|---------------------------------------------------------|
| TRANSFERS TO PROPRIETARY FUNDS | | | | | |
| Internal Service Funds: | | | | | |
| City of San Diego: | | | | | |
| Fleet Services..... | \$ 4,838 | \$ - | \$ 4,838 | \$ 4,838 | \$ - |
| Miscellaneous Internal Service..... | 571 | - | 571 | 571 | - |
| Total Internal Service Funds | <u>5,409</u> | <u>-</u> | <u>5,409</u> | <u>5,409</u> | <u>-</u> |
| TOTAL TRANSFERS TO PROPRIETARY FUNDS..... | <u>5,409</u> | <u>-</u> | <u>5,409</u> | <u>5,409</u> | <u>-</u> |
| TRANSFERS TO OTHER FUNDS | | | | | |
| Special Revenue Funds: | | | | | |
| City of San Diego: | | | | | |
| Interfund Transfers..... | 33,020 | - | 33,020 | 33,022 | 2 |
| Acquisition, Improvement and Operations..... | 1,179 | - | 1,179 | 1,179 | - |
| Other Special Revenue - Budgeted..... | 7,041 | - | 7,041 | 7,041 | - |
| Grants..... | 1,241 | - | 1,241 | 1,241 | - |
| Other Special Revenue - Unbudgeted..... | 967 | - | 967 | 967 | - |
| Total Special Revenue Funds..... | <u>43,448</u> | <u>-</u> | <u>43,448</u> | <u>43,450</u> | <u>2</u> |
| Debt Service Funds: | | | | | |
| City of San Diego: | | | | | |
| McGuigan Loan Fund..... | 8,008 | - | 8,008 | 8,008 | - |
| Public Facilities Financing Authority..... | 10,718 | - | 10,718 | 10,718 | - |
| Total Debt Service Funds..... | <u>18,726</u> | <u>-</u> | <u>18,726</u> | <u>18,726</u> | <u>-</u> |
| Capital Projects Funds: | | | | | |
| City of San Diego: | | | | | |
| Capital Outlay..... | 5,304 | - | 5,304 | 5,304 | - |
| Public Facilities Financing Authority..... | 81 | - | 81 | 81 | - |
| Total Capital Projects Funds..... | <u>5,385</u> | <u>-</u> | <u>5,385</u> | <u>5,385</u> | <u>-</u> |
| Permanent Funds: | | | | | |
| Cemetery Perpetuity | 322 | - | 322 | 322 | - |
| TOTAL TRANSFERS TO OTHER FUNDS..... | <u>67,881</u> | <u>-</u> | <u>67,881</u> | <u>67,883</u> | <u>2</u> |
| TOTAL EXPENDITURES AND TRANSFERS..... | <u>\$ 1,260,722</u> | <u>\$ (9,331)</u> | <u>\$ 1,251,391</u> | <u>\$ 1,272,262</u> | <u>\$ 20,871</u> |

This Page Intentionally Left Blank

NONMAJOR GOVERNMENTAL FUNDS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014
(Dollars in Thousands)**

| | Special Revenue | Debt Service | Capital Projects | Permanent | Total Nonmajor Governmental Funds |
|-------------------------------------------------------------------------------------|--------------------|------------------|---------------------|------------------|-----------------------------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 312,632 | \$ 5 | \$ 394,445 | \$ - | \$ 707,082 |
| Receivables: | | | | | |
| Taxes - Net of Allowance for Uncollectibles | 20,219 | - | - | - | 20,219 |
| Accounts - Net of Allowance for Uncollectibles | 7,157 | 5,050 | 58,239 | 2 | 70,448 |
| Special Assessments | 401 | - | - | - | 401 |
| Notes | 217,581 | - | 31,360 | - | 248,941 |
| Loans | 68,386 | - | - | - | 68,386 |
| Accrued Interest | 322 | 8 | 422 | 14 | 766 |
| Grants | 10,993 | - | 13,062 | - | 24,055 |
| Advances to Other Funds | - | - | 5,206 | - | 5,206 |
| Advances to Other Agencies | 17,681 | - | - | - | 17,681 |
| Land Held for Resale | 32,212 | - | - | - | 32,212 |
| Prepaid Items | 24 | - | - | - | 24 |
| Restricted Cash and Investments | 9,722 | 29,124 | 108,196 | 24,315 | 171,357 |
| TOTAL ASSETS | \$ 697,330 | \$ 34,187 | \$ 610,930 | \$ 24,331 | \$ 1,366,778 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 33,684 | \$ - | \$ 13,673 | \$ 3 | \$ 47,360 |
| Accrued Wages and Benefits | 503 | - | - | - | 503 |
| Other Accrued Liabilities | 353 | - | - | - | 353 |
| Due to Other Funds | 35 | - | 38,770 | - | 38,805 |
| Due to Other Agencies | 53 | - | 1 | - | 54 |
| Unearned Revenue | 4,483 | - | 21,834 | - | 26,317 |
| Sundry Trust Liabilities | 104 | - | - | - | 104 |
| Advances from Other Funds | 6,754 | - | - | - | 6,754 |
| Contract Deposits | 80 | - | - | - | 80 |
| TOTAL LIABILITIES | 46,049 | - | 74,278 | 3 | 120,330 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue - Taxes | 159 | - | 53,660 | - | 53,819 |
| Unavailable Revenue - Grants | 3,702 | - | 9,997 | - | 13,699 |
| Unavailable Revenue - Other | 8,787 | 5,050 | 3,779 | 1 | 17,617 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 12,648 | 5,050 | 67,436 | 1 | 85,135 |
| FUND BALANCES | | | | | |
| Nonspendable | 19 | - | - | 24,307 | 24,326 |
| Restricted | 571,052 | 29,137 | 411,666 | 20 | 1,011,875 |
| Committed | 71,261 | - | 69,007 | - | 140,268 |
| Unassigned | (3,699) | - | (11,457) | - | (15,156) |
| TOTAL FUND BALANCES | 638,633 | 29,137 | 469,216 | 24,327 | 1,161,313 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 697,330 | \$ 34,187 | \$ 610,930 | \$ 24,331 | \$ 1,366,778 |

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014
(Dollars in Thousands)

| | Special Revenue | Debt Service | Capital Projects | Permanent | Total Nonmajor Governmental Funds |
|------------------------------------------------------------------------|--------------------|------------------|---------------------|------------------|-----------------------------------------|
| REVENUES | | | | | |
| Property Taxes | \$ 10,368 | \$ - | \$ - | \$ - | \$ 10,368 |
| Special Assessments | 50,796 | - | - | - | 50,796 |
| Sales Taxes | - | - | 24,345 | - | 24,345 |
| Transient Occupancy Taxes | 80,802 | - | - | - | 80,802 |
| Other Local Taxes | 69,398 | - | 2 | - | 69,400 |
| Licenses and Permits | 644 | - | 17,733 | - | 18,377 |
| Fines, Forfeitures and Penalties | 1,036 | - | - | - | 1,036 |
| Revenue from Use of Money and Property | 21,886 | 563 | 3,760 | 2,366 | 28,575 |
| Revenue from Federal Agencies | 43,556 | - | 7,073 | - | 50,629 |
| Revenue from Other Agencies | 7,029 | 9,112 | 16,264 | - | 32,405 |
| Revenue from Private Sources | 7,485 | - | 66,141 | 2,602 | 76,228 |
| Charges for Current Services | 20,399 | - | 80 | 75 | 20,554 |
| Other Revenue | 17,287 | 5 | 195 | - | 17,487 |
| TOTAL REVENUES | 330,686 | 9,680 | 135,593 | 5,043 | 481,002 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government and Support | 32,621 | - | 2,251 | - | 34,872 |
| Public Safety - Police | 4,998 | - | 20 | - | 5,018 |
| Public Safety - Fire, Life Safety and Homeland Security | 19,897 | - | - | - | 19,897 |
| Parks, Recreation, Culture and Leisure | 80,603 | - | 69 | 84 | 80,756 |
| Transportation | 33,397 | - | 10,261 | - | 43,658 |
| Sanitation and Health | 2,175 | - | 364 | 46 | 2,585 |
| Neighborhood Services | 31,865 | - | 3,686 | - | 35,551 |
| Capital Outlay | 17,973 | - | 94,660 | - | 112,633 |
| Debt Service: | | | | | |
| Principal Retirement | 1,549 | 32,000 | 507 | - | 34,056 |
| Cost of Issuance | - | 518 | - | - | 518 |
| Interest | 372 | 33,444 | 275 | - | 34,091 |
| TOTAL EXPENDITURES | 225,450 | 65,962 | 112,093 | 130 | 403,635 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 105,236 | (56,282) | 23,500 | 4,913 | 77,367 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from Proprietary Funds | - | 819 | 64 | - | 883 |
| Transfers from Other Funds | 21,290 | 70,876 | 43,771 | 322 | 136,259 |
| Transfers to Proprietary Funds | (58) | - | - | - | (58) |
| Transfers to Other Funds | (58,664) | (51,265) | (15,716) | (608) | (126,253) |
| Payment to Refunded Bond Escrow Agent | - | (16,025) | - | - | (16,025) |
| Proceeds from the Sale of Capital Assets | 5,997 | - | 900 | - | 6,897 |
| Loans Issued | - | - | 761 | - | 761 |
| Revenue Refunding Bonds Issued | - | 49,530 | - | - | 49,530 |
| Premium on Bonds Issued | - | 2,183 | - | - | 2,183 |
| TOTAL OTHER FINANCING SOURCES (USES) | (31,435) | 56,118 | 29,780 | (286) | 54,177 |
| NET CHANGE IN FUND BALANCES | 73,801 | (164) | 53,280 | 4,627 | 131,544 |
| Fund Balances at Beginning of Year, as Restated | 564,832 | 29,301 | 415,936 | 19,700 | 1,029,769 |
| FUND BALANCES AT END OF YEAR | \$ 638,633 | \$ 29,137 | \$ 469,216 | \$ 24,327 | \$ 1,161,313 |

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for debt service or major capital projects) that are restricted or committed to expenditures for specified purposes.

CITY OF SAN DIEGO

ACQUISITION, IMPROVEMENT AND OPERATIONS

This fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees.

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.

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 since August 1994, the tax rate is 10.5%.

UNDERGROUND SURCHARGE

This fund was established to account for activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with SDG&E.

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.

OTHER SPECIAL REVENUE - BUDGETED

This fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by City 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.

LOW-MODERATE INCOME HOUSING

This fund was established to account for affordable housing assets transferred from the Successor Agency to the Successor Housing Entity, which is the City, as required by California Health and Safety Code Section 34176(d), due to the dissolution of the Redevelopment Agency. This fund will also account for any future revenues generated from the housing assets.

OTHER SPECIAL REVENUE FUND - UNBUDGETED

This fund was established to account for revenues earmarked for a variety of special programs administered by such City departments as Engineering and Capital Projects, Libraries, Park and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, contributions from other agencies and private sources, and interest earnings.

BLENDED COMPONENT UNITS

CIVIC SAN DIEGO

This fund was established to account for the revenues and expenditures of Civic San Diego. CSD is a non-profit corporation that administers certain redevelopment projects throughout San Diego and provides redevelopment advisory services to the City of San Diego. It also assists with downtown parking management administration and affordable housing development. CSD is primarily funded by the City.

SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This fund was established to account for revenues and expenditures of the SDIDA. SDIDA was formed in 1983 pursuant to the California Industrial Development Financing Act for the purpose of providing an alternative method of financing to participating parties for economic development purposes, through the sale and issuance of revenue bonds. Revenues are derived from fees collected from companies applying for industrial development bond financing. Expenditures are incurred for management and administrative services provided by the City.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)

This fund was established to account for the activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City.

This Page Intentionally Left Blank

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2014
(Dollars in Thousands)

| | City of San Diego | Civic San Diego | San Diego Industrial Development Authority | Tobacco Settlement Revenue Funding Corporation | Total |
|---------------------------------------------------------|----------------------|--------------------|-----------------------------------------------------|---------------------------------------------------------|-------------------|
| ASSETS | | | | | |
| Cash and Investments..... | \$ 310,613 | \$ 1,952 | \$ 67 | \$ - | \$ 312,632 |
| Receivables: | | | | | |
| Taxes - Net of Allowance for Uncollectibles | 20,219 | - | - | - | 20,219 |
| Accounts - Net of Allowance for Uncollectibles | 6,327 | 830 | - | - | 7,157 |
| Special Assessments..... | 401 | - | - | - | 401 |
| Notes..... | 217,581 | - | - | - | 217,581 |
| Loans..... | 68,386 | - | - | - | 68,386 |
| Accrued Interest..... | 322 | - | - | - | 322 |
| Grants..... | 10,993 | - | - | - | 10,993 |
| Advances to Other Agencies..... | 17,681 | - | - | - | 17,681 |
| Land Held for Resale..... | 32,212 | - | - | - | 32,212 |
| Prepaid Items..... | 9 | 5 | - | 10 | 24 |
| Restricted Cash and Investments..... | 3,904 | 5,646 | - | 172 | 9,722 |
| TOTAL ASSETS..... | \$ 688,648 | \$ 8,433 | \$ 67 | \$ 182 | \$ 697,330 |
| LIABILITIES | | | | | |
| Accounts Payable..... | \$ 33,684 | \$ - | \$ - | \$ - | \$ 33,684 |
| Accrued Wages and Benefits..... | 503 | - | - | - | 503 |
| Other Accrued Liabilities..... | - | 353 | - | - | 353 |
| Due to Other Funds..... | 17 | 18 | - | - | 35 |
| Due to Other Agencies..... | 53 | - | - | - | 53 |
| Unearned Revenue..... | 4,483 | - | - | - | 4,483 |
| Sundry Trust Liabilities..... | 104 | - | - | - | 104 |
| Advances from Other Funds..... | - | 6,754 | - | - | 6,754 |
| Contract Deposits..... | 16 | 64 | - | - | 80 |
| TOTAL LIABILITIES..... | 38,860 | 7,189 | - | - | 46,049 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue - Taxes..... | 159 | - | - | - | 159 |
| Unavailable Revenue - Grants..... | 3,702 | - | - | - | 3,702 |
| Unavailable Revenue - Other..... | 8,787 | - | - | - | 8,787 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 12,648 | - | - | - | 12,648 |
| FUND BALANCES | | | | | |
| Nonspendable..... | 9 | - | - | 10 | 19 |
| Restricted..... | 570,880 | - | - | 172 | 571,052 |
| Committed..... | 69,950 | 1,244 | 67 | - | 71,261 |
| Unassigned..... | (3,699) | - | - | - | (3,699) |
| TOTAL FUND BALANCES..... | 637,140 | 1,244 | 67 | 182 | 638,633 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES | | | | | |
| AND FUND BALANCES..... | \$ 688,648 | \$ 8,433 | \$ 67 | \$ 182 | \$ 697,330 |

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014
(Dollars in Thousands)

| | City of San Diego | Civic San Diego | San Diego Industrial Development Authority | Tobacco Settlement Revenue Funding Corporation | Total |
|-----------------------------------------------------------------|----------------------|--------------------|-----------------------------------------------------|---------------------------------------------------------|-------------------|
| REVENUES | | | | | |
| Property Taxes..... | \$ 10,368 | \$ - | \$ - | \$ - | \$ 10,368 |
| Special Assessments..... | 50,796 | - | - | - | 50,796 |
| Transient Occupancy Taxes..... | 80,802 | - | - | - | 80,802 |
| Other Local Taxes..... | 69,398 | - | - | - | 69,398 |
| Licenses and Permits..... | 644 | - | - | - | 644 |
| Fines, Forfeitures and Penalties..... | 1,036 | - | - | - | 1,036 |
| Revenue from Use of Money and Property..... | 21,854 | 32 | - | - | 21,886 |
| Revenue from Federal Agencies..... | 43,556 | - | - | - | 43,556 |
| Revenue from Other Agencies..... | 6,990 | 39 | - | - | 7,029 |
| Revenue from Private Sources..... | 7,485 | - | - | - | 7,485 |
| Charges for Current Services..... | 13,629 | 6,770 | - | - | 20,399 |
| Other Revenue..... | 17,280 | 7 | - | - | 17,287 |
| TOTAL REVENUES..... | 323,838 | 6,848 | - | - | 330,686 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government and Support..... | 26,534 | 6,045 | - | 42 | 32,621 |
| Public Safety - Police..... | 4,998 | - | - | - | 4,998 |
| Public Safety - Fire and Life Safety and Homeland Security..... | 19,897 | - | - | - | 19,897 |
| Parks, Recreation, Culture and Leisure..... | 80,603 | - | - | - | 80,603 |
| Transportation..... | 33,397 | - | - | - | 33,397 |
| Sanitation and Health..... | 2,175 | - | - | - | 2,175 |
| Neighborhood Services..... | 31,865 | - | - | - | 31,865 |
| Capital Outlay..... | 17,838 | 135 | - | - | 17,973 |
| Debt Service: | | | | | |
| Principal Retirement..... | 1,549 | - | - | - | 1,549 |
| Interest..... | 372 | - | - | - | 372 |
| TOTAL EXPENDITURES..... | 219,228 | 6,180 | - | 42 | 225,450 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 104,610 | 668 | - | (42) | 105,236 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from Other Funds..... | 21,249 | - | - | 41 | 21,290 |
| Transfers to Proprietary Funds..... | (58) | - | - | - | (58) |
| Transfers to Other Funds..... | (58,664) | - | - | - | (58,664) |
| Proceeds from the Sale of Capital Assets..... | 5,997 | - | - | - | 5,997 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (31,476) | - | - | 41 | (31,435) |
| NET CHANGE IN FUND BALANCES..... | 73,134 | 668 | - | (1) | 73,801 |
| Fund Balances at Beginning of Year, as Restated | 564,006 | 576 | 67 | 183 | 564,832 |
| FUND BALANCES AT END OF YEAR..... | \$ 637,140 | \$ 1,244 | \$ 67 | \$ 182 | \$ 638,633 |

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | City of San Diego | |
|-----------------------------------------------------------------|--------------------------------------|-------------------------|
| | Actual on Budgetary Basis | Final Budget |
| REVENUES | | |
| Property Taxes..... | \$ 10,292 | \$ 10,184 |
| Special Assessments..... | 15,124 | 15,707 |
| Transient Occupancy Taxes..... | 80,802 | 79,870 |
| Other Local Taxes..... | 69,316 | 68,270 |
| Licenses and Permits..... | 631 | 560 |
| Revenue from Use of Money and Property..... | 8,741 | 7,818 |
| Revenue from Federal Agencies..... | 1,515 | 1,010 |
| Revenue from Other Agencies..... | 4,500 | 4,500 |
| Revenue from Private Sources..... | 983 | 930 |
| Charges for Current Services..... | 6,617 | 3,875 |
| Other Revenue..... | 959 | 60 |
| | 199,480 | 192,784 |
| TOTAL REVENUES..... | | |
| EXPENDITURES | | |
| Current: | | |
| General Government and Support..... | 3,215 | 3,604 |
| Public Safety - Police..... | 1,492 | 1,460 |
| Public Safety - Fire and Life Safety and Homeland Security..... | 584 | 598 |
| Parks, Recreation, Culture and Leisure..... | 78,106 | 121,279 |
| Transportation..... | 51,924 | 131,487 |
| Sanitation and Health..... | 1,357 | 1,668 |
| Neighborhood Services..... | 2,292 | 2,686 |
| Capital Outlay..... | 10,004 | - |
| Debt Service: | | |
| Principal Retirement..... | - | 25 |
| Interest..... | - | 5 |
| | 148,974 | 262,812 |
| TOTAL EXPENDITURES..... | | |
| | 148,974 | 262,812 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 50,506 | (70,028) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers from Other Funds..... | 19,770 | 21,270 |
| Transfers to Proprietary Funds..... | (58) | (58) |
| Transfers to Other Funds..... | (58,418) | (58,893) |
| | (38,706) | (37,681) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | | |
| | (38,706) | (37,681) |
| NET CHANGE IN FUND BALANCES..... | 11,800 | (107,709) |
| Fund Balances - Beginning, as Restated..... | 141,159 | 141,159 |
| FUND BALANCES - ENDING..... | \$ 152,959 | \$ 33,450 |

| Civic San Diego | | Total | | |
|------------------------------|-----------------|------------------------------|------------------|---------------------------------------------------------|
| Actual on Budgetary Basis | Final Budget | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ - | \$ - | \$ 10,292 | \$ 10,184 | \$ 108 |
| - | - | 15,124 | 15,707 | (583) |
| - | - | 80,802 | 79,870 | 932 |
| - | - | 69,316 | 68,270 | 1,046 |
| - | - | 631 | 560 | 71 |
| 32 | - | 8,773 | 7,818 | 955 |
| - | - | 1,515 | 1,010 | 505 |
| 39 | - | 4,539 | 4,500 | 39 |
| - | - | 983 | 930 | 53 |
| 6,770 | 6,145 | 13,387 | 10,020 | 3,367 |
| 7 | - | 966 | 60 | 906 |
| <u>6,848</u> | <u>6,145</u> | <u>206,328</u> | <u>198,929</u> | <u>7,399</u> |
| 6,045 | 6,145 | 9,260 | 9,749 | 489 |
| - | - | 1,492 | 1,460 | (32) |
| - | - | 584 | 598 | 14 |
| - | - | 78,106 | 121,279 | 43,173 |
| - | - | 51,924 | 131,487 | 79,563 |
| - | - | 1,357 | 1,668 | 311 |
| - | - | 2,292 | 2,686 | 394 |
| 135 | - | 10,139 | - | (10,139) |
| - | - | - | 25 | 25 |
| - | - | - | 5 | 5 |
| <u>6,180</u> | <u>6,145</u> | <u>155,154</u> | <u>268,957</u> | <u>113,803</u> |
| 668 | - | 51,174 | (70,028) | 121,202 |
| - | - | 19,770 | 21,270 | (1,500) |
| - | - | (58) | (58) | - |
| - | - | (58,418) | (58,893) | 475 |
| - | - | (38,706) | (37,681) | (1,025) |
| 668 | - | 12,468 | (107,709) | 120,177 |
| <u>576</u> | <u>576</u> | <u>141,735</u> | <u>141,735</u> | <u>-</u> |
| <u>\$ 1,244</u> | <u>\$ 576</u> | <u>\$ 154,203</u> | <u>\$ 34,026</u> | <u>\$ 120,177</u> |

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2014
(Dollars in Thousands)

| | Budgeted | | |
|------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------|-------------------------------|
| | Acquisition, Improvement and Operations | Qualcomm Stadium Operations | Transient Occupancy Tax |
| ASSETS | | | |
| Cash and Investments..... | \$ 21,973 | \$ 4,595 | \$ 11,938 |
| Receivables: | | | |
| Taxes - Net of Allowance for Uncollectibles | - | - | 7,587 |
| Accounts - Net of Allowance for Uncollectibles | 509 | 309 | 4,118 |
| Special Assessments..... | 386 | - | - |
| Notes..... | - | - | - |
| Loans..... | - | - | - |
| Accrued Interest..... | 26 | 5 | 5 |
| Grants..... | - | - | - |
| Advances to Other Agencies..... | 1,206 | - | 1,271 |
| Land Held for Resale..... | - | - | - |
| Prepaid Items..... | - | - | 9 |
| Restricted Cash and Investments..... | - | - | - |
| TOTAL ASSETS..... | \$ 24,100 | \$ 4,909 | \$ 24,928 |
| LIABILITIES | | | |
| Accounts Payable..... | \$ 1,742 | \$ 300 | \$ 4,027 |
| Accrued Wages and Benefits..... | 209 | 173 | 61 |
| Due to Other Funds..... | - | - | - |
| Due to Other Agencies..... | - | - | - |
| Unearned Revenue..... | - | - | - |
| Sundry Trust Liabilities..... | - | - | - |
| Contract Deposits..... | - | 3 | - |
| TOTAL LIABILITIES..... | 1,951 | 476 | 4,088 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Taxes..... | - | - | - |
| Unavailable Revenue - Grants..... | - | - | - |
| Unavailable Revenue - Other..... | 833 | 309 | 3,603 |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | 833 | 309 | 3,603 |
| FUND BALANCES | | | |
| Nonspendable..... | - | - | 9 |
| Restricted..... | 20,607 | - | - |
| Committed..... | 709 | 4,124 | 17,228 |
| Unassigned..... | - | - | - |
| TOTAL FUND BALANCES..... | 21,316 | 4,124 | 17,237 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES..... | \$ 24,100 | \$ 4,909 | \$ 24,928 |

| | | | | | | | Unbudgeted |
|--------------------------|------------------------|--------------------------|------------------|-------------------|--------------------------|-------------------|------------|
| Underground Surcharge | Zoological Exhibits | Other Special Revenue | Low-Moderate | | | Total | |
| | | | Grants | Income Housing | Other Special Revenue | | |
| \$ 63,415 | \$ 6,688 | \$ 63,334 | \$ 1,417 | \$ 28,583 | \$ 108,670 | \$ 310,613 | |
| 12,423 | 209 | - | - | - | - | 20,219 | |
| - | - | 383 | 2 | - | 1,006 | 6,327 | |
| - | - | - | - | - | 15 | 401 | |
| - | - | - | - | 214,560 | 3,021 | 217,581 | |
| - | - | - | 64,040 | - | 4,346 | 68,386 | |
| 77 | - | 60 | 8 | 35 | 106 | 322 | |
| - | - | - | 10,993 | - | - | 10,993 | |
| - | - | - | - | - | 15,204 | 17,681 | |
| - | - | - | - | 32,212 | - | 32,212 | |
| - | - | - | - | - | - | 9 | |
| - | - | - | - | 2,614 | 1,290 | 3,904 | |
| <u>\$ 75,915</u> | <u>\$ 6,897</u> | <u>\$ 63,777</u> | <u>\$ 76,460</u> | <u>\$ 278,004</u> | <u>\$ 133,658</u> | <u>\$ 688,648</u> | |
| \$ 7,762 | \$ 6,172 | \$ 2,632 | \$ 3,805 | \$ 671 | \$ 6,573 | \$ 33,684 | |
| 14 | - | 46 | - | - | - | 503 | |
| - | - | - | - | - | 17 | 17 | |
| - | - | - | 53 | - | - | 53 | |
| - | - | - | 4,393 | 90 | - | 4,483 | |
| - | - | - | - | 104 | - | 104 | |
| - | - | - | - | - | 13 | 16 | |
| <u>7,776</u> | <u>6,172</u> | <u>2,678</u> | <u>8,251</u> | <u>865</u> | <u>6,603</u> | <u>38,860</u> | |
| - | 159 | - | - | - | - | 159 | |
| - | - | - | 3,702 | - | - | 3,702 | |
| - | - | 19 | - | - | 4,023 | 8,787 | |
| - | 159 | 19 | 3,702 | - | 4,023 | 12,648 | |
| - | - | - | - | - | - | 9 | |
| 68,139 | 566 | 56,773 | 68,206 | 277,139 | 79,450 | 570,880 | |
| - | - | 4,307 | - | - | 43,582 | 69,950 | |
| - | - | - | (3,699) | - | - | (3,699) | |
| <u>68,139</u> | <u>566</u> | <u>61,080</u> | <u>64,507</u> | <u>277,139</u> | <u>123,032</u> | <u>637,140</u> | |
| <u>\$ 75,915</u> | <u>\$ 6,897</u> | <u>\$ 63,777</u> | <u>\$ 76,460</u> | <u>\$ 278,004</u> | <u>\$ 133,658</u> | <u>\$ 688,648</u> | |

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014
(Dollars in Thousands)

| | Budgeted | | |
|-----------------------------------------------------------------|-----------------------------------------------|-----------------------------------|-------------------------------|
| | Acquisition, Improvement and Operations | Qualcomm Stadium Operations | Transient Occupancy Tax |
| REVENUES | | | |
| Property Taxes..... | \$ - | \$ - | \$ - |
| Special Assessments..... | 15,124 | - | - |
| Transient Occupancy Taxes..... | - | - | 80,802 |
| Other Local Taxes..... | - | - | - |
| Licenses and Permits..... | - | 12 | 77 |
| Fines, Forfeitures and Penalties..... | - | - | - |
| Revenue from Use of Money and Property..... | 121 | 6,673 | 1,467 |
| Revenue from Federal Agencies..... | - | - | - |
| Revenue from Other Agencies..... | - | - | 4,500 |
| Revenue from Private Sources..... | 15 | - | 968 |
| Charges for Current Services..... | 4,828 | 225 | 29 |
| Other Revenue..... | 558 | 13 | 213 |
| TOTAL REVENUES..... | 20,646 | 6,923 | 88,056 |
| EXPENDITURES | | | |
| Current: | | | |
| General Government and Support..... | 3,157 | - | - |
| Public Safety - Police..... | - | - | - |
| Public Safety - Fire and Life Safety and Homeland Security..... | - | - | - |
| Parks, Recreation, Culture and Leisure..... | 17,339 | 11,455 | 38,298 |
| Transportation..... | - | - | 12 |
| Sanitation and Health..... | - | - | - |
| Neighborhood Services..... | 2,080 | - | - |
| Capital Outlay..... | 917 | 133 | - |
| Debt Service: | | | |
| Principal Retirement..... | - | - | - |
| Interest..... | - | - | - |
| TOTAL EXPENDITURES..... | 23,493 | 11,588 | 38,310 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | (2,847) | (4,665) | 49,746 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from Other Funds..... | 2,359 | 10,200 | - |
| Transfers to Proprietary Funds..... | - | (58) | - |
| Transfers to Other Funds..... | (59) | (4,932) | (52,931) |
| Proceeds from the Sale of Capital Assets..... | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 2,300 | 5,210 | (52,931) |
| NET CHANGE IN FUND BALANCES..... | (547) | 545 | (3,185) |
| Fund Balances at Beginning of Year, as Restated..... | 21,863 | 3,579 | 20,422 |
| FUND BALANCES AT END OF YEAR..... | \$ 21,316 | \$ 4,124 | \$ 17,237 |

| | | | | | | | Unbudgeted | |
|--------------------------|------------------------|--------------------------|------------------|-----------------------------------|--------------------------|-------------------|------------|--|
| Underground Surcharge | Zoological Exhibits | Other Special Revenue | Grants | Low-Moderate Income Housing | Other Special Revenue | Total | | |
| \$ - | \$ 10,292 | \$ - | \$ - | \$ - | \$ 76 | \$ 10,368 | | |
| - | - | - | - | - | 35,672 | 50,796 | | |
| - | - | - | - | - | - | 80,802 | | |
| 50,734 | - | 18,582 | - | - | 82 | 69,398 | | |
| - | - | 542 | - | - | 13 | 644 | | |
| - | - | - | - | - | 1,036 | 1,036 | | |
| 348 | 11 | 335 | 42 | 6,041 | 6,816 | 21,854 | | |
| - | - | 1,515 | 42,041 | - | - | 43,556 | | |
| - | - | - | 1,927 | - | 563 | 6,990 | | |
| - | - | - | - | - | 6,502 | 7,485 | | |
| - | - | 1,535 | - | - | 7,012 | 13,629 | | |
| - | - | 175 | 547 | 15,341 | 433 | 17,280 | | |
| <u>51,082</u> | <u>10,303</u> | <u>22,684</u> | <u>44,557</u> | <u>21,382</u> | <u>58,205</u> | <u>323,838</u> | | |
| - | - | - | 2,201 | - | 21,176 | 26,534 | | |
| - | - | 1,492 | 3,444 | - | 62 | 4,998 | | |
| - | - | 576 | 19,059 | - | 262 | 19,897 | | |
| - | 10,184 | 348 | 207 | - | 2,772 | 80,603 | | |
| 29,970 | - | 3,413 | - | - | 2 | 33,397 | | |
| - | - | 1,357 | 793 | - | 25 | 2,175 | | |
| - | - | - | 12,859 | 1,895 | 15,031 | 31,865 | | |
| 7,467 | - | 1,487 | 4,601 | - | 3,233 | 17,838 | | |
| - | - | - | - | - | 1,549 | 1,549 | | |
| - | - | - | 90 | - | 282 | 372 | | |
| <u>37,437</u> | <u>10,184</u> | <u>8,673</u> | <u>43,254</u> | <u>1,895</u> | <u>44,394</u> | <u>219,228</u> | | |
| <u>13,645</u> | <u>119</u> | <u>14,011</u> | <u>1,303</u> | <u>19,487</u> | <u>13,811</u> | <u>104,610</u> | | |
| - | - | 7,211 | 97 | - | 1,382 | 21,249 | | |
| - | - | - | - | - | - | (58) | | |
| (417) | (11) | (68) | (5) | - | (241) | (58,664) | | |
| - | - | - | - | 5,997 | - | 5,997 | | |
| <u>(417)</u> | <u>(11)</u> | <u>7,143</u> | <u>92</u> | <u>5,997</u> | <u>1,141</u> | <u>(31,476)</u> | | |
| 13,228 | 108 | 21,154 | 1,395 | 25,484 | 14,952 | 73,134 | | |
| <u>54,911</u> | <u>458</u> | <u>39,926</u> | <u>63,112</u> | <u>251,655</u> | <u>108,080</u> | <u>564,006</u> | | |
| <u>\$ 68,139</u> | <u>\$ 566</u> | <u>\$ 61,080</u> | <u>\$ 64,507</u> | <u>\$ 277,139</u> | <u>\$ 123,032</u> | <u>\$ 637,140</u> | | |

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 Year Ended June 30, 2014
 (Dollars in Thousands)

| | Acquisition, Improvement and Operations | | | | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------------------|-----------------------------------------|----------------------------------|------------------------------|-----------------|---------------------------------------------------------|
| | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | |
| REVENUES | | | | | |
| Property Taxes..... | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special Assessments..... | 15,124 | - | 15,124 | 15,707 | (583) |
| Transient Occupancy Taxes..... | - | - | - | - | - |
| Other Local Taxes..... | - | - | - | - | - |
| Licenses and Permits..... | - | - | - | - | - |
| Revenue from Use of Money and Property..... | 121 | (34) | 87 | 122 | (35) |
| Revenue from Federal Agencies..... | - | - | - | - | - |
| Revenue from Other Agencies..... | - | - | - | - | - |
| Revenue from Private Sources..... | 15 | - | 15 | - | 15 |
| Charges for Current Services..... | 4,828 | - | 4,828 | 2,156 | 2,672 |
| Other Revenue..... | 558 | - | 558 | 16 | 542 |
| TOTAL REVENUES..... | 20,646 | (34) | 20,612 | 18,001 | 2,611 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government and Support..... | 3,157 | 58 | 3,215 | 3,604 | 389 |
| Public Safety - Police..... | - | - | - | - | - |
| Public Safety - Fire and Life Safety and Homeland Security..... | - | - | - | - | - |
| Parks, Recreation, Culture and Leisure..... | 17,339 | 11 | 17,350 | 35,425 | 18,075 |
| Transportation..... | - | - | - | - | - |
| Sanitation and Health..... | - | - | - | - | - |
| Neighborhood Services..... | 2,080 | 212 | 2,292 | 2,686 | 394 |
| Capital Outlay..... | 917 | - | 917 | - | (917) |
| Debt Service: | | | | | |
| Principal Retirement..... | - | - | - | - | - |
| Interest..... | - | - | - | - | - |
| TOTAL EXPENDITURES..... | 23,493 | 281 | 23,774 | 41,715 | 17,941 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | (2,847) | (315) | (3,162) | (23,714) | 20,552 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from Other Funds..... | 2,359 | - | 2,359 | 5,305 | (2,946) |
| Transfers to Proprietary Funds..... | - | - | - | - | - |
| Transfers to Other Funds..... | (59) | - | (59) | (135) | 76 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 2,300 | - | 2,300 | 5,170 | (2,870) |
| NET CHANGE IN FUND BALANCES..... | (547) | (315) | (862) | (18,544) | 17,682 |
| Fund Balances - Beginning, as Restated..... | 21,863 | - | 21,863 | 21,863 | - |
| FUND BALANCES - ENDING..... | \$ 21,316 | \$ (315) | \$ 21,001 | \$ 3,319 | \$ 17,682 |

| Qualcomm Stadium Operations | | | | | Transient Occupancy Tax | | | | |
|-----------------------------|-------------------------------|---------------------------|-----------------|------------------------------------------------|-------------------------|-------------------------------|---------------------------|------------------|------------------------------------------------|
| Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 80,802 | - | 80,802 | 79,870 | 932 |
| - | - | - | - | - | - | - | - | - | - |
| 12 | - | 12 | 8 | 4 | 77 | - | 77 | 50 | 27 |
| 6,673 | (7) | 6,666 | 6,179 | 487 | 1,467 | (7) | 1,460 | 1,138 | 322 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 4,500 | - | 4,500 | 4,500 | - |
| - | - | - | - | - | 968 | - | 968 | 930 | 38 |
| 225 | - | 225 | 49 | 176 | 29 | - | 29 | 100 | (71) |
| 13 | - | 13 | 44 | (31) | 213 | - | 213 | - | 213 |
| <u>6,923</u> | <u>(7)</u> | <u>6,916</u> | <u>6,280</u> | <u>636</u> | <u>88,056</u> | <u>(7)</u> | <u>88,049</u> | <u>86,588</u> | <u>1,461</u> |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| 11,455 | - | 11,455 | 13,314 | 1,859 | 38,298 | - | 38,298 | 41,597 | 3,299 |
| - | - | - | - | - | 12 | - | 12 | 27 | 15 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| 133 | - | 133 | - | (133) | - | - | - | - | - |
| - | - | - | 25 | 25 | - | - | - | - | - |
| - | - | - | 5 | 5 | - | - | - | - | - |
| <u>11,588</u> | <u>-</u> | <u>11,588</u> | <u>13,344</u> | <u>1,756</u> | <u>38,310</u> | <u>-</u> | <u>38,310</u> | <u>41,624</u> | <u>3,314</u> |
| <u>(4,665)</u> | <u>(7)</u> | <u>(4,672)</u> | <u>(7,064)</u> | <u>2,392</u> | <u>49,746</u> | <u>(7)</u> | <u>49,739</u> | <u>44,964</u> | <u>4,775</u> |
| 10,200 | - | 10,200 | 10,200 | - | - | - | - | - | - |
| (58) | - | (58) | (58) | - | - | - | - | - | - |
| <u>(4,932)</u> | <u>-</u> | <u>(4,932)</u> | <u>(4,932)</u> | <u>-</u> | <u>(52,931)</u> | <u>-</u> | <u>(52,931)</u> | <u>(53,330)</u> | <u>399</u> |
| <u>5,210</u> | <u>-</u> | <u>5,210</u> | <u>5,210</u> | <u>-</u> | <u>(52,931)</u> | <u>-</u> | <u>(52,931)</u> | <u>(53,330)</u> | <u>399</u> |
| 545 | (7) | 538 | (1,854) | 2,392 | (3,185) | (7) | (3,192) | (8,366) | 5,174 |
| 3,579 | - | 3,579 | 3,579 | - | 20,422 | - | 20,422 | 20,422 | - |
| <u>\$ 4,124</u> | <u>\$ (7)</u> | <u>\$ 4,117</u> | <u>\$ 1,725</u> | <u>\$ 2,392</u> | <u>\$ 17,237</u> | <u>\$ (7)</u> | <u>\$ 17,230</u> | <u>\$ 12,056</u> | <u>\$ 5,174</u> |

Continued on Next Page

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Underground Surcharge | | | | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------------------|-----------------------|----------------------------------|------------------------------|-----------------|---------------------------------------------------------|
| | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | |
| REVENUES | | | | | |
| Property Taxes..... | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special Assessments..... | - | - | - | - | - |
| Transient Occupancy Taxes..... | - | - | - | - | - |
| Other Local Taxes..... | 50,734 | - | 50,734 | 48,792 | 1,942 |
| Licenses and Permits..... | - | - | - | - | - |
| Revenue from Use of Money and Property..... | 348 | (92) | 256 | 300 | (44) |
| Revenue from Federal Agencies..... | - | - | - | - | - |
| Revenue from Other Agencies..... | - | - | - | - | - |
| Revenue from Private Sources..... | - | - | - | - | - |
| Charges for Current Services..... | - | - | - | - | - |
| Other Revenue..... | - | - | - | - | - |
| TOTAL REVENUES..... | 51,082 | (92) | 50,990 | 49,092 | 1,898 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government and Support..... | - | - | - | - | - |
| Public Safety - Police..... | - | - | - | - | - |
| Public Safety - Fire and Life Safety and Homeland Security..... | - | - | - | - | - |
| Parks, Recreation, Culture and Leisure..... | - | - | - | - | - |
| Transportation..... | 29,970 | 17,206 | 47,176 | 95,026 | 47,850 |
| Sanitation and Health..... | - | - | - | - | - |
| Neighborhood Services..... | - | - | - | - | - |
| Capital Outlay..... | 7,467 | - | 7,467 | - | (7,467) |
| Debt Service: | | | | | |
| Principal Retirement..... | - | - | - | - | - |
| Interest..... | - | - | - | - | - |
| TOTAL EXPENDITURES..... | 37,437 | 17,206 | 54,643 | 95,026 | 40,383 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 13,645 | (17,298) | (3,653) | (45,934) | 42,281 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from Other Funds..... | - | - | - | - | - |
| Transfers to Proprietary Funds..... | - | - | - | - | - |
| Transfers to Other Funds..... | (417) | - | (417) | (417) | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (417) | - | (417) | (417) | - |
| NET CHANGE IN FUND BALANCES..... | 13,228 | (17,298) | (4,070) | (46,351) | 42,281 |
| Fund Balances - Beginning, as Restated..... | 54,911 | - | 54,911 | 54,911 | - |
| FUND BALANCES - ENDING..... | \$ 68,139 | \$ (17,298) | \$ 50,841 | \$ 8,560 | \$ 42,281 |

| Zoological Exhibits | | | | | Other Special Revenue | | | | |
|---------------------|-------------------------------|---------------------------|---------------|------------------------------------------------|-----------------------|-------------------------------|---------------------------|-----------------|------------------------------------------------|
| Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ 10,292 | \$ - | \$ 10,292 | \$ 10,184 | \$ 108 | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 18,582 | - | 18,582 | 19,478 | (896) |
| - | - | - | - | - | 542 | - | 542 | 502 | 40 |
| 11 | - | 11 | 11 | - | 335 | (74) | 261 | 68 | 193 |
| - | - | - | - | - | 1,515 | - | 1,515 | 1,010 | 505 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 1,535 | - | 1,535 | 1,570 | (35) |
| - | - | - | - | - | 175 | - | 175 | - | 175 |
| <u>10,303</u> | <u>-</u> | <u>10,303</u> | <u>10,195</u> | <u>108</u> | <u>22,684</u> | <u>(74)</u> | <u>22,610</u> | <u>22,628</u> | <u>(18)</u> |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 1,492 | - | 1,492 | 1,460 | (32) |
| - | - | - | - | - | 576 | 8 | 584 | 598 | 14 |
| 10,184 | - | 10,184 | 10,184 | - | 348 | 471 | 819 | 20,759 | 19,940 |
| - | - | - | - | - | 3,413 | 1,323 | 4,736 | 36,434 | 31,698 |
| - | - | - | - | - | 1,357 | - | 1,357 | 1,668 | 311 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 1,487 | - | 1,487 | - | (1,487) |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| <u>10,184</u> | <u>-</u> | <u>10,184</u> | <u>10,184</u> | <u>-</u> | <u>8,673</u> | <u>1,802</u> | <u>10,475</u> | <u>60,919</u> | <u>50,444</u> |
| <u>119</u> | <u>-</u> | <u>119</u> | <u>11</u> | <u>108</u> | <u>14,011</u> | <u>(1,876)</u> | <u>12,135</u> | <u>(38,291)</u> | <u>50,426</u> |
| - | - | - | - | - | 7,211 | - | 7,211 | 5,765 | 1,446 |
| - | - | - | - | - | - | - | - | - | - |
| (11) | - | (11) | (11) | - | (68) | - | (68) | (68) | - |
| (11) | - | (11) | (11) | - | 7,143 | - | 7,143 | 5,697 | 1,446 |
| 108 | - | 108 | - | 108 | 21,154 | (1,876) | 19,278 | (32,594) | 51,872 |
| 458 | - | 458 | 458 | - | 39,926 | - | 39,926 | 39,926 | - |
| <u>\$ 566</u> | <u>\$ -</u> | <u>\$ 566</u> | <u>\$ 458</u> | <u>\$ 108</u> | <u>\$ 61,080</u> | <u>\$ (1,876)</u> | <u>\$ 59,204</u> | <u>\$ 7,332</u> | <u>\$ 51,872</u> |

Continued on Next Page

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014
(Dollars in Thousands)

| | Total | | | | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------------------|-------------------|----------------------------------|------------------------------|------------------|---------------------------------------------------------|
| | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | |
| REVENUES | | | | | |
| Property Taxes..... | \$ 10,292 | \$ - | \$ 10,292 | \$ 10,184 | \$ 108 |
| Special Assessments..... | 15,124 | - | 15,124 | 15,707 | (583) |
| Transient Occupancy Taxes..... | 80,802 | - | 80,802 | 79,870 | 932 |
| Other Local Taxes..... | 69,316 | - | 69,316 | 68,270 | 1,046 |
| Licenses and Permits..... | 631 | - | 631 | 560 | 71 |
| Revenue from Use of Money and Property..... | 8,955 | (214) | 8,741 | 7,818 | 923 |
| Revenue from Federal Agencies..... | 1,515 | - | 1,515 | 1,010 | 505 |
| Revenue from Other Agencies..... | 4,500 | - | 4,500 | 4,500 | - |
| Revenue from Private Sources..... | 983 | - | 983 | 930 | 53 |
| Charges for Current Services..... | 6,617 | - | 6,617 | 3,875 | 2,742 |
| Other Revenue..... | 959 | - | 959 | 60 | 899 |
| TOTAL REVENUES..... | 199,694 | (214) | 199,480 | 192,784 | 6,696 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government and Support..... | 3,157 | 58 | 3,215 | 3,604 | 389 |
| Public Safety - Police..... | 1,492 | - | 1,492 | 1,460 | (32) |
| Public Safety - Fire and Life Safety and Homeland Security..... | 576 | 8 | 584 | 598 | 14 |
| Parks, Recreation, Culture and Leisure..... | 77,624 | 482 | 78,106 | 121,279 | 43,173 |
| Transportation..... | 33,395 | 18,529 | 51,924 | 131,487 | 79,563 |
| Sanitation and Health..... | 1,357 | - | 1,357 | 1,668 | 311 |
| Neighborhood Services..... | 2,080 | 212 | 2,292 | 2,686 | 394 |
| Capital Outlay..... | 10,004 | - | 10,004 | - | (10,004) |
| Debt Service: | | | | | |
| Principal Retirement..... | - | - | - | 25 | 25 |
| Interest..... | - | - | - | 5 | 5 |
| TOTAL EXPENDITURES..... | 129,685 | 19,289 | 148,974 | 262,812 | 113,838 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 70,009 | (19,503) | 50,506 | (70,028) | 120,534 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from Other Funds..... | 19,770 | - | 19,770 | 21,270 | (1,500) |
| Transfers to Proprietary Funds..... | (58) | - | (58) | (58) | - |
| Transfers to Other Funds..... | (58,418) | - | (58,418) | (58,893) | 475 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (38,706) | - | (38,706) | (37,681) | (1,025) |
| NET CHANGE IN FUND BALANCES..... | 31,303 | (19,503) | 11,800 | (107,709) | 119,509 |
| Fund Balances - Beginning, as Restated..... | 141,159 | - | 141,159 | 141,159 | - |
| FUND BALANCES - ENDING..... | \$ 172,462 | \$ (19,503) | \$ 152,959 | \$ 33,450 | \$ 119,509 |

NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for general long-term debt principal, interest, and related costs.

CITY OF SAN DIEGO

MCGUIGAN LOAN FUND

This fund was established to account for the initial receipt and principal and interest payments related to a loan from Bank of America; the proceeds of which were used to satisfy the outstanding obligation of the McGuigan Settlement. This loan is serviced by contributions from various operating departments within the City.

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/MTDB Authority. City/MTDB Authority is a joint powers authority created to acquire and construct mass public transit guideways, systems and related facilities. MTDB's debt service fund is used to account for the payment of long-term debt principal and interest. This fund is serviced by investment income, lease payments from the City, 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 CCEFA. CCEFA, created by the City and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the San Diego Convention Center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the debt service activities of the PFFA. PFFA, a joint powers authority consisting of the City, the Successor Agency and the Housing Authority of the City of San Diego, facilitates the financing, acquisition and construction of public capital facility improvements. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the debt service activities of the SDFELC. SDFELC was established to acquire and lease to the City real and personal property to be used in the municipal operations of the City. The City makes lease payments from annual appropriations payable out of any source of legally available funds.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)

This fund was established to account for the debt service activities of the TSRFC. 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.

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2014
(Dollars in Thousands)**

| | City of San Diego | City of San Diego/MTDB Authority | Convention Center Expansion Financing Authority |
|-----------------------------------------------------------------------|----------------------|----------------------------------------|-------------------------------------------------------------|
| ASSETS | | | |
| Cash and Investments..... | \$ - | \$ - | \$ - |
| Receivables: | | | |
| Accounts..... | - | - | - |
| Accrued Interest..... | - | - | - |
| Restricted Cash and Investments..... | - | - | - |
| TOTAL ASSETS..... | \$ - | \$ - | \$ - |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Other..... | \$ - | \$ - | \$ - |
| FUND BALANCES | | | |
| Fund Balances: | | | |
| Restricted..... | - | - | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES..... | \$ - | \$ - | \$ - |

| Public Facilities Financing Authority | San Diego Facilities and Equipment Leasing Corporation | Tobacco Settlement Revenue Funding Corporation | Total |
|---------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------|------------------|
| \$ 5 | \$ - | \$ - | \$ 5 |
| - | - | 5,050 | 5,050 |
| 8 | - | - | 8 |
| <u>16,881</u> | <u>-</u> | <u>12,243</u> | <u>29,124</u> |
| <u>\$ 16,894</u> | <u>\$ -</u> | <u>\$ 17,293</u> | <u>\$ 34,187</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,050</u> | <u>\$ 5,050</u> |
| <u>16,894</u> | <u>-</u> | <u>12,243</u> | <u>29,137</u> |
| <u>\$ 16,894</u> | <u>\$ -</u> | <u>\$ 17,293</u> | <u>\$ 34,187</u> |

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014
(Dollars in Thousands)

| | City of San Diego | City of San Diego/MTDB Authority | Convention Center Expansion Financing Authority |
|-------------------------------------------------------|----------------------|----------------------------------------|-------------------------------------------------------------|
| REVENUES | | | |
| Revenue from Use of Money and Property..... | \$ - | \$ - | \$ - |
| Revenue from Other Agencies..... | - | - | - |
| Other Revenue..... | - | - | - |
| TOTAL REVENUES..... | - | - | - |
| EXPENDITURES | | | |
| Debt Service: | | | |
| Principal Retirement..... | 8,340 | - | 6,420 |
| Cost of Issuance..... | - | - | - |
| Interest..... | 654 | 42 | 6,137 |
| TOTAL EXPENDITURES..... | 8,994 | 42 | 12,557 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES..... | (8,994) | (42) | (12,557) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from Proprietary Funds..... | 819 | - | - |
| Transfers from Other Funds..... | 8,175 | 9,322 | 12,557 |
| Transfers to Other Funds..... | - | - | - |
| Payment to Refunded Bond Escrow Agent..... | - | (9,280) | - |
| Revenue Refunding Bonds Issued..... | - | - | - |
| Premium on Bonds Issued..... | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 8,994 | 42 | 12,557 |
| NET CHANGE IN FUND BALANCES..... | - | - | - |
| Fund Balances at Beginning of Year..... | - | - | - |
| FUND BALANCES AT END OF YEAR..... | \$ - | \$ - | \$ - |

| Public Facilities Financing Authority | San Diego Facilities and Equipment Leasing Corporation | Tobacco Settlement Revenue Funding Corporation | Total |
|------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------|
| \$ 74 | \$ - | \$ 489 | \$ 563 |
| - | - | 9,112 | 9,112 |
| <u>5</u> | <u>-</u> | <u>-</u> | <u>5</u> |
| <u>79</u> | <u>-</u> | <u>9,601</u> | <u>9,680</u> |
| 13,390 | - | 3,850 | 32,000 |
| 518 | - | - | 518 |
| <u>20,670</u> | <u>125</u> | <u>5,816</u> | <u>33,444</u> |
| <u>34,578</u> | <u>125</u> | <u>9,666</u> | <u>65,962</u> |
| <u>(34,499)</u> | <u>(125)</u> | <u>(65)</u> | <u>(56,282)</u> |
| - | - | - | 819 |
| 33,951 | 6,870 | 1 | 70,876 |
| (51,195) | - | (70) | (51,265) |
| - | (6,745) | - | (16,025) |
| 49,530 | - | - | 49,530 |
| <u>2,183</u> | <u>-</u> | <u>-</u> | <u>2,183</u> |
| <u>34,469</u> | <u>125</u> | <u>(69)</u> | <u>56,118</u> |
| (30) | - | (134) | (164) |
| <u>16,924</u> | <u>-</u> | <u>12,377</u> | <u>29,301</u> |
| <u>\$ 16,894</u> | <u>\$ -</u> | <u>\$ 12,243</u> | <u>\$ 29,137</u> |

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Year Ended June 30, 2014
 (Dollars in Thousands)

| | Unbudgeted McGuigan Loan Fund |
|-------------------------------------------------------|--------------------------------------------------|
| EXPENDITURES | |
| Debt Service: | |
| Principal Retirement..... | \$ 8,340 |
| Interest..... | 654 |
| TOTAL EXPENDITURES..... | 8,994 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES..... | (8,994) |
| OTHER FINANCING SOURCES (USES) | |
| Transfers from Proprietary Funds..... | 819 |
| Transfers from Other Funds..... | 8,175 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 8,994 |
| NET CHANGE IN FUND BALANCES..... | - |
| Fund Balances at Beginning of Year..... | - |
| FUND BALANCES AT END OF YEAR..... | \$ - |

NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

CITY OF SAN DIEGO

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 used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

CAPITAL OUTLAY - BUDGETED

This fund was established to account for the acquisition of real property, as well as the construction and completion of permanent public improvements per Section 77 of the City Charter. This fund also accounts for a variety of capital projects including, but not limited to, building improvements to city facilities, and park and street improvements. Revenues in this fund are derived from the sale of City-owned real property.

CAPITAL GRANTS

This fund was established to account for capital grants from Federal, State and other governmental agencies.

PARKS & 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, issue 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.

CAPITAL OUTLAY - UNBUDGETED

This fund was established to account for the acquisition, construction and completion of permanent public improvements and real property. This fund also accounts for a variety of capital projects including, but not limited to, park and street improvements, and the construction of public facilities in new development areas. Revenues in this fund are derived from developer contributions, private donations, special assessments, special taxes, fees, leases, 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 (PFFA). PFFA, which was created by the City and the former Redevelopment Agency, facilitates the financing and construction of public capital improvements. PFFA's current members are the City, the Successor Agency and the Housing Authority of the City of San Diego. Revenues are derived from the issuance of bonds and interest earnings on investments.

This Page Intentionally Left Blank

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
 June 30, 2014
 (Dollars in Thousands)

| | City of San Diego | Public Facilities Financing Authority | Total |
|------------------------------------------------------------------------------------|----------------------|---------------------------------------------|-------------------|
| ASSETS | | | |
| Cash and Investments..... | \$ 393,931 | \$ 514 | \$ 394,445 |
| Receivables: | | | |
| Accounts..... | 58,239 | - | 58,239 |
| Notes..... | 31,360 | - | 31,360 |
| Accrued Interest..... | 388 | 34 | 422 |
| Grants..... | 13,062 | - | 13,062 |
| Advances to Other Funds..... | 5,206 | - | 5,206 |
| Restricted Cash and Investments..... | 100 | 108,096 | 108,196 |
| TOTAL ASSETS..... | \$ 502,286 | \$ 108,644 | \$ 610,930 |
| LIABILITIES | | | |
| Accounts Payable..... | \$ 8,202 | \$ 5,471 | \$ 13,673 |
| Due to Other Funds..... | 9,100 | 29,670 | 38,770 |
| Due to Other Agencies..... | 1 | - | 1 |
| Unearned Revenue..... | 21,834 | - | 21,834 |
| TOTAL LIABILITIES..... | 39,137 | 35,141 | 74,278 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Taxes..... | 53,660 | - | 53,660 |
| Unavailable Revenue - Grants..... | 9,997 | - | 9,997 |
| Unavailable Revenue - Other..... | 3,779 | - | 3,779 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 67,436 | - | 67,436 |
| FUND BALANCES | | | |
| Restricted..... | 338,163 | 73,503 | 411,666 |
| Committed..... | 69,007 | - | 69,007 |
| Unassigned..... | (11,457) | - | (11,457) |
| TOTAL FUND BALANCES..... | 395,713 | 73,503 | 469,216 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES..... | \$ 502,286 | \$ 108,644 | \$ 610,930 |

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014
(Dollars in Thousands)

| | City of San Diego | Public Facilities Financing Authority | Total |
|---------------------------------------------------------------|----------------------|---------------------------------------------|-------------------|
| REVENUES | | | |
| Sales Taxes..... | \$ 24,345 | \$ - | \$ 24,345 |
| Other Local Taxes..... | 2 | - | 2 |
| Licenses and Permits..... | 17,733 | - | 17,733 |
| Revenue from Use of Money and Property..... | 3,554 | 206 | 3,760 |
| Revenue from Federal Agencies..... | 7,073 | - | 7,073 |
| Revenue from Other Agencies..... | 16,264 | - | 16,264 |
| Revenue from Private Sources..... | 66,141 | - | 66,141 |
| Charges for Current Services..... | 80 | - | 80 |
| Other Revenue..... | 195 | - | 195 |
| TOTAL REVENUES..... | 135,387 | 206 | 135,593 |
| EXPENDITURES | | | |
| Current: | | | |
| General Government and Support..... | 2,246 | 5 | 2,251 |
| Public Safety - Police..... | 19 | 1 | 20 |
| Parks, Recreation, Culture and Leisure..... | 62 | 7 | 69 |
| Transportation..... | 10,261 | - | 10,261 |
| Sanitation and Health..... | 340 | 24 | 364 |
| Neighborhood Services..... | 3,686 | - | 3,686 |
| Capital Outlay..... | 55,935 | 38,725 | 94,660 |
| Debt Service: | | | |
| Principal Retirement..... | 507 | - | 507 |
| Interest..... | 275 | - | 275 |
| TOTAL EXPENDITURES..... | 73,331 | 38,762 | 112,093 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 62,056 | (38,556) | 23,500 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from Proprietary Funds..... | 64 | - | 64 |
| Transfers from Other Funds..... | 8,688 | 35,083 | 43,771 |
| Transfers to Other Funds..... | (15,714) | (2) | (15,716) |
| Proceeds from the Sale of Capital Assets..... | 900 | - | 900 |
| Loans Issued..... | 761 | - | 761 |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (5,301) | 35,081 | 29,780 |
| NET CHANGE IN FUND BALANCES..... | 56,755 | (3,475) | 53,280 |
| Fund Balances at Beginning of Year..... | 338,958 | 76,978 | 415,936 |
| FUND BALANCES AT END OF YEAR..... | \$ 395,713 | \$ 73,503 | \$ 469,216 |

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2014
(Dollars in Thousands)

| | <u>Budgeted</u> | |
|----------------------------------------------------------------------------------------------|-------------------------|---------------------------|
| | <u>TransNet</u> | <u>Capital Outlay</u> |
| ASSETS | | |
| Cash and Investments..... | \$ 25,289 | \$ 10,746 |
| Receivables: | | |
| Accounts..... | 53,660 | - |
| Notes..... | - | - |
| Accrued Interest..... | 32 | - |
| Grants..... | - | - |
| Advances to Other Funds..... | - | - |
| Restricted Cash and Investments..... | - | - |
| TOTAL ASSETS..... | <u>\$ 78,981</u> | <u>\$ 10,746</u> |
| LIABILITIES | | |
| Accounts Payable..... | \$ 1,444 | \$ 474 |
| Due to Other Funds..... | - | - |
| Due to Other Agencies..... | - | - |
| Unearned Revenue..... | - | - |
| TOTAL LIABILITIES..... | <u>1,444</u> | <u>474</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Revenue - Taxes..... | 53,660 | - |
| Deferred Revenue - Grants..... | - | - |
| Deferred Revenue - Other..... | 1,202 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>54,862</u> | <u>-</u> |
| FUND BALANCES | | |
| Fund Balances: | | |
| Restricted..... | 22,675 | 10,272 |
| Committed..... | - | - |
| Unassigned..... | - | - |
| TOTAL FUND BALANCES (DEFICIT)..... | <u>22,675</u> | <u>10,272</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)..... | <u>\$ 78,981</u> | <u>\$ 10,746</u> |

| Unbudgeted | | | | | | |
|------------------|------------------------------|--------------------------------|------------------|------------------------------------------|-------------------|-------------------|
| Capital Grants | Parks & Recreation Districts | Facilities Benefit Assessments | Impact Fees | Special Assessment/ Special Tax Bonds | Capital Outlay | Total |
| \$ 32 | \$ 6,200 | \$ 185,152 | \$ 89,691 | \$ 538 | \$ 76,283 | \$ 393,931 |
| - | - | 1,762 | - | - | 2,817 | 58,239 |
| - | - | - | - | - | 31,360 | 31,360 |
| 3 | 7 | 215 | 107 | 1 | 23 | 388 |
| 13,062 | - | - | - | - | - | 13,062 |
| - | - | - | - | - | 5,206 | 5,206 |
| - | - | - | - | 99 | 1 | 100 |
| <u>\$ 13,097</u> | <u>\$ 6,207</u> | <u>\$ 187,129</u> | <u>\$ 89,798</u> | <u>\$ 638</u> | <u>\$ 115,690</u> | <u>\$ 502,286</u> |
| \$ 1,939 | \$ - | \$ 1,731 | \$ 1,224 | \$ - | \$ 1,390 | \$ 8,202 |
| 9,100 | - | - | - | - | - | 9,100 |
| 1 | - | - | - | - | - | 1 |
| 2,057 | - | - | - | - | 19,777 | 21,834 |
| <u>13,097</u> | <u>-</u> | <u>1,731</u> | <u>1,224</u> | <u>-</u> | <u>21,167</u> | <u>39,137</u> |
| - | - | - | - | - | - | 53,660 |
| 9,997 | - | - | - | - | - | 9,997 |
| - | - | - | - | - | 2,577 | 3,779 |
| <u>9,997</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,577</u> | <u>67,436</u> |
| - | - | 185,398 | 88,574 | 638 | 30,606 | 338,163 |
| - | 6,207 | - | - | - | 62,800 | 69,007 |
| (9,997) | - | - | - | - | (1,460) | (11,457) |
| <u>(9,997)</u> | <u>6,207</u> | <u>185,398</u> | <u>88,574</u> | <u>638</u> | <u>91,946</u> | <u>395,713</u> |
| <u>\$ 13,097</u> | <u>\$ 6,207</u> | <u>\$ 187,129</u> | <u>\$ 89,798</u> | <u>\$ 638</u> | <u>\$ 115,690</u> | <u>\$ 502,286</u> |

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014
(Dollars in Thousands)

| | Budgeted | |
|---------------------------------------------------------------|------------------|-------------------|
| | TransNet | Capital Outlay |
| REVENUES | | |
| Sales Taxes..... | \$ 24,345 | \$ - |
| Other Local Taxes..... | - | - |
| Licenses and Permits..... | 4,236 | - |
| Revenue from Use of Money and Property..... | 132 | - |
| Revenue from Federal Agencies..... | - | - |
| Revenue from Other Agencies..... | - | - |
| Revenue from Private Sources..... | - | - |
| Charges for Current Services..... | - | - |
| Other Revenue..... | - | - |
| TOTAL REVENUES..... | 28,713 | - |
| EXPENDITURES | | |
| Current: | | |
| General Government and Support..... | 314 | - |
| Public Safety - Police..... | - | - |
| Parks, Recreation, Culture and Leisure..... | - | - |
| Transportation..... | 306 | - |
| Sanitation and Health..... | - | - |
| Neighborhood Services..... | - | - |
| Capital Outlay..... | 11,391 | 2,472 |
| Debt Service: | | |
| Principal Retirement..... | - | - |
| Interest..... | - | - |
| TOTAL EXPENDITURES..... | 12,011 | 2,472 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 16,702 | (2,472) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers from Proprietary Funds..... | - | - |
| Transfers from Other Funds..... | - | - |
| Transfers to Other Funds..... | (9,866) | (3,210) |
| Proceeds from the Sale of Capital Assets..... | - | 900 |
| Loans Issued..... | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (9,866) | (2,310) |
| NET CHANGE IN FUND BALANCES..... | 6,836 | (4,782) |
| Fund Balances (Deficit) at Beginning of Year..... | 15,839 | 15,054 |
| FUND BALANCES (DEFICIT) AT END OF YEAR..... | \$ 22,675 | \$ 10,272 |

| Unbudgeted | | | | | | |
|-------------------|------------------------------|--------------------------------|------------------|---------------------------------------|------------------|-------------------|
| Capital Grants | Parks & Recreation Districts | Facilities Benefit Assessments | Impact Fees | Special Assessment/ Special Tax Bonds | Capital Outlay | Total |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 24,345 |
| - | - | - | - | - | 2 | 2 |
| - | - | 464 | 13,033 | - | - | 17,733 |
| 639 | 37 | 1,069 | 545 | 3 | 1,129 | 3,554 |
| 7,073 | - | - | - | - | - | 7,073 |
| 13,831 | - | - | - | - | 2,433 | 16,264 |
| - | - | 34,188 | - | 2 | 31,951 | 66,141 |
| - | - | - | - | - | 80 | 80 |
| 6 | - | - | 150 | - | 39 | 195 |
| <u>21,549</u> | <u>37</u> | <u>35,721</u> | <u>13,728</u> | <u>5</u> | <u>35,634</u> | <u>135,387</u> |
| - | - | 1,296 | 580 | - | 56 | 2,246 |
| - | - | - | - | - | 19 | 19 |
| 25 | - | 4 | - | - | 33 | 62 |
| 5,120 | - | 641 | 735 | 243 | 3,216 | 10,261 |
| 222 | - | 102 | - | - | 16 | 340 |
| 1,765 | - | - | - | - | 1,921 | 3,686 |
| 10,708 | 257 | 7,178 | 6,773 | - | 17,156 | 55,935 |
| - | - | - | - | - | 507 | 507 |
| - | - | - | - | - | 275 | 275 |
| <u>17,840</u> | <u>257</u> | <u>9,221</u> | <u>8,088</u> | <u>243</u> | <u>23,199</u> | <u>73,331</u> |
| <u>3,709</u> | <u>(220)</u> | <u>26,500</u> | <u>5,640</u> | <u>(238)</u> | <u>12,435</u> | <u>62,056</u> |
| - | - | - | - | - | 64 | 64 |
| 1,144 | - | - | 2,208 | - | 5,336 | 8,688 |
| (87) | (1) | (2,208) | - | - | (342) | (15,714) |
| - | - | - | - | - | - | 900 |
| - | - | - | - | - | 761 | 761 |
| <u>1,057</u> | <u>(1)</u> | <u>(2,208)</u> | <u>2,208</u> | <u>-</u> | <u>5,819</u> | <u>(5,301)</u> |
| 4,766 | (221) | 24,292 | 7,848 | (238) | 18,254 | 56,755 |
| <u>(14,763)</u> | <u>6,428</u> | <u>161,106</u> | <u>80,726</u> | <u>876</u> | <u>73,692</u> | <u>338,958</u> |
| <u>\$ (9,997)</u> | <u>\$ 6,207</u> | <u>\$ 185,398</u> | <u>\$ 88,574</u> | <u>\$ 638</u> | <u>\$ 91,946</u> | <u>\$ 395,713</u> |

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 Year Ended June 30, 2014
 (Dollars in Thousands)

| | TransNet | | | | Variance with Final Budget Positive (Negative) |
|--------------------------------------------------------------------|------------------|-------------------------------------|---------------------------------|--------------------|---------------------------------------------------------|
| | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | |
| REVENUES | | | | | |
| Sales Taxes..... | \$ 24,345 | \$ - | \$ 24,345 | \$ 29,179 | \$ (4,834) |
| Licenses and Permits..... | 4,236 | - | 4,236 | - | 4,236 |
| Revenue from Use of Money and Property..... | 132 | (34) | 98 | - | 98 |
| TOTAL REVENUES..... | 28,713 | (34) | 28,679 | 29,179 | (500) |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government and Support..... | 314 | - | 314 | 334 | 20 |
| Public Safety - Police..... | - | - | - | - | - |
| Public Safety - Fire and Life Safety and Homeland Security..... | - | - | - | - | - |
| Parks, Recreation, Culture and Leisure..... | - | - | - | - | - |
| Transportation..... | 306 | 9,346 | 9,652 | 78,869 | 69,217 |
| Sanitation and Health..... | - | - | - | 1,260 | 1,260 |
| Neighborhood Services..... | - | - | - | - | - |
| Capital Outlay..... | 11,391 | - | 11,391 | - | (11,391) |
| TOTAL EXPENDITURES..... | 12,011 | 9,346 | 21,357 | 80,463 | 59,106 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.. | 16,702 | (9,380) | 7,322 | (51,284) | 58,606 |
| OTHER FINANCING USES | | | | | |
| Transfers to Other Funds..... | (9,866) | - | (9,866) | (9,866) | - |
| Proceeds from the Sale of Capital Assets..... | - | - | - | - | - |
| TOTAL OTHER FINANCING USES..... | (9,866) | - | (9,866) | (9,866) | - |
| NET CHANGE IN FUND BALANCES..... | 6,836 | (9,380) | (2,544) | (61,150) | 58,606 |
| Fund Balances - Beginning..... | 15,839 | - | 15,839 | 15,839 | - |
| FUND BALANCES - ENDING..... | \$ 22,675 | \$ (9,380) | \$ 13,295 | \$ (45,311) | \$ 58,606 |

| Capital Outlay | | | | | 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) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 24,345 | \$ - | \$ 24,345 | \$ 29,179 | \$ (4,834) |
| - | - | - | - | - | 4,236 | - | 4,236 | - | 4,236 |
| - | - | - | - | - | 132 | (34) | 98 | - | 98 |
| - | - | - | - | - | 28,713 | (34) | 28,679 | 29,179 | (500) |
| - | 36 | 36 | 2,977 | 2,941 | 314 | 36 | 350 | 3,311 | 2,961 |
| - | - | - | 44 | 44 | - | - | - | 44 | 44 |
| - | - | - | 122 | 122 | - | - | - | 122 | 122 |
| - | 295 | 295 | 6,532 | 6,237 | - | 295 | 295 | 6,532 | 6,237 |
| - | 288 | 288 | 3,002 | 2,714 | 306 | 9,634 | 9,940 | 81,871 | 71,931 |
| - | 1 | 1 | 9 | 8 | - | 1 | 1 | 1,269 | 1,268 |
| - | 90 | 90 | 1,500 | 1,410 | - | 90 | 90 | 1,500 | 1,410 |
| 2,472 | - | 2,472 | - | (2,472) | 13,863 | - | 13,863 | - | (13,863) |
| 2,472 | 710 | 3,182 | 14,186 | 11,004 | 14,483 | 10,056 | 24,539 | 94,649 | 70,110 |
| (2,472) | (710) | (3,182) | (14,186) | 11,004 | 14,230 | (10,090) | 4,140 | (65,470) | 69,610 |
| (3,210) | - | (3,210) | (3,210) | - | (13,076) | - | (13,076) | (13,076) | - |
| 900 | - | 900 | - | 900 | 900 | - | 900 | - | 900 |
| (2,310) | - | (2,310) | (3,210) | 900 | (12,176) | - | (12,176) | (13,076) | 900 |
| (4,782) | (710) | (5,492) | (17,396) | 11,904 | 2,054 | (10,090) | (8,036) | (78,546) | 70,510 |
| 15,054 | - | 15,054 | 15,054 | - | 30,893 | - | 30,893 | 30,893 | - |
| \$ 10,272 | \$ (710) | \$ 9,562 | \$ (2,342) | \$ 11,904 | \$ 32,947 | \$ (10,090) | \$ 22,857 | \$ (47,653) | \$ 70,510 |

This Page Intentionally Left Blank

NONMAJOR GOVERNMENTAL FUNDS
PERMANENT

PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

CARMEL VALLEY SEWER MAINTENANCE

This fund was established to account for 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. Investment earnings will finance a fifty-year maintenance period.

CARROLL CANYON VERNAL POOL MITIGATION

This fund was established to account for an endowment from the San Diego Unified School District (The District). The endowment is to be used to implement a Memorandum of Understanding between the City and the District for biological mitigation, park land and joint use facilities involving Salk Elementary School, McAuliffe Community Park, and the Carroll Canyon Vernal Pool Preserve.

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. Investment earnings are used for planting and maintenance.

GLADYS EDNA PETERS

This fund was established to account for a donation to benefit the Rancho Bernardo Branch Library. Investment earnings are used to procure and maintain a collection of large print books and periodicals.

JANE CAMERON ESTATE

This fund was established to account for a donation to benefit the La Jolla/Riford Branch Library. Investment earnings are used to finance library services and programs.

LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

SOUTHCREST PARK ESTATES II

This fund was established to finance the City's landscape maintenance costs for the Southcrest Park Estates II, a residential development within the former Southcrest Redevelopment project area. The original contribution was received from a developer, and investment earnings derived there from will finance the permanent maintenance costs.

SYCAMORE ESTATES

This fund was established to account for an endowment agreement between the City and Sycamore Estates, LLC. Investment earnings from the endowment shall be used exclusively for the long-term maintenance of conserved property within Sycamore Estates.

ZOOLOGICAL SOCIETY - MISSION TRAILS

This fund was established to account for the Fortuna Mountain Conservation Bank endowment. Investment earnings derived from the endowment shall be used to fund the permanent management of the Fortuna Mountain Conservation Bank within Mission Trails Regional Park.

ENVIRONMENTAL TRUST BANKRUPTCY ENDOWMENT

This fund was established to account for the management of properties accepted by the City in the Environmental Trust Bankruptcy. The City's Parks and Recreation Department Open Space Division is responsible for administering the management, maintenance and monitoring of the properties.

This Page Intentionally Left Blank

**NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
COMBINING BALANCE SHEET
June 30, 2014
(Dollars in Thousands)**

| | Carmel Valley Sewer Maintenance | Carroll Canyon Vernal Pool Mitigation | Cemetery Perpetuity | Effie Sergeant | Figg Estate Endowment |
|------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------------|------------------------|-------------------|--------------------------|
| ASSETS | | | | | |
| Receivables: | | | | | |
| Accounts - Net of Allowance for Uncollectibles..... | \$ - | \$ - | \$ 1 | \$ - | \$ - |
| Accrued Interest..... | - | 3 | 11 | - | - |
| Restricted Cash and Investments..... | 52 | 2,495 | 12,000 | 724 | 323 |
| TOTAL ASSETS..... | \$ 52 | \$ 2,498 | \$ 12,012 | \$ 724 | \$ 323 |
| LIABILITIES | | | | | |
| Accounts Payable..... | \$ - | \$ - | \$ - | \$ - | \$ - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue - Other..... | - | - | 1 | - | - |
| FUND BALANCES | | | | | |
| Nonspendable..... | 52 | 2,482 | 12,011 | 724 | 323 |
| Restricted..... | - | 16 | - | - | - |
| TOTAL FUND BALANCES..... | 52 | 2,498 | 12,011 | 724 | 323 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES..... | \$ 52 | \$ 2,498 | \$ 12,012 | \$ 724 | \$ 323 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014
(Dollars in Thousands)**

| | Carmel Valley Sewer Maintenance | Carroll Canyon Vernal Pool Mitigation | Cemetery Perpetuity | Effie Sergeant | Figg Estate Endowment |
|--------------------------------------------------|---------------------------------------|---------------------------------------------|------------------------|-------------------|--------------------------|
| REVENUES | | | | | |
| Revenue from Use of Money and Property..... | \$ - | \$ 16 | \$ 1,137 | \$ 83 | \$ - |
| Revenue from Private Sources..... | - | 2,482 | - | - | - |
| Charges for Current Services..... | - | - | 75 | - | - |
| TOTAL REVENUES..... | - | 2,498 | 1,212 | 83 | - |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Parks, Recreation, Culture and Leisure..... | - | - | - | 2 | - |
| Sanitation and Health..... | - | - | 46 | - | - |
| TOTAL EXPENDITURES..... | - | - | 46 | 2 | - |
| EXCESS OF REVENUES OVER EXPENDITURES..... | - | 2,498 | 1,166 | 81 | - |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from Other Funds..... | - | - | 322 | - | - |
| Transfers to Other Funds..... | - | - | (471) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | - | - | (149) | - | - |
| NET CHANGE IN FUND BALANCES..... | - | 2,498 | 1,017 | 81 | - |
| Fund Balances at Beginning of Year..... | 52 | - | 10,994 | 643 | 323 |
| FUND BALANCES AT END OF YEAR..... | \$ 52 | \$ 2,498 | \$ 12,011 | \$ 724 | \$ 323 |

| Gladys Edna Peters | Jane Cameron Estate | Los Penasquitos Canyon | Southcrest Park Estates II | Sycamore Estates | Zoological Society-Mission Trails | Environmental Trust Bankruptcy Endowment | Total |
|--------------------|---------------------|------------------------|----------------------------|------------------|-----------------------------------|------------------------------------------|------------------|
| \$ - | \$ - | \$ 1 | \$ - | \$ - | \$ - | \$ - | \$ 2 |
| - | - | - | - | - | - | - | 14 |
| 468 | 4,417 | 3,164 | 14 | 250 | 69 | 339 | 24,315 |
| <u>\$ 468</u> | <u>\$ 4,417</u> | <u>\$ 3,165</u> | <u>\$ 14</u> | <u>\$ 250</u> | <u>\$ 69</u> | <u>\$ 339</u> | <u>\$ 24,331</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3 | \$ 3 |
| - | - | - | - | - | - | - | 1 |
| 468 | 4,417 | 3,165 | 14 | 250 | 69 | 332 | 24,307 |
| - | - | - | - | - | - | 4 | 20 |
| 468 | 4,417 | 3,165 | 14 | 250 | 69 | 336 | 24,327 |
| <u>\$ 468</u> | <u>\$ 4,417</u> | <u>\$ 3,165</u> | <u>\$ 14</u> | <u>\$ 250</u> | <u>\$ 69</u> | <u>\$ 339</u> | <u>\$ 24,331</u> |

| Gladys Edna Peters | Jane Cameron Estate | Los Penasquitos Canyon | Southcrest Park Estates II | Sycamore Estates | Zoological Society-Mission Trails | Environmental Trust Bankruptcy Endowment | Total |
|--------------------|---------------------|------------------------|----------------------------|------------------|-----------------------------------|------------------------------------------|------------------|
| \$ 60 | \$ 606 | \$ 462 | \$ - | \$ - | \$ - | \$ 2 | \$ 2,366 |
| - | 120 | - | - | - | - | - | 2,602 |
| - | - | - | - | - | - | - | 75 |
| 60 | 726 | 462 | - | - | - | 2 | 5,043 |
| 9 | 59 | 5 | - | - | - | 9 | 84 |
| - | - | - | - | - | - | - | 46 |
| 9 | 59 | 5 | - | - | - | 9 | 130 |
| 51 | 667 | 457 | - | - | - | (7) | 4,913 |
| - | - | - | - | - | - | - | 322 |
| - | - | (137) | - | - | - | - | (608) |
| - | - | (137) | - | - | - | - | (286) |
| 51 | 667 | 320 | - | - | - | (7) | 4,627 |
| 417 | 3,750 | 2,845 | 14 | 250 | 69 | 343 | 19,700 |
| <u>\$ 468</u> | <u>\$ 4,417</u> | <u>\$ 3,165</u> | <u>\$ 14</u> | <u>\$ 250</u> | <u>\$ 69</u> | <u>\$ 336</u> | <u>\$ 24,327</u> |

This Page Intentionally Left Blank

NONMAJOR BUSINESS-TYPE FUNDS
ENTERPRISE

ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

CITY OF SAN DIEGO

AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports—Montgomery and Brown Fields. Airports Fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments and aid from other governmental agencies.

DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, resource management, and other environmental programs.

GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

**NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF NET POSITION
June 30, 2014
(Dollars in Thousands)**

| | Airports | Development Services |
|-------------------------------------------------------|-----------|-------------------------|
| ASSETS | | |
| Cash and Investments | \$ 15,279 | \$ 31,267 |
| Receivables: | | |
| Accounts - Net of Allowance for Uncollectibles | 447 | 1,971 |
| Accrued Interest | 19 | 37 |
| Grants | 333 | - |
| Restricted Cash and Investments | - | - |
| Capital Assets - Non-Depreciable | 3,048 | 177 |
| Capital Assets - Depreciable | 14,573 | 535 |
| TOTAL ASSETS | 33,699 | 33,987 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 154 | 929 |
| Accrued Wages and Benefits | 76 | 1,975 |
| Long-Term Liabilities Due Within One Year | 70 | 1,231 |
| Unearned Revenue | - | 17,498 |
| Customer Deposits Payable | - | - |
| Total Current Liabilities | 300 | 21,633 |
| Non-Current Liabilities: | | |
| Deposits/Advances from Others | 80 | 6,809 |
| Liability Claims | 178 | 1,625 |
| Compensated Absences | 59 | 1,255 |
| Estimated Landfill Closure and Postclosure Care | - | - |
| Net Other Postemployment Benefits Obligation | 399 | 7,197 |
| Net Pension Obligation | 144 | 4,915 |
| Total Non-Current Liabilities | 860 | 21,801 |
| TOTAL LIABILITIES | 1,160 | 43,434 |
| NET POSITION (DEFICIT) | | |
| Net Investment in Capital Assets | 17,621 | 712 |
| Restricted for Closure/Postclosure Maintenance | - | - |
| Unrestricted (Deficit) | 14,918 | (10,159) |
| TOTAL NET POSITION (DEFICIT) | \$ 32,539 | \$ (9,447) |

| <u>Environmental Services</u> | <u>Golf Course</u> | <u>Recycling</u> | <u>Total</u> |
|-------------------------------|--------------------|------------------|-------------------|
| \$ 36,793 | \$ 31,260 | \$ 18,351 | \$ 132,950 |
| 133 | 236 | 205 | 2,992 |
| 108 | 41 | 35 | 240 |
| 14 | - | - | 347 |
| 48,638 | - | 9,161 | 57,799 |
| 12,392 | 1,590 | - | 17,207 |
| <u>22,944</u> | <u>16,825</u> | <u>150</u> | <u>55,027</u> |
| <u>121,022</u> | <u>49,952</u> | <u>27,902</u> | <u>266,562</u> |
| 1,695 | 407 | 1,043 | 4,228 |
| 740 | 362 | 515 | 3,668 |
| 649 | 257 | 380 | 2,587 |
| - | - | 377 | 17,875 |
| <u>-</u> | <u>26</u> | <u>9,161</u> | <u>9,187</u> |
| <u>3,084</u> | <u>1,052</u> | <u>11,476</u> | <u>37,545</u> |
| - | - | - | 6,889 |
| 1,870 | 875 | 1,846 | 6,394 |
| 520 | 187 | 198 | 2,219 |
| 23,290 | - | - | 23,290 |
| 3,891 | 2,303 | 2,411 | 16,201 |
| <u>1,638</u> | <u>337</u> | <u>968</u> | <u>8,002</u> |
| <u>31,209</u> | <u>3,702</u> | <u>5,423</u> | <u>62,995</u> |
| <u>34,293</u> | <u>4,754</u> | <u>16,899</u> | <u>100,540</u> |
| 35,336 | 18,415 | 150 | 72,234 |
| 25,404 | - | - | 25,404 |
| <u>25,989</u> | <u>26,783</u> | <u>10,853</u> | <u>68,384</u> |
| <u>\$ 86,729</u> | <u>\$ 45,198</u> | <u>\$ 11,003</u> | <u>\$ 166,022</u> |

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2014
(Dollars in Thousands)

| | Airports | Development Services |
|----------------------------------------------------------------|------------------|---------------------------------|
| OPERATING REVENUES | | |
| Charges for Services | \$ 2 | \$ 50,768 |
| Usage Fees | 4,324 | - |
| Other | 45 | 1,634 |
| TOTAL OPERATING REVENUES | 4,371 | 52,402 |
| OPERATING EXPENSES | | |
| Maintenance and Operations | 2,239 | 35,204 |
| Administration | 1,238 | 15,480 |
| Depreciation..... | 845 | 47 |
| TOTAL OPERATING EXPENSES | 4,322 | 50,731 |
| OPERATING INCOME (LOSS) | 49 | 1,671 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Earnings on Investments | 93 | 157 |
| Federal Grant Assistance | 461 | - |
| Other Agency Grant Assistance | - | - |
| Loss on Sale/Retirement of Capital Assets | (343) | - |
| Other | 43 | 96 |
| TOTAL NONOPERATING REVENUES | 254 | 253 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 303 | 1,924 |
| Capital Contributions | 408 | - |
| Transfers from Other Funds | - | - |
| Transfers from Governmental Funds..... | - | - |
| Transfers to Other Funds | - | (23) |
| Transfers to Governmental Funds | (71) | (1,148) |
| CHANGE IN NET POSITION | 640 | 753 |
| Net Position (Deficit) at Beginning of Year, as Restated | 31,899 | (10,200) |
| NET POSITION (DEFICIT) AT END OF YEAR | \$ 32,539 | \$ (9,447) |

| <u>Environmental Services</u> | <u>Golf Course</u> | <u>Recycling</u> | <u>Total</u> |
|-------------------------------|--------------------|------------------|-------------------|
| \$ 761 | \$ 18,134 | \$ 4,873 | \$ 74,538 |
| 24,597 | 1,620 | 11,826 | 42,367 |
| 685 | 10 | 2,347 | 4,721 |
| <u>26,043</u> | <u>19,764</u> | <u>19,046</u> | <u>121,626</u> |
| 24,757 | 13,361 | 17,690 | 93,251 |
| 5,436 | 1,754 | 3,092 | 27,000 |
| 3,568 | 1,274 | 26 | 5,760 |
| <u>33,761</u> | <u>16,389</u> | <u>20,808</u> | <u>126,011</u> |
| <u>(7,718)</u> | <u>3,375</u> | <u>(1,762)</u> | <u>(4,385)</u> |
| 523 | 189 | 165 | 1,127 |
| - | - | - | 461 |
| 14 | - | 372 | 386 |
| - | (42) | - | (385) |
| <u>832</u> | <u>45</u> | <u>412</u> | <u>1,428</u> |
| <u>1,369</u> | <u>192</u> | <u>949</u> | <u>3,017</u> |
| <u>(6,349)</u> | <u>3,567</u> | <u>(813)</u> | <u>(1,368)</u> |
| - | - | - | 408 |
| 21 | - | 546 | 567 |
| 6 | - | - | 6 |
| (536) | - | - | (559) |
| <u>(690)</u> | <u>(237)</u> | <u>(403)</u> | <u>(2,549)</u> |
| <u>(7,548)</u> | <u>3,330</u> | <u>(670)</u> | <u>(3,495)</u> |
| <u>94,277</u> | <u>41,868</u> | <u>11,673</u> | <u>169,517</u> |
| <u>\$ 86,729</u> | <u>\$ 45,198</u> | <u>\$ 11,003</u> | <u>\$ 166,022</u> |

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2014
(Dollars in Thousands)

| | Airports | Development Services |
|---------------------------------------------------------------------------------------------------------------|------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers and Users | \$ 4,581 | \$ 50,726 |
| Receipts from Interfund Services Provided | 1 | 2,869 |
| Payments to Suppliers | (2,144) | (8,188) |
| Payments to Employees | (1,553) | (35,872) |
| Payments for Interfund Services Used | (297) | (5,998) |
| | <u>588</u> | <u>3,537</u> |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from Other Funds | - | - |
| Transfers from Governmental Funds | - | - |
| Transfers to Other Funds | - | (23) |
| Transfers to Governmental Funds | (71) | (1,148) |
| Operating Grants Received | 461 | - |
| Proceeds from Advances and Deposits | 7 | 2,365 |
| Payments for Advances and Deposits | - | - |
| | <u>397</u> | <u>1,194</u> |
| NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from Capital Contributions | 618 | - |
| Acquisition of Capital Assets | (828) | - |
| | <u>(210)</u> | <u>-</u> |
| NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received on Investments | 90 | 151 |
| | <u>865</u> | <u>4,882</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash and Cash Equivalents at Beginning of Year | 14,414 | 26,385 |
| | <u>15,279</u> | <u>31,267</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | |
| Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position: | | |
| Cash and Investments | \$ 15,279 | \$ 31,267 |
| Restricted Cash and Investments | - | - |
| Total Cash and Cash Equivalents at End of Year | <u>\$ 15,279</u> | <u>\$ 31,267</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities: | | |
| Operating Income (Loss) | \$ 49 | \$ 1,671 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: | | |
| Depreciation | 845 | 47 |
| Other Nonoperating Revenue | 44 | 96 |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable - Net | 167 | 65 |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (529) | 39 |
| Accrued Wages and Benefits | 3 | 376 |
| Unearned Revenue | - | 1,032 |
| Compensated Absences | 2 | 185 |
| Increase (Decrease) in Liability Claims | 10 | 87 |
| Estimated Landfill Closure and Postclosure Care | - | - |
| Net OPEB Obligation | - | 17 |
| Net Pension Obligation | (3) | (78) |
| | <u>539</u> | <u>1,866</u> |
| Total Adjustments | | |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | \$ 588 | \$ 3,537 |
| Noncash Investing, Capital, and Financing Activities: | | |
| Capital Asset Acquisitions related to Accounts Payable | \$ (44) | \$ - |
| Noncash Retirement of Capital Assets | (343) | - |

| <u>Environmental Services</u> | <u>Golf Course</u> | <u>Recycling</u> | <u>Total</u> |
|-------------------------------|--------------------|------------------|-------------------|
| \$ 26,128 | \$ 19,805 | \$ 18,504 | \$ 119,744 |
| 705 | - | 946 | 4,521 |
| (15,230) | (7,563) | (10,880) | (44,005) |
| (14,493) | (7,176) | (9,245) | (68,339) |
| <u>(332)</u> | <u>(199)</u> | <u>(173)</u> | <u>(6,999)</u> |
| <u>(3,222)</u> | <u>4,867</u> | <u>(848)</u> | <u>4,922</u> |
| 21 | - | 546 | 567 |
| 6 | - | - | 6 |
| (536) | - | - | (559) |
| (690) | (237) | (403) | (2,549) |
| - | - | 372 | 833 |
| - | 26 | 161 | 2,559 |
| <u>(100)</u> | <u>-</u> | <u>-</u> | <u>(100)</u> |
| <u>(1,299)</u> | <u>(211)</u> | <u>676</u> | <u>757</u> |
| - | - | - | 618 |
| <u>(607)</u> | <u>(772)</u> | <u>-</u> | <u>(2,207)</u> |
| <u>(607)</u> | <u>(772)</u> | <u>-</u> | <u>(1,589)</u> |
| <u>518</u> | <u>182</u> | <u>161</u> | <u>1,102</u> |
| (4,610) | 4,066 | (11) | 5,192 |
| <u>90,041</u> | <u>27,194</u> | <u>27,523</u> | <u>185,557</u> |
| <u>\$ 85,431</u> | <u>\$ 31,260</u> | <u>\$ 27,512</u> | <u>\$ 190,749</u> |
| \$ 36,793 | \$ 31,260 | \$ 18,351 | \$ 132,950 |
| <u>48,638</u> | <u>-</u> | <u>9,161</u> | <u>57,799</u> |
| <u>\$ 85,431</u> | <u>\$ 31,260</u> | <u>\$ 27,512</u> | <u>\$ 190,749</u> |
| \$ (7,718) | \$ 3,375 | \$ (1,762) | \$ (4,385) |
| 3,568 | 1,274 | 26 | 5,760 |
| 832 | 45 | 412 | 1,429 |
| (42) | (4) | (12) | 174 |
| (720) | 102 | 356 | (752) |
| 78 | 32 | 64 | 553 |
| - | - | 4 | 1,036 |
| (24) | 5 | (20) | 148 |
| 101 | 47 | 99 | 344 |
| 725 | - | - | 725 |
| 7 | 5 | 6 | 35 |
| <u>(29)</u> | <u>(14)</u> | <u>(21)</u> | <u>(145)</u> |
| <u>4,496</u> | <u>1,492</u> | <u>914</u> | <u>9,307</u> |
| <u>\$ (3,222)</u> | <u>\$ 4,867</u> | <u>\$ (848)</u> | <u>\$ 4,922</u> |
| \$ 82 | \$ (89) | \$ - | \$ (51) |
| - | (42) | - | (385) |

This Page Intentionally Left Blank

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

CITY OF SAN DIEGO

FLEET SERVICES

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, energy conservation, and administration and operation of various employee related programs such as unused compensatory time, unused sick leave, unemployment insurance, and long-term disability. 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 SDDPC. SDDPC was formed for the purpose of providing data processing services to public agencies, primarily the City of San Diego, the sole member of SDDPC. On August 5, 2013, a resolution was passed by the City Council to take the necessary steps to wind-up and dissolve SDDPC. On December 31, 2013, SDDPC ceased operations and SDDPC's remaining assets were transferred to the City, as provided for in SDDPC's Articles of Incorporation. On February 6, 2014, the California Secretary of State officially endorsed SDDPC's Certificate of Dissolution.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
 June 30, 2014
 (Dollars in Thousands)

| | City of San Diego | |
|------------------------------------------------------|---------------------------|---------------------------|
| | Fleet Services | Central Stores |
| ASSETS | | |
| Cash and Investments | \$ 97,069 | \$ 833 |
| Receivables: | | |
| Accounts - Net of Allowance for Uncollectibles | 1,284 | 23 |
| Accrued Interest | 9 | 1 |
| Grants | - | - |
| Inventories | - | 2,412 |
| Capital Assets - Non-Depreciable | 5,013 | - |
| Capital Assets - Depreciable | 106,693 | 169 |
| TOTAL ASSETS | 210,068 | 3,438 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 3,253 | 586 |
| Accrued Wages and Benefits | 1,067 | 83 |
| Interest Accrued on Long-Term Debt | 204 | - |
| Long-Term Liabilities Due Within One Year | 7,187 | 39 |
| Unearned Revenue | - | - |
| Contract Deposits | - | - |
| Total Current Liabilities | 11,711 | 708 |
| Non-Current Liabilities: | | |
| Compensated Absences | 634 | 21 |
| Liability Claims | 3,428 | 200 |
| Capital Lease Obligations | 27,422 | - |
| Net Other Postemployment Benefits Obligation | 5,983 | 524 |
| Net Pension Obligation..... | 885 | 156 |
| Total Non-Current Liabilities | 38,352 | 901 |
| TOTAL LIABILITIES | 50,063 | 1,609 |
| NET POSITION (DEFICIT) | | |
| Net Investment in Capital Assets | 77,968 | 169 |
| Unrestricted | 82,037 | 1,660 |
| TOTAL NET POSITION (DEFICIT) | \$ 160,005 | \$ 1,829 |

| <u>Publishing Services</u> | <u>Miscellaneous Internal Service</u> | <u>San Diego Data Processing Corporation</u> | <u>Total</u> |
|--------------------------------|-----------------------------------------------|------------------------------------------------------|-------------------|
| \$ 831 | \$ 27,258 | \$ - | \$ 125,991 |
| - | 75 | - | 1,382 |
| 1 | 31 | - | 42 |
| - | 713 | - | 713 |
| - | - | - | 2,412 |
| - | 30 | - | 5,043 |
| <u>26</u> | <u>2,510</u> | <u>-</u> | <u>109,398</u> |
| <u>858</u> | <u>30,617</u> | <u>-</u> | <u>244,981</u> |
| 326 | 458 | - | 4,623 |
| 39 | 471 | - | 1,660 |
| - | - | - | 204 |
| 28 | 4,701 | - | 11,955 |
| - | 19 | - | 19 |
| - | 130 | - | 130 |
| <u>393</u> | <u>5,779</u> | <u>-</u> | <u>18,591</u> |
| 31 | 2,834 | - | 3,520 |
| 39 | 17,950 | - | 21,617 |
| - | - | - | 27,422 |
| 425 | 2,201 | - | 9,133 |
| <u>242</u> | <u>867</u> | <u>-</u> | <u>2,150</u> |
| <u>737</u> | <u>23,852</u> | <u>-</u> | <u>63,842</u> |
| <u>1,130</u> | <u>29,631</u> | <u>-</u> | <u>82,433</u> |
| 26 | 2,540 | - | 80,703 |
| <u>(298)</u> | <u>(1,554)</u> | <u>-</u> | <u>81,845</u> |
| <u>\$ (272)</u> | <u>\$ 986</u> | <u>\$ -</u> | <u>\$ 162,548</u> |

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2014
(Dollars in Thousands)

| | <u>City of San Diego</u> | |
|----------------------------------------------------------------|---------------------------|---------------------------|
| | <u>Fleet Services</u> | <u>Central Stores</u> |
| OPERATING REVENUES | | |
| Charges for Services | \$ 882 | \$ 11,129 |
| Usage Fees | 72,822 | - |
| Other | 348 | 69 |
| TOTAL OPERATING REVENUES | <u>74,052</u> | <u>11,198</u> |
| OPERATING EXPENSES | | |
| Benefit and Claim Payments | - | - |
| Maintenance and Operations | 47,069 | 2,372 |
| Cost of Materials Issued | - | 8,873 |
| Administration | 988 | - |
| Depreciation | 21,824 | 18 |
| TOTAL OPERATING EXPENSES | <u>69,881</u> | <u>11,263</u> |
| OPERATING INCOME (LOSS) | <u>4,171</u> | <u>(65)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Earnings on Investments | 373 | 6 |
| Federal Grant Assistance | - | - |
| Other Agency Grant Assistance | - | - |
| Gain (Loss) on Sale/Retirement of Capital Assets | 404 | - |
| Debt Service Interest Expense | (608) | - |
| Other | 26 | 81 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>195</u> | <u>87</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 4,366 | 22 |
| Capital Contributions | 82 | - |
| Transfers from Other Funds | 1,331 | - |
| Transfers from Governmental Funds | 4,931 | - |
| Transfers to Other Funds | (153) | - |
| Transfers to Governmental Funds | (904) | (118) |
| CHANGE IN NET POSITION | 9,653 | (96) |
| Net Position (Deficit) at Beginning of Year, as Restated | <u>150,352</u> | <u>1,925</u> |
| NET POSITION (DEFICIT) AT END OF YEAR | <u>\$ 160,005</u> | <u>\$ 1,829</u> |

| <u>Publishing Services</u> | <u>Miscellaneous Internal Service</u> | <u>San Diego Data Processing Corporation</u> | <u>Total</u> |
|--------------------------------|-----------------------------------------------|------------------------------------------------------|-------------------|
| \$ 3,430 | \$ 25,645 | \$ 288 | \$ 41,374 |
| - | - | - | 72,822 |
| - | 33 | - | 450 |
| <u>3,430</u> | <u>25,678</u> | <u>288</u> | <u>114,646</u> |
| - | 15,967 | - | 15,967 |
| 2,854 | 480 | - | 52,775 |
| - | - | - | 8,873 |
| 381 | 11,335 | 1,500 | 14,204 |
| 4 | 201 | 684 | 22,731 |
| <u>3,239</u> | <u>27,983</u> | <u>2,184</u> | <u>114,550</u> |
| <u>191</u> | <u>(2,305)</u> | <u>(1,896)</u> | <u>96</u> |
| 2 | 166 | 7 | 554 |
| - | (398) | - | (398) |
| - | 533 | - | 533 |
| - | (45) | (3,346) | (2,987) |
| - | - | - | (608) |
| 5 | 36 | 66 | 214 |
| <u>7</u> | <u>292</u> | <u>(3,273)</u> | <u>(2,692)</u> |
| 198 | (2,013) | (5,169) | (2,596) |
| - | - | - | 82 |
| - | 1,126 | - | 2,457 |
| - | 628 | - | 5,559 |
| - | - | - | (153) |
| <u>(61)</u> | <u>(464)</u> | <u>(9,847)</u> | <u>(11,394)</u> |
| 137 | (723) | (15,016) | (6,045) |
| <u>(409)</u> | <u>1,709</u> | <u>15,016</u> | <u>168,593</u> |
| <u>\$ (272)</u> | <u>\$ 986</u> | <u>\$ -</u> | <u>\$ 162,548</u> |

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2014
(Dollars in Thousands)

| | <u>City of San Diego</u> | |
|---------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| | <u>Fleet Services</u> | <u>Central Stores</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers and Users | \$ - | \$ - |
| Receipts from Interfund Services Provided | 74,558 | 11,268 |
| Payments to Suppliers | (26,177) | (9,158) |
| Payments to Employees | (19,783) | (1,597) |
| Payments for Interfund Services Used..... | (1,445) | (192) |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | 27,153 | 321 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from Other Funds | 1,331 | - |
| Transfers from Governmental Funds | 4,931 | - |
| Transfers to Other Funds | (153) | - |
| Transfers to Governmental Funds | (904) | (118) |
| Operating Grants Received | - | - |
| NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES | 5,205 | (118) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of Capital Assets | (12,523) | (33) |
| Proceeds from the Sale of Capital Assets | 1,334 | - |
| Principal Payments on Capital Leases | (6,805) | - |
| Interest Paid on Long-Term Debt | (611) | - |
| NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | (18,605) | (33) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received on Investments | 364 | 4 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 14,117 | 174 |
| Cash and Cash Equivalents at Beginning of Year, as Restated | 82,952 | 659 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 97,069 | \$ 833 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities: | | |
| Operating Income (Loss) | \$ 4,171 | \$ (65) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: | | |
| Depreciation | 21,824 | 18 |
| Other Nonoperating Revenue | 26 | 81 |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable - Net | 480 | (11) |
| Inventories | - | (16) |
| Prepaid Expenses..... | 36 | - |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | 452 | 293 |
| Accrued Wages and Benefits | 82 | 10 |
| Due to Other Agencies | - | - |
| Unearned Revenue | - | - |
| Compensated Absences | (71) | 2 |
| Liability Claims | 185 | 11 |
| Net OPEB Obligation | 9 | 1 |
| Net Pension Obligation | (41) | (3) |
| Total Adjustments | 22,982 | 386 |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | \$ 27,153 | \$ 321 |
| Noncash Investing, Capital, and Financing Activities: | | |
| Acquisition of Capital Assets through Capital Leases..... | \$ 8,385 | \$ - |
| Noncash Retirement of Capital Assets | (930) | - |
| Transfers of Capital Assets | 82 | - |

| <u>Publishing Services</u> | <u>Miscellaneous Internal Service</u> | <u>San Diego Data Processing Corporation</u> | <u>Total</u> |
|----------------------------|---------------------------------------|----------------------------------------------|-------------------|
| \$ - | \$ 25,037 | \$ 1,574 | \$ 26,611 |
| 3,435 | 699 | - | 89,960 |
| (2,337) | (4,297) | (995) | (42,964) |
| (793) | (20,328) | (1,410) | (43,911) |
| (62) | (203) | - | (1,902) |
| <u>243</u> | <u>908</u> | <u>(831)</u> | <u>27,794</u> |
| - | 1,126 | - | 2,457 |
| - | 628 | - | 5,559 |
| - | - | - | (153) |
| (61) | (464) | (9,847) | (11,394) |
| - | 502 | - | 502 |
| <u>(61)</u> | <u>1,792</u> | <u>(9,847)</u> | <u>(3,029)</u> |
| - | (39) | - | (12,595) |
| - | - | - | 1,334 |
| - | - | - | (6,805) |
| - | - | - | (611) |
| <u>-</u> | <u>(39)</u> | <u>-</u> | <u>(18,677)</u> |
| <u>2</u> | <u>139</u> | <u>7</u> | <u>516</u> |
| 184 | 2,800 | (10,671) | 6,604 |
| <u>647</u> | <u>24,458</u> | <u>10,671</u> | <u>119,387</u> |
| <u>\$ 831</u> | <u>\$ 27,258</u> | <u>\$ -</u> | <u>\$ 125,991</u> |
| | | | |
| <u>\$ 191</u> | <u>\$ (2,305)</u> | <u>\$ (1,896)</u> | <u>\$ 96</u> |
| | | | |
| 4 | 201 | 684 | 22,731 |
| 5 | 36 | 66 | 214 |
| - | 3 | 1,220 | 1,692 |
| - | - | - | (16) |
| - | - | 180 | 216 |
| 33 | (387) | (311) | 80 |
| 6 | 45 | (487) | (344) |
| - | (49) | - | (49) |
| 2 | 19 | - | 21 |
| 2 | (166) | (287) | (520) |
| - | 3,526 | - | 3,722 |
| 1 | 5 | - | 16 |
| (1) | (20) | - | (65) |
| <u>52</u> | <u>3,213</u> | <u>1,065</u> | <u>27,698</u> |
| <u>\$ 243</u> | <u>\$ 908</u> | <u>\$ (831)</u> | <u>\$ 27,794</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 8,385 |
| - | (45) | (4) | (979) |
| - | - | (3,341) | (3,259) |

This Page Intentionally Left Blank

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF SAN DIEGO

PENSION TRUST FUNDS

PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit plan under IRC section 415(m), which was created by Congress to allow for the payment of promised pension benefits that exceed the IRC section 415(b) limits and therefore can't be paid from the City's Pension and Employee Savings Trust Fund. This fund is maintained by the Retirement Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

SUPPLEMENTAL PENSION SAVINGS PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(a) PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by the City, employees and investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(k) PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

AGENCY FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds, including federal and state income taxes withheld from employees, parking citation revenues, employee benefit plans and special assessments.

BLENDED COMPONENT UNIT

PENSION TRUST FUNDS

CITY EMPLOYEES' RETIREMENT SYSTEM

SDCERS provides retirement, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans. It also performs certain administrative functions on other post-employment benefits on behalf of the City.

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014
(Dollars in Thousands)**

| | <u>City Employees' Retirement System</u> | | |
|---------------------------------------------------|------------------------------------------|----------------------------------|------------------------------|
| | <u>City of San Diego</u> | <u>Unified Port District</u> | <u>Airport Authority</u> |
| ASSETS | | | |
| Cash and Investments | \$ 960 | \$ 143 | \$ 64 |
| Cash with Custodian/Fiscal Agent | 208,539 | 17,251 | 13,571 |
| Investments at Fair Value: | | | |
| Domestic Fixed Income Securities | 1,649,206 | 93,227 | 31,767 |
| International Fixed Income Securities | 418,916 | 23,944 | 8,209 |
| Domestic Equity Securities (Stocks) | 1,583,869 | 89,356 | 30,198 |
| International Equity Securities (Stocks) | 1,172,877 | 66,358 | 22,439 |
| Global Equity Securities | 338,883 | 19,258 | 6,277 |
| Real Estate Equity | 644,674 | 36,524 | 12,438 |
| Equity Mutual Funds | - | - | - |
| Fixed Income Mutual Funds | - | - | - |
| Private Equity | 353,984 | 20,161 | 6,830 |
| Infrastructure | 47,223 | 2,692 | 890 |
| Receivables: | | | |
| Contributions | 6,291 | 823 | 162 |
| Accrued Interest | 9,306 | 521 | 173 |
| Loans | - | - | - |
| Securities Sold | 43,159 | 2,363 | 817 |
| Prepaid Expenses | 244 | 14 | 5 |
| Securities Lending Collateral | 184,335 | 10,409 | 3,654 |
| Capital Assets - Depreciable | 6,185 | 370 | 136 |
| TOTAL ASSETS | <u>6,668,651</u> | <u>383,414</u> | <u>137,630</u> |
| LIABILITIES | | | |
| Accounts Payable | 7,177 | 440 | 145 |
| Accrued Wages and Benefits | 744 | 41 | 14 |
| Supplemental Benefits Payable | 10,875 | 245 | 25 |
| Net Other Postemployment Benefit Obligation | 1,487 | - | - |
| Net Pension Obligation | 605 | - | - |
| Securities Lending Obligations | 184,606 | 10,424 | 3,658 |
| Securities Purchased | 183,269 | 10,263 | 3,585 |
| TOTAL LIABILITIES | <u>388,763</u> | <u>21,413</u> | <u>7,427</u> |
| NET POSITION | | | |
| Held in Trust for Pension Benefits | <u>\$ 6,279,888</u> | <u>\$ 362,001</u> | <u>\$ 130,203</u> |

| | <u>Preservation of Benefits Plan</u> | <u>Postemployment Healthcare Benefit Plan</u> | <u>Supplemental Pension Savings Plan</u> | <u>401(a) Plan</u> | <u>401(k) Plan</u> | <u>Total</u> |
|----|------------------------------------------|-------------------------------------------------------|--------------------------------------------------|------------------------|------------------------|---------------------|
| \$ | - | \$ - | \$ 539 | \$ 1 | \$ 1 | \$ 1,708 |
| | 8 | - | - | - | - | 239,369 |
| | - | - | - | - | - | 1,774,200 |
| | - | - | - | - | - | 451,069 |
| | - | - | - | - | - | 1,703,423 |
| | - | - | - | - | - | 1,261,674 |
| | - | - | - | - | - | 364,418 |
| | - | - | - | - | - | 693,636 |
| | - | - | 344,178 | 2,241 | 199,277 | 545,696 |
| | - | - | 278,384 | 68 | 116,399 | 394,851 |
| | - | - | - | - | - | 380,975 |
| | - | - | - | - | - | 50,805 |
| | - | - | - | - | - | 7,276 |
| | - | - | - | - | - | 10,000 |
| | - | - | 23,572 | - | 13,134 | 36,706 |
| | - | - | - | - | - | 46,339 |
| | - | - | - | - | - | 263 |
| | - | - | - | - | - | 198,398 |
| | - | - | - | - | - | 6,691 |
| | <u>8</u> | <u>-</u> | <u>646,673</u> | <u>2,310</u> | <u>328,811</u> | <u>8,167,497</u> |
| | - | - | - | - | - | 7,762 |
| | - | - | - | - | - | 799 |
| | - | - | - | - | - | 11,145 |
| | - | - | - | - | - | 1,487 |
| | - | - | - | - | - | 605 |
| | - | - | - | - | - | 198,688 |
| | - | - | - | - | - | 197,117 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>417,603</u> |
| \$ | <u>8</u> | <u>\$ -</u> | <u>\$ 646,673</u> | <u>\$ 2,310</u> | <u>\$ 328,811</u> | <u>\$ 7,749,894</u> |

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2014
(Dollars in Thousands)**

| | <u>City Employees' Retirement System</u> | | |
|------------------------------------------------------|------------------------------------------|----------------------------------|------------------------------|
| | <u>City of San Diego</u> | <u>Unified Port District</u> | <u>Airport Authority</u> |
| ADDITIONS | | | |
| Employer Contributions | \$ 277,244 | \$ 13,916 | \$ 3,728 |
| Plan Member Contributions: | | | |
| Employee Contributions | 62,919 | 3,954 | 2,861 |
| DROP Contributions | 4,762 | 209 | 95 |
| Retiree Contributions | - | - | - |
| Earnings on Investments: | | | |
| Investment Income | 963,897 | 55,360 | 18,872 |
| Investment Expense | <u>(30,344)</u> | <u>(1,743)</u> | <u>(596)</u> |
| Net Investment Income | <u>933,553</u> | <u>53,617</u> | <u>18,276</u> |
| Securities Lending: | | | |
| Gross Earnings | 1,255 | 72 | 25 |
| Borrower Rebates | <u>(280)</u> | <u>(16)</u> | <u>(6)</u> |
| Net Securities Lending Income | <u>975</u> | <u>56</u> | <u>19</u> |
| Other Income | <u>724</u> | <u>41</u> | <u>14</u> |
| TOTAL ADDITIONS | <u>1,280,177</u> | <u>71,793</u> | <u>24,993</u> |
| DEDUCTIONS | | | |
| DROP Interest Expense | 21,958 | 454 | 34 |
| Benefit and Claim Payments | 363,022 | 18,308 | 2,880 |
| Administration | <u>10,467</u> | <u>729</u> | <u>332</u> |
| TOTAL DEDUCTIONS | <u>395,447</u> | <u>19,491</u> | <u>3,246</u> |
| CHANGE IN NET POSITION | 884,730 | 52,302 | 21,747 |
| Net Position at Beginning of Year, as Restated | <u>5,395,158</u> | <u>309,699</u> | <u>108,456</u> |
| NET POSITION AT END OF YEAR | <u>\$ 6,279,888</u> | <u>\$ 362,001</u> | <u>\$ 130,203</u> |

| <u>Preservation of Benefits Plan</u> | <u>Postemployment Healthcare Benefit Plan</u> | <u>Supplemental Pension Savings Plan</u> | <u>401(a) Plan</u> | <u>401(k) Plan</u> | <u>Total</u> |
|--------------------------------------|-----------------------------------------------|------------------------------------------|--------------------|--------------------|---------------------|
| \$ 1,409 | \$ 32,143 | \$ 21,755 | \$ 335 | \$ - | \$ 350,530 |
| - | - | 21,753 | 432 | 15,650 | 107,569 |
| - | - | - | - | - | 5,066 |
| - | 7,437 | - | - | - | 7,437 |
| - | - | 67,867 | 279 | 39,021 | 1,145,296 |
| - | - | - | - | - | (32,683) |
| - | - | 67,867 | 279 | 39,021 | 1,112,613 |
| - | - | - | - | - | 1,352 |
| - | - | - | - | - | (302) |
| - | - | - | - | - | 1,050 |
| - | - | 713 | - | 369 | 1,861 |
| 1,409 | 39,580 | 112,088 | 1,046 | 55,040 | 1,586,126 |
| - | - | - | - | - | 22,446 |
| 1,403 | 38,977 | 52,143 | 140 | 19,753 | 496,626 |
| 3 | 603 | - | - | - | 12,134 |
| 1,406 | 39,580 | 52,143 | 140 | 19,753 | 531,206 |
| 3 | - | 59,945 | 906 | 35,287 | 1,054,920 |
| 5 | - | 586,728 | 1,404 | 293,524 | 6,694,974 |
| <u>\$ 8</u> | <u>\$ -</u> | <u>\$ 646,673</u> | <u>\$ 2,310</u> | <u>\$ 328,811</u> | <u>\$ 7,749,894</u> |

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014
(Dollars in Thousands)

| | <u>Employee Benefits</u> | <u>Other Miscellaneous Agency</u> | <u>Total</u> |
|---------------------------------------|------------------------------|-------------------------------------------|------------------|
| ASSETS | | | |
| Cash and Investments | \$ 4,949 | \$ 8,691 | \$ 13,640 |
| Receivables: | | | |
| Accounts - Net | 150 | 775 | 925 |
| Special Assessments | - | 353 | 353 |
| Accrued Interest | - | 5 | 5 |
| Restricted Cash and Investments | <u>-</u> | <u>33,600</u> | <u>33,600</u> |
| TOTAL ASSETS | <u>\$ 5,099</u> | <u>\$ 43,424</u> | <u>\$ 48,523</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 54 | \$ 4,684 | \$ 4,738 |
| Deposits/Advances from Others | - | 154 | 154 |
| Sundry Agency Liabilities | 5,045 | 11,141 | 16,186 |
| Due to Bondholders | <u>-</u> | <u>27,445</u> | <u>27,445</u> |
| TOTAL LIABILITIES | <u>\$ 5,099</u> | <u>\$ 43,424</u> | <u>\$ 48,523</u> |

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2014
(Dollars in Thousands)

| | Beginning Balance | Additions | Deductions | Ending Balance |
|---------------------------------------|----------------------|-------------------|-------------------|-------------------|
| Employee Benefits | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 4,771 | \$ 175,606 | \$ 175,428 | \$ 4,949 |
| Receivables: | | | | |
| Accounts - Net | 140 | 2,714 | 2,704 | 150 |
| TOTAL ASSETS | \$ 4,911 | \$ 178,320 | \$ 178,132 | \$ 5,099 |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ 67,515 | \$ 67,461 | \$ 54 |
| Sundry Agency Liabilities | 4,911 | 106,516 | 106,382 | 5,045 |
| TOTAL LIABILITIES | \$ 4,911 | \$ 174,031 | \$ 173,843 | \$ 5,099 |
| Other Miscellaneous Agency | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 7,862 | \$ 136,707 | \$ 135,878 | \$ 8,691 |
| Receivables: | | | | |
| Accounts - Net | 264 | 39,125 | 38,614 | 775 |
| Special Assessments | 413 | 354 | 414 | 353 |
| Accrued Interest | 5 | 5 | 5 | 5 |
| Restricted Cash and Investments | 37,658 | 28,562 | 32,620 | 33,600 |
| TOTAL ASSETS | \$ 46,202 | \$ 204,753 | \$ 207,531 | \$ 43,424 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 2,979 | \$ 22,107 | \$ 20,402 | \$ 4,684 |
| Deposits/Advances from Others | 154 | - | - | 154 |
| Sundry Agency Liabilities | 14,367 | 142,188 | 145,414 | 11,141 |
| Due to Bondholders | 28,702 | 22,469 | 23,726 | 27,445 |
| TOTAL LIABILITIES | \$ 46,202 | \$ 186,764 | \$ 189,542 | \$ 43,424 |
| TOTAL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 12,633 | \$ 312,313 | \$ 311,306 | \$ 13,640 |
| Receivables: | | | | |
| Accounts - Net | 404 | 41,839 | 41,318 | 925 |
| Special Assessments | 413 | 354 | 414 | 353 |
| Accrued Interest | 5 | 5 | 5 | 5 |
| Restricted Cash and Investments | 37,658 | 28,562 | 32,620 | 33,600 |
| TOTAL ASSETS | \$ 51,113 | \$ 383,073 | \$ 385,663 | \$ 48,523 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 2,979 | \$ 89,622 | \$ 87,863 | \$ 4,738 |
| Deposits/Advances from Others | 154 | - | - | 154 |
| Sundry Agency Liabilities | 19,278 | 248,704 | 251,796 | 16,186 |
| Due to Bondholders | 28,702 | 22,469 | 23,726 | 27,445 |
| TOTAL LIABILITIES | \$ 51,113 | \$ 360,795 | \$ 363,385 | \$ 48,523 |

This Page Intentionally Left Blank

STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION

The Statistical Section presents information as required by GASB Statement No. 44. In addition to utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

CONTENTS

FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

Tables 5 through 8 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

DEBT CAPACITY

Tables 9 through 14 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 15 and 16 offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to provide comparisons over time with other governments.

OPERATING INFORMATION

Tables 17 through 19 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, <http://emma.msrb.org>, and the City's Investor Webpage, <http://www.sandiego.gov/investorinformation>.

CITY OF SAN DIEGO
NET POSITION BY CATEGORY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
 (Accrual Basis of Accounting)

| | Fiscal Year | | | |
|---------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 |
| <u>Governmental Activities</u> | | | | |
| Net Investment in Capital Assets | \$ 3,600,989 | \$ 3,472,531 | \$ 3,461,127 | \$ 3,518,704 |
| Restricted for: | | | | |
| Capital Projects | 90,390 | 273,575 | 300,288 | 314,931 |
| Debt Service | 37,522 | - | - | - |
| Low-Moderate Income Housing | - | 64,493 | 81,739 | 108,026 |
| Permanent Endowments | 13,908 | 14,568 | 16,509 | 16,757 |
| Grants | - | - | - | - |
| Other | 104,488 | 96,537 | 100,159 | 124,328 |
| Unrestricted | <u>(215,719)</u> | <u>(140,126)</u> | <u>(19,999)</u> | <u>70,635</u> |
| Total Governmental Activities Net Position | <u>3,631,578</u> | <u>3,781,578</u> | <u>3,939,823</u> | <u>4,153,381</u> |
| <u>Business-type Activities</u> | | | | |
| Net Investment in Capital Assets | 2,863,136 | 2,867,469 | 2,998,848 | 2,933,012 |
| Restricted for: | | | | |
| Debt Service | 3,517 | 2,970 | 2,977 | 2,660 |
| Other | 29,412 | 32,115 | 34,732 | 36,776 |
| Unrestricted | <u>271,943</u> | <u>308,575</u> | <u>343,280</u> | <u>517,261</u> |
| Total Business-type Activities Net Position | <u>3,168,008</u> | <u>3,211,129</u> | <u>3,379,837</u> | <u>3,489,709</u> |
| <u>Primary Government</u> | | | | |
| Net Investment in Capital Assets | 6,464,125 | 6,340,000 | 6,459,975 | 6,451,716 |
| Restricted for: | | | | |
| Capital Projects | 90,390 | 273,575 | 300,288 | 314,931 |
| Debt Service | 41,039 | 2,970 | 2,977 | 2,660 |
| Low-Moderate Income Housing | - | 64,493 | 81,739 | 108,026 |
| Nonexpendable Permanent Endowments | 13,908 | 14,568 | 16,509 | 16,757 |
| Grants | - | - | - | - |
| Other | 133,900 | 128,652 | 134,891 | 161,104 |
| Unrestricted | <u>56,224</u> | <u>168,449</u> | <u>323,281</u> | <u>587,896</u> |
| Total Primary Government Net Position | <u>\$ 6,799,586</u> | <u>\$ 6,992,707</u> | <u>\$ 7,319,660</u> | <u>\$ 7,643,090</u> |

Source: Comprehensive Annual Financial Reports

Table 1

| | | Fiscal Year | | | | | | | | | |
|----|------------------|-------------|------------------|------|------------------|------|------------------|----|------------------|----|------------------|
| | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | | | |
| \$ | 3,530,937 | \$ | 3,780,474 | \$ | 3,812,560 | \$ | 3,835,923 | \$ | 3,963,306 | \$ | 3,988,284 |
| | 293,284 | | 260,754 | | 654,126 | | 521,015 | | 456,874 | | 459,115 |
| | - | | - | | - | | - | | - | | - |
| | 135,581 | | 162,514 | | 84,260 | | 50,988 | | 251,655 | | 277,139 |
| | 13,280 | | 17,514 | | 15,670 | | 18,780 | | 19,689 | | 24,307 |
| | - | | - | | - | | 232,249 | | 75,462 | | 68,206 |
| | 122,460 | | 131,600 | | 195,171 | | 157,462 | | 202,705 | | 277,586 |
| | 162,661 | | 2,189 | | (392,384) | | (278,413) | | (341,390) | | (274,916) |
| | <u>4,258,203</u> | | <u>4,355,045</u> | | <u>4,369,403</u> | | <u>4,538,004</u> | | <u>4,628,301</u> | | <u>4,819,721</u> |
| | 2,970,351 | | 3,035,924 | | 3,094,788 | | 3,131,831 | | 3,378,535 | | 3,526,979 |
| | 4,372 | | 8,443 | | 11,129 | | 13,346 | | 7,893 | | 1,880 |
| | 38,113 | | 43,747 | | 45,217 | | 24,462 | | 24,822 | | 25,404 |
| | 587,443 | | 643,275 | | 685,666 | | 826,386 | | 701,760 | | 637,889 |
| | <u>3,600,279</u> | | <u>3,731,389</u> | | <u>3,836,800</u> | | <u>3,996,025</u> | | <u>4,113,010</u> | | <u>4,192,152</u> |
| | 6,501,288 | | 6,816,398 | | 6,907,348 | | 6,967,754 | | 7,341,841 | | 7,515,263 |
| | 293,284 | | 260,754 | | 654,126 | | 521,015 | | 456,874 | | 459,115 |
| | 4,372 | | 8,443 | | 11,129 | | 13,346 | | 7,893 | | 1,880 |
| | 135,581 | | 162,514 | | 84,260 | | 50,988 | | 251,655 | | 277,139 |
| | 13,280 | | 17,514 | | 15,670 | | 18,780 | | 19,689 | | 24,307 |
| | - | | - | | - | | 232,249 | | 75,462 | | 68,206 |
| | 160,573 | | 175,347 | | 240,388 | | 181,924 | | 227,527 | | 302,990 |
| | 750,104 | | 645,464 | | 293,283 | | 547,973 | | 360,370 | | 362,973 |
| \$ | <u>7,858,482</u> | \$ | <u>8,086,434</u> | \$ | <u>8,206,203</u> | \$ | <u>8,534,029</u> | \$ | <u>8,741,311</u> | \$ | <u>9,011,873</u> |

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
 (Accrual Basis of Accounting)

| | Fiscal Year | | | |
|------------------------------------------------------------|---------------------|---------------------|---------------------|-----------------------|
| | 2005 | 2006 | 2007 | 2008 |
| Expenses | | | | |
| Governmental Activities | | | | |
| General Government and Support | \$ 247,038 | \$ 252,295 | \$ 270,190 | \$ 322,157 |
| Public Safety - Police | 372,230 | 370,990 | 376,581 | 382,907 |
| Public Safety - Fire and Life Safety and Homeland Security | 186,203 | 194,074 | 209,902 | 204,822 |
| Parks, Recreation, Culture and Leisure | 218,601 | 237,375 | 229,500 | 231,955 |
| Transportation | 220,095 | 200,883 | 272,780 | 212,255 |
| Sanitation and Health | 45,088 | 48,774 | 43,780 | 51,772 |
| Neighborhood Services | 89,162 | 111,886 | 99,870 | 91,110 |
| Debt Service: | | | | |
| Interest | 73,381 | 71,109 | 84,920 | 82,211 |
| Cost of Issuance | - | - | - | - |
| Total Governmental Activities Expenses | <u>1,451,798</u> | <u>1,487,386</u> | <u>1,587,523</u> | <u>1,579,189</u> |
| Business-type Activities | | | | |
| Airports | 3,196 | 4,100 | 3,755 | 4,109 |
| City Store | 808 | 810 | 843 | 788 |
| Development Services | 60,240 | 57,893 | 53,924 | 51,461 |
| Environmental Services | 43,711 | 44,493 | 40,138 | 37,279 |
| Golf Course | 8,585 | 9,563 | 10,690 | 11,142 |
| Recycling | 21,426 | 21,853 | 19,754 | 20,511 |
| Sewer Utility | 348,327 | 319,274 | 313,716 | 322,552 |
| Water Utility | 300,665 | 302,996 | 313,256 | 321,123 |
| Total Business-type Activities Expenses | <u>786,958</u> | <u>760,982</u> | <u>756,076</u> | <u>768,965</u> |
| Total Primary Government Expenses | <u>2,238,756</u> | <u>2,248,368</u> | <u>2,343,599</u> | <u>2,348,154</u> |
| Program Revenues | | | | |
| Governmental Activities | | | | |
| Charges for Services: | | | | |
| General Government and Support | 100,887 | 96,345 | 107,257 | 111,714 |
| Public Safety - Police | 23,496 | 24,256 | 27,960 | 40,628 |
| Public Safety - Fire and Life Safety and Homeland Security | 21,381 | 18,572 | 16,548 | 19,156 |
| Parks, Recreation, Culture and Leisure | 35,314 | 51,196 | 52,656 | 64,030 |
| Transportation | 30,625 | 52,375 | 49,809 | 21,877 |
| Sanitation and Health | 8,651 | 10,697 | 10,224 | 9,832 |
| Neighborhood Services | 48,623 | 25,440 | 39,412 | 22,748 |
| Operating Grants and Contributions | 109,268 | 101,723 | 84,745 | 75,126 |
| Capital Grants and Contributions | 134,702 | 100,564 | 81,169 | 78,347 |
| Total Governmental Activities Program Revenues | <u>512,947</u> | <u>481,168</u> | <u>469,780</u> | <u>443,548</u> |
| Business-type Activities | | | | |
| Charges for Services: | | | | |
| Airports | 4,151 | 4,385 | 5,635 | 5,140 |
| City Store | 807 | 837 | 827 | 744 |
| Development Services | 61,299 | 55,011 | 48,746 | 45,945 |
| Environmental Services | 41,944 | 39,850 | 36,143 | 35,485 |
| Golf Course | 12,625 | 13,119 | 15,772 | 15,153 |
| Recycling | 19,883 | 21,345 | 20,476 | 23,390 |
| Sewer Utility | 288,972 | 290,568 | 304,749 | 328,119 |
| Water Utility | 267,649 | 280,567 | 310,292 | 318,626 |
| Operating Grants and Contributions | 2,028 | 1,909 | 1,203 | 2,312 |
| Capital Grants and Contributions | 63,830 | 77,602 | 141,419 | 58,400 |
| Total Business-type Activities Program Revenues | <u>763,188</u> | <u>785,193</u> | <u>885,262</u> | <u>833,314</u> |
| Total Primary Government Program Revenues | <u>1,276,135</u> | <u>1,266,361</u> | <u>1,355,042</u> | <u>1,276,772</u> |
| Net (Expense)/Revenue | | | | |
| Governmental Activities | (938,851) | (1,006,218) | (1,117,743) | (1,135,731) |
| Business-type Activities | (23,770) | 24,211 | 129,186 | 64,349 |
| Total Primary Government Net Expense | <u>\$ (962,621)</u> | <u>\$ (982,007)</u> | <u>\$ (988,557)</u> | <u>\$ (1,071,382)</u> |

Source: Comprehensive Annual Financial Reports

Table 2

| | | Fiscal Year | | | | | | | | | |
|----|-------------|-------------|-------------|------|-------------|------|-------------|----|-------------|----|-------------|
| | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | | | |
| \$ | 303,581 | \$ | 395,344 | \$ | 361,098 | \$ | 294,198 | \$ | 313,800 | \$ | 286,798 |
| | 418,549 | | 402,222 | | 427,724 | | 409,374 | | 429,849 | | 441,803 |
| | 220,787 | | 214,975 | | 223,174 | | 233,635 | | 241,029 | | 253,741 |
| | 258,038 | | 266,343 | | 248,668 | | 270,199 | | 270,540 | | 267,523 |
| | 239,305 | | 190,054 | | 191,402 | | 224,187 | | 202,376 | | 192,928 |
| | 77,447 | | 78,171 | | 74,639 | | 73,299 | | 67,623 | | 89,448 |
| | 116,735 | | 137,971 | | 85,588 | | 219,499 | | 89,354 | | 70,191 |
| | 84,070 | | 72,672 | | 77,443 | | 58,838 | | 37,942 | | 35,226 |
| | - | | - | | - | | - | | - | | 518 |
| | 1,718,512 | | 1,757,752 | | 1,689,737 | | 1,783,229 | | 1,652,513 | | 1,638,176 |
| | 5,140 | | 5,671 | | 4,297 | | 3,614 | | 4,759 | | 4,663 |
| | 321 | | - | | - | | - | | - | | - |
| | 47,260 | | 36,640 | | 43,552 | | 43,842 | | 46,024 | | 50,825 |
| | 35,718 | | 33,955 | | 34,904 | | 36,357 | | 32,205 | | 33,724 |
| | 11,864 | | 14,618 | | 15,503 | | 15,217 | | 15,689 | | 16,423 |
| | 20,067 | | 19,265 | | 19,611 | | 18,105 | | 18,895 | | 20,475 |
| | 314,125 | | 338,688 | | 315,591 | | 311,367 | | 322,431 | | 326,437 |
| | 329,748 | | 365,683 | | 362,830 | | 382,314 | | 420,809 | | 443,453 |
| | 764,243 | | 814,520 | | 796,288 | | 810,816 | | 860,812 | | 896,000 |
| | 2,482,755 | | 2,572,272 | | 2,486,025 | | 2,594,045 | | 2,513,325 | | 2,534,176 |
| | 152,630 | | 179,461 | | 185,696 | | 193,766 | | 191,256 | | 198,856 |
| | 42,178 | | 39,636 | | 44,879 | | 38,367 | | 44,723 | | 42,976 |
| | 20,449 | | 19,916 | | 30,655 | | 31,724 | | 22,539 | | 34,984 |
| | 80,795 | | 61,495 | | 65,033 | | 80,673 | | 72,297 | | 51,721 |
| | 18,360 | | 31,485 | | 27,304 | | 56,742 | | 28,759 | | 30,262 |
| | 9,306 | | 11,788 | | 11,784 | | 14,452 | | 13,790 | | 15,342 |
| | 21,814 | | 25,959 | | 27,013 | | 22,699 | | 35,792 | | 36,339 |
| | 93,244 | | 71,829 | | 81,159 | | 62,181 | | 82,760 | | 60,591 |
| | 110,802 | | 60,139 | | 51,674 | | 46,770 | | 152,193 | | 120,538 |
| | 549,578 | | 501,708 | | 525,197 | | 547,374 | | 644,109 | | 591,609 |
| | 4,929 | | 4,849 | | 4,749 | | 4,188 | | 4,906 | | 4,371 |
| | 242 | | - | | - | | - | | - | | - |
| | 37,310 | | 37,338 | | 45,743 | | 44,557 | | 50,006 | | 52,402 |
| | 31,726 | | 26,342 | | 28,246 | | 25,123 | | 24,607 | | 26,043 |
| | 16,201 | | 15,671 | | 15,715 | | 17,428 | | 18,367 | | 19,764 |
| | 16,027 | | 16,946 | | 18,592 | | 17,323 | | 18,056 | | 19,046 |
| | 322,571 | | 382,125 | | 357,731 | | 370,299 | | 361,637 | | 364,548 |
| | 342,719 | | 376,461 | | 371,515 | | 408,119 | | 414,508 | | 447,565 |
| | 1,739 | | 3,289 | | 8,355 | | 2,939 | | 1,761 | | 1,531 |
| | 60,863 | | 45,738 | | 30,692 | | 75,194 | | 91,878 | | 70,739 |
| | 834,327 | | 908,759 | | 881,338 | | 965,170 | | 985,726 | | 1,006,009 |
| | 1,383,905 | | 1,410,467 | | 1,406,535 | | 1,512,544 | | 1,629,835 | | 1,597,618 |
| | (1,168,934) | | (1,256,044) | | (1,164,540) | | (1,235,855) | | (1,008,404) | | (1,046,567) |
| | 70,084 | | 94,239 | | 85,050 | | 154,354 | | 124,914 | | 110,009 |
| \$ | (1,098,850) | \$ | (1,161,805) | \$ | (1,079,490) | \$ | (1,081,501) | \$ | (883,490) | \$ | (936,558) |

Continued on Next Page

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
 (Accrual Basis of Accounting)

| | Fiscal Year | | | |
|-----------------------------------------------------------------------------------------------|------------------|-------------------|-------------------|-------------------|
| | 2005 | 2006 | 2007 | 2008 |
| General Revenues and Other Changes in Net Position | | | | |
| Governmental Activities | | | | |
| Property Taxes | \$ 329,659 | \$ 459,777 | \$ 526,722 | \$ 576,605 |
| Transient Occupancy Taxes | 120,792 | 136,803 | 154,810 | 159,348 |
| Sales Taxes - Shared State Revenue | 197,198 | 227,017 | 263,399 | 269,757 |
| Other Local Taxes | 152,577 | 148,001 | 157,941 | 151,267 |
| Developer Contributions and Fees | 47,063 | 53,502 | 62,693 | 38,331 |
| Grants and Contributions not Restricted to Specific Programs | 141,934 | 64,039 | 5,339 | 6,251 |
| Investment Income | 29,473 | 40,108 | 76,292 | 96,725 |
| Gain on Sale of Capital Assets | 684 | 1,214 | 6,546 | 17,884 |
| Miscellaneous | 5,232 | 21,227 | 25,671 | 29,570 |
| Transfers | 626 | 4,530 | (3,425) | 3,551 |
| Total Governmental Activities General Revenues, Permanent Fund Contributions and Transfers | <u>1,025,238</u> | <u>1,156,218</u> | <u>1,275,988</u> | <u>1,349,289</u> |
| Business-type Activities | | | | |
| Investment Income | 17,132 | 16,938 | 30,713 | 41,224 |
| Miscellaneous | 8,815 | 6,502 | 5,384 | 7,850 |
| Transfers | (626) | (4,530) | 3,425 | (3,551) |
| Total Business-type Activities General Revenues and Transfers | <u>25,321</u> | <u>18,910</u> | <u>39,522</u> | <u>45,523</u> |
| Total Primary Government General Revenues, Permanent Fund Contributions and Transfers | <u>1,050,559</u> | <u>1,175,128</u> | <u>1,315,510</u> | <u>1,394,812</u> |
| Extraordinary Gain (Loss) | | | | |
| Governmental Activities | - | - | - | - |
| Business-type Activities | - | - | - | - |
| Change in Net Position | | | | |
| Governmental Activities | 86,387 | 150,001 | 158,245 | 213,558 |
| Business-type Activities | <u>1,551</u> | <u>43,121</u> | <u>168,708</u> | <u>109,872</u> |
| Total Primary Government Change in Net Position | <u>\$ 87,938</u> | <u>\$ 193,122</u> | <u>\$ 326,953</u> | <u>\$ 323,430</u> |

Source: Comprehensive Annual Financial Reports

Table 2

| | | Fiscal Year | | | | | | | | | |
|----|------------------|-------------|------------------|------|------------------|------|------------------|----|------------------|----|------------------|
| | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | | | |
| \$ | 607,857 | \$ | 579,410 | \$ | 560,577 | \$ | 508,938 | \$ | 421,894 | \$ | 470,905 |
| | 140,657 | | 123,332 | | 140,752 | | 148,184 | | 158,105 | | 173,376 |
| | 229,651 | | 244,406 | | 246,452 | | 253,624 | | 269,504 | | 282,345 |
| | 161,485 | | 183,694 | | 158,797 | | 173,954 | | 166,548 | | 186,747 |
| | 16,148 | | 21,022 | | 14,131 | | 55,635 | | 66,312 | | 47,765 |
| | 8,488 | | 18,065 | | 10,320 | | 115 | | 705 | | 674 |
| | 75,245 | | 30,472 | | 25,488 | | 15,708 | | 9,220 | | 13,627 |
| | 1,922 | | 1,854 | | 133 | | - | | - | | - |
| | 33,528 | | 20,458 | | 16,207 | | 36,086 | | 14,471 | | 32,482 |
| | (1,225) | | (1,218) | | 6,040 | | 16,739 | | 20,012 | | 15,269 |
| | <u>1,273,756</u> | | <u>1,221,495</u> | | <u>1,178,897</u> | | <u>1,208,983</u> | | <u>1,126,771</u> | | <u>1,223,190</u> |
| | 31,004 | | 22,332 | | 13,717 | | 11,519 | | 2,429 | | 8,489 |
| | 8,257 | | 13,321 | | 12,684 | | 8,225 | | 11,520 | | 12,096 |
| | 1,225 | | 1,218 | | (6,040) | | (16,739) | | (20,012) | | (15,269) |
| | <u>40,486</u> | | <u>36,871</u> | | <u>20,361</u> | | <u>3,005</u> | | <u>(6,063)</u> | | <u>5,316</u> |
| | <u>1,314,242</u> | | <u>1,258,366</u> | | <u>1,199,258</u> | | <u>1,211,988</u> | | <u>1,120,708</u> | | <u>1,228,506</u> |
| | - | | - | | - | | 195,473 | | (28,070) | | (14,828) |
| | <u>-</u> | | <u>-</u> | | <u>-</u> | | <u>1,866</u> | | <u>(1,866)</u> | | <u>-</u> |
| | 104,822 | | (34,549) | | 14,357 | | 168,601 | | 90,297 | | 161,795 |
| | <u>110,570</u> | | <u>131,110</u> | | <u>105,411</u> | | <u>159,225</u> | | <u>116,985</u> | | <u>115,325</u> |
| \$ | <u>215,392</u> | \$ | <u>96,562</u> | \$ | <u>119,768</u> | \$ | <u>327,826</u> | \$ | <u>207,282</u> | \$ | <u>277,120</u> |

CITY OF SAN DIEGO
FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
 (Modified Accrual Basis of Accounting)

| | Pre-GASB 54 | | | | | |
|-----------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year | | | | | |
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Fund: | | | | | | |
| Reserved | \$ 17,501 | \$ 21,288 | \$ 35,858 | \$ 45,843 | \$ 33,895 | \$ 7,996 |
| Unreserved | 43,547 | 40,353 | 96,190 | 78,938 | 80,497 | 107,027 |
| Total General Fund | <u>\$ 61,048</u> | <u>\$ 61,641</u> | <u>\$ 132,048</u> | <u>\$ 124,781</u> | <u>\$ 114,392</u> | <u>\$ 115,023</u> |
| Nonmajor Governmental Funds: | | | | | | |
| Reserved | \$ 372,806 | \$ 401,019 | \$ 504,693 | \$ 652,222 | \$ 706,971 | \$ 776,324 |
| Unreserved, reported in: | | | | | | |
| Special Revenue Funds | 284,818 | 267,576 | 350,096 | 233,388 | 221,089 | 219,394 |
| Debt Service Funds | 13 | 217 | 29 | 221,814 | 265,236 | 159,737 |
| Capital Projects Funds | 279,866 | 406,130 | 377,648 | 358,550 | 430,479 | 368,860 |
| Permanent Funds | 1,063 | 656 | 1,249 | 549 | 2,625 | 2 |
| Total Nonmajor Governmental Funds | <u>\$ 938,566</u> | <u>\$ 1,075,598</u> | <u>\$ 1,233,715</u> | <u>\$ 1,466,523</u> | <u>\$ 1,626,400</u> | <u>\$ 1,524,317</u> |

Source: Comprehensive Annual Financial Reports

Table 3

| | Post-GASB 54 ¹ | | | |
|-----------------------------------|---------------------------|-------------------|---------------------|---------------------|
| | Fiscal Year | | | |
| | 2011 | 2012 | 2013 | 2014 |
| General Fund: | | | | |
| Nonspendable | \$ - | \$ 22,140 | \$ - | \$ 1,248 |
| Spendable: | | | | |
| Restricted | 145,880 | 102,104 | 60,507 | 104,885 |
| Committed | 1,183 | 44,831 | 40,953 | 147,053 |
| Assigned | 38,153 | - | 8,717 | 5,575 |
| Unassigned | 60,532 | 109,475 | 112,321 | 91,353 |
| Total General Fund | <u>\$ 245,748</u> | <u>\$ 278,550</u> | <u>\$ 222,498</u> | <u>\$ 350,114</u> |
| Nonmajor Governmental Funds: | | | | |
| Nonspendable | \$ 21,093 | \$ 19,502 | \$ 115,806 | \$ 24,326 |
| Spendable: | | | | |
| Restricted | 1,378,184 | 876,460 | 866,750 | 1,011,875 |
| Committed | 92,783 | 114,722 | 87,655 | 140,268 |
| Unassigned | (29,569) | (43,841) | (22,578) | (15,156) |
| Total Nonmajor Governmental Funds | <u>\$ 1,462,491</u> | <u>\$ 966,843</u> | <u>\$ 1,047,633</u> | <u>\$ 1,161,313</u> |

Footnote:

¹ Starting in fiscal year 2011, data is reported in accordance with GASB Statement No. 54.

CITY OF SAN DIEGO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
 (Modified Accrual Basis of Accounting)

| | Fiscal Year | | | |
|------------------------------------------------------------|------------------|-------------------|-------------------|-------------------|
| | 2005 | 2006 | 2007 | 2008 |
| Revenues | | | | |
| Property Taxes | \$ 325,857 | \$ 457,908 | \$ 521,734 | \$ 573,311 |
| Special Assessments | 30,263 | 36,699 | 36,585 | 50,274 |
| Sales Taxes | 197,198 | 227,017 | 264,587 | 270,791 |
| In-Lieu Sales Taxes ¹ | 48,220 | 45,433 | - | - |
| Transient Occupancy Taxes | 121,612 | 136,801 | 153,574 | 159,348 |
| Other Local Taxes | 152,576 | 148,001 | 158,046 | 146,899 |
| Licenses and Permits | 40,724 | 42,117 | 41,425 | 50,693 |
| Fines, Forfeitures and Penalties | 33,906 | 35,441 | 42,932 | 32,785 |
| Revenue from Use of Money and Property | 77,514 | 89,438 | 117,552 | 129,582 |
| Revenue from Federal Agencies | 66,283 | 43,570 | 79,735 | 40,413 |
| Revenue from Other Agencies | 143,639 | 58,289 | 61,977 | 53,370 |
| Revenue from Private Sources | 91,354 | 91,287 | 59,549 | 23,013 |
| Charges for Current Services | 138,794 | 127,121 | 159,877 | 165,910 |
| Other Revenue | 11,518 | 25,923 | 31,027 | 30,824 |
| Total Revenues | 1,479,458 | 1,565,045 | 1,728,600 | 1,727,213 |
| Expenditures | | | | |
| Current: | | | | |
| General Government and Support | 236,706 | 290,550 | 267,461 | 310,814 |
| Public Safety - Police | 347,359 | 408,474 | 376,762 | 388,729 |
| Public Safety - Fire and Life Safety and Homeland Security | 178,553 | 212,069 | 202,031 | 205,660 |
| Parks, Recreation, Culture and Leisure | 180,327 | 216,038 | 182,197 | 195,808 |
| Public Transportation | 140,604 | 147,977 | 139,349 | 135,404 |
| Sanitation and Health | 44,327 | 49,094 | 44,729 | 53,957 |
| Neighborhood Services | 102,235 | 112,080 | 85,544 | 88,242 |
| Capital Outlay | 175,493 | 126,583 | 106,518 | 132,432 |
| Debt Service: | | | | |
| Principal Retirement | 77,952 | 53,293 | 68,160 | 59,228 |
| Cost of Issuance | - | - | 5,145 | 3,618 |
| Interest | 68,201 | 68,732 | 82,928 | 78,133 |
| Refunding Escrow | - | - | - | - |
| Total Expenditures | 1,551,757 | 1,684,890 | 1,560,824 | 1,652,025 |
| Excess (Deficiency) of Revenues Over Expenditures | (72,299) | (119,845) | 167,776 | 75,188 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 10,634 | 6,975 | 9,509 | 10,373 |
| Transfers Out | (2,366) | (1,784) | (3,546) | (9,756) |
| Transfer to Escrow Agent | (32,011) | - | (159,690) | (10,676) |
| Contracts, Notes, and Loans Issued | 5,435 | 13,873 | 13,003 | 16,063 |
| Bonds Issued | 152,056 | 217,797 | 182,328 | 108,121 |
| Other Sources | 3,278 | 20,609 | 19,144 | 36,228 |
| Total Other Financing Sources (Uses) | 137,026 | 257,470 | 60,748 | 150,353 |
| Extraordinary Loss | - | - | - | - |
| Net Change in Fund Balances | \$ 64,727 | \$ 137,625 | \$ 228,524 | \$ 225,541 |
| Debt Service as a Percentage of Noncapital Expenditures | 10.6% | 7.8% | 10.7% | 9.3% |

Footnote:

¹ The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with fiscal year 2005.

Source: Comprehensive Annual Financial Reports

Table 4

| Fiscal Year | | | | | | |
|-------------------|--------------------|------------------|---------------------|------------------|-------------------|--|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| \$ 603,574 | \$ 584,342 | \$ 569,009 | \$ 512,178 | \$ 422,617 | \$ 470,960 | |
| 63,500 | 45,606 | 42,823 | 46,964 | 50,510 | 50,796 | |
| 233,140 | 192,665 | 232,077 | 265,057 | 269,929 | 278,564 | |
| - | - | - | - | - | - | |
| 140,657 | 123,879 | 139,545 | 148,795 | 159,494 | 170,475 | |
| 171,192 | 183,696 | 158,797 | 173,954 | 166,548 | 186,747 | |
| 39,349 | 33,088 | 42,668 | 41,906 | 51,662 | 53,329 | |
| 34,406 | 31,836 | 33,356 | 64,816 | 31,261 | 31,363 | |
| 107,784 | 91,227 | 86,720 | 77,654 | 80,994 | 87,212 | |
| 70,386 | 54,056 | 86,113 | 70,132 | 59,863 | 52,504 | |
| 52,456 | 56,136 | 54,628 | 46,604 | 57,770 | 39,804 | |
| 21,593 | 21,689 | 29,126 | 38,451 | 71,280 | 78,875 | |
| 203,432 | 191,769 | 204,782 | 215,914 | 189,551 | 207,101 | |
| 25,711 | 23,187 | 32,807 | 41,446 | 20,829 | 33,890 | |
| <u>1,767,180</u> | <u>1,633,176</u> | <u>1,712,451</u> | <u>1,743,871</u> | <u>1,632,308</u> | <u>1,741,620</u> | |
| 344,930 | 391,680 | 339,782 | 279,663 | 265,489 | 299,739 | |
| 406,657 | 399,914 | 402,328 | 396,098 | 406,599 | 431,531 | |
| 225,696 | 210,730 | 210,539 | 226,623 | 228,128 | 245,650 | |
| 211,759 | 228,357 | 205,219 | 228,255 | 225,411 | 216,635 | |
| 162,969 | 117,545 | 115,168 | 149,344 | 120,594 | 108,836 | |
| 78,260 | 78,351 | 70,274 | 72,980 | 65,969 | 83,128 | |
| 73,785 | 75,772 | 88,826 | 218,724 | 81,559 | 63,846 | |
| 138,634 | 134,426 | 142,136 | 193,727 | 158,460 | 118,187 | |
| 57,209 | 65,928 | 114,774 | 70,614 | 46,323 | 66,534 | |
| 1,001 | 1,881 | 1,552 | 880 | 814 | 518 | |
| 78,659 | 74,825 | 73,093 | 56,695 | 37,399 | 36,070 | |
| - | 4,172 | - | - | 1,572 | - | |
| <u>1,779,559</u> | <u>1,783,581</u> | <u>1,763,691</u> | <u>1,893,603</u> | <u>1,638,317</u> | <u>1,670,675</u> | |
| <u>(12,379)</u> | <u>(150,405)</u> | <u>(51,240)</u> | <u>(149,732)</u> | <u>(6,009)</u> | <u>70,944</u> | |
| 8,246 | 7,706 | 7,444 | 274,458 | 302,999 | 192,049 | |
| (6,590) | (13,444) | (6,564) | (286,274) | (294,922) | (173,249) | |
| - | (161,194) | - | (152,936) | (18,973) | (16,025) | |
| 12,583 | 48,710 | 478 | 2,700 | - | 761 | |
| 115,236 | 183,396 | 104,857 | 153,964 | 94,808 | 51,713 | |
| 32,392 | 15,341 | 13,924 | 12,058 | 7,477 | 29,747 | |
| <u>161,867</u> | <u>80,515</u> | <u>120,139</u> | <u>3,970</u> | <u>91,389</u> | <u>84,996</u> | |
| - | - | - | (317,084) | (60,642) | (21,067) | |
| <u>\$ 149,488</u> | <u>\$ (69,890)</u> | <u>\$ 68,899</u> | <u>\$ (462,846)</u> | <u>\$ 24,738</u> | <u>\$ 134,874</u> | |
| 8.3% | 8.9% | 11.7% | 7.5% | 5.8% | 6.6% | |

CITY OF SAN DIEGO
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

| Fiscal Year Ended June 30 | City | | | |
|------------------------------------------|----------------|------------------|-----------------------------|-----------------------------------|
| | Secured | Unsecured | Less: Exemptions | Taxable Assessed Value |
| 2005 | \$ 115,305,637 | \$ 6,724,787 | \$ (4,872,423) | \$ 117,158,001 |
| 2006 | 128,935,155 | 7,067,580 | (5,684,279) | 130,318,456 |
| 2007 | 142,036,802 | 7,629,006 | (5,867,546) | 143,798,262 |
| 2008 | 154,653,913 | 7,410,589 | (6,329,714) | 155,734,788 |
| 2009 | 162,580,727 | 7,880,341 | (6,795,274) | 163,665,794 |
| 2010 | 161,637,831 | 8,164,394 | (7,157,357) | 162,644,868 |
| 2011 | 158,803,280 | 7,873,095 | (7,411,231) | 159,265,144 |
| 2012 | 160,568,111 | 7,614,792 | (7,713,035) | 160,469,868 |
| 2013 | 159,731,138 | 7,784,851 | (7,883,818) | 159,632,171 |
| 2014 | 166,492,182 | 8,229,813 | (8,321,763) | 166,400,232 |

Footnote:

¹ Pursuant to ABX1 26, the former Redevelopment Agency (RDA) dissolved as of February 1, 2012, at which time the City, as Successor Agency, received the former RDA's assets and assumed the responsibility for winding down the former RDA's operations.

Sources: MuniServices, LLC and San Diego County Assessor Data

Table 5

| Successor Agency ¹ | | | | | |
|--------------------------------------|------------------|-----------------------------|-----------------------------------|----------------------------------|--|
| Secured | Unsecured | Less: Exemptions | Taxable Assessed Value | Total Direct Tax Rate | |
| \$ 7,516,745 | \$ 560,474 | \$ (562,460) | \$ 7,514,759 | 0.261% | |
| 10,237,395 | 628,841 | (685,305) | 10,180,931 | 0.326% | |
| 13,029,366 | 892,425 | (924,626) | 12,997,165 | 0.333% | |
| 15,955,610 | 889,754 | (1,064,583) | 15,780,781 | 0.334% | |
| 17,769,284 | 918,239 | (1,139,942) | 17,547,581 | 0.333% | |
| 17,353,633 | 912,524 | (1,289,122) | 16,977,035 | 0.325% | |
| 17,676,415 | 953,539 | (1,465,748) | 17,164,206 | 0.323% | |
| 17,354,546 | 967,108 | (1,610,637) | 16,711,017 | 0.289% | |
| 17,571,696 | 977,717 | (1,683,396) | 16,866,017 | 0.239% | |
| 18,265,071 | 984,082 | (1,712,162) | 17,536,991 | 0.256% | |

CITY OF SAN DIEGO
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
Last Ten Fiscal Years
(\$1 Per \$100 of Assessed Value)

Table 6

| Fiscal Year Ended June 30 | Direct Rate | Overlapping | | Total |
|---------------------------------|----------------------------|----------------------|-----------|----------|
| | Basic County/ City Rate | City of San Diego | Education | |
| 2005 | 0.00000% | 0.00670% | 0.00000% | 0.00670% |
| 2006 | 1.00000% | 0.01165% | 0.10085% | 1.11250% |
| 2007 | 1.00000% | 0.01094% | 0.08931% | 1.10025% |
| 2008 | 1.00000% | 0.01069% | 0.08747% | 1.09816% |
| 2009 | 1.00000% | 0.01038% | 0.07396% | 1.08434% |
| 2010 | 1.00000% | 0.01043% | 0.09152% | 1.10195% |
| 2011 | 1.00000% | 0.00986% | 0.09164% | 1.10150% |
| 2012 | 1.00000% | 0.00870% | 0.10410% | 1.11280% |
| 2013 | 1.00000% | 0.00850% | 0.10303% | 1.11153% |
| 2014 | 1.00000% | 0.00850% | 0.17427% | 1.18277% |

Sources: MuniServices, LLC and San Diego County Auditor/Controller Data

**CITY OF SAN DIEGO
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
Current Year and Nine Years Ago
(Dollars in Thousands)**

Table 7

| Taxpayer | Taxable Assessed Value | Percent of Total City Taxable Assessed Value |
|-------------------------------------------------------|-----------------------------------|-------------------------------------------------------------|
| <u>For the Fiscal Year Ended June 30, 2014</u> | | |
| Irvine Co | \$ 1,618,629 | 0.88% |
| Qualcomm Inc | 1,434,626 | 0.78% |
| Kilroy Realty LP | 1,428,488 | 0.78% |
| ARE SD Region Exchange LLC | 853,654 | 0.46% |
| Host Hotels and Resorts LP | 781,415 | 0.42% |
| One Park Boulevard LLC | 612,551 | 0.33% |
| O C S D Holdings LLC | 488,798 | 0.27% |
| Fashion Valley Mall LLC | 476,580 | 0.26% |
| Arden Realty LTD Partnership | 455,245 | 0.25% |
| Sea World Inc | 436,958 | 0.24% |
| <u>For the Fiscal Year Ended June 30, 2005</u> | | |
| Kilroy Realty LP | 654,951 | 0.53% |
| Qualcomm Inc | 543,937 | 0.44% |
| Irvine Co | 456,573 | 0.37% |
| Fashion Valley Mall LLC | 419,626 | 0.34% |
| San Diego Family Housing LLC | 399,413 | 0.32% |
| Manchester Resorts LP | 356,214 | 0.29% |
| Sea World Inc | 349,437 | 0.28% |
| ERP Operation LTD Partnership | 349,066 | 0.28% |
| Pacific Gateway Ltd | 260,093 | 0.21% |
| Cal West Industrial Properties | 224,329 | 0.18% |

Sources: MuniServices, LLC and San Diego County Assessor Data

This Page Intentionally Left Blank

CITY OF SAN DIEGO
PROPERTY TAX LEVIES AND COLLECTIONS ¹ (UNAUDITED)
Last Ten Fiscal Years
(Dollars 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 ² |
| 2005 | \$ 227,422 | \$ 213,173 | 93.73% | \$ 7,953 | \$ 221,126 | 97.23% |
| 2006 | 255,211 | 240,895 | 94.39% | 8,152 | 249,047 | 97.58% |
| 2007 | 272,983 | 257,034 | 94.16% | 9,138 | 266,172 | 97.50% |
| 2008 | 289,235 | 271,657 | 93.92% | 10,185 | 281,842 | 97.44% |
| 2009 | 299,935 | 284,212 | 94.76% | 14,988 | 299,200 | 99.75% |
| 2010 | 297,208 | 284,600 | 95.76% | 13,938 | 298,538 | 100.45% |
| 2011 | 293,617 | 283,978 | 96.72% | 13,071 | 297,049 | 101.17% |
| 2012 | 295,977 | 289,500 | 97.81% | 8,651 | 298,151 | 100.73% |
| 2013 | 299,311 | 293,557 | 98.08% | 7,930 | 301,487 | 100.73% |
| 2014 | 315,046 | 308,592 | 97.95% | 7,219 | 315,811 | 100.24% |

Footnotes:

¹ Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund.

² Collections in subsequent years represent collection of delinquent accounts, which, combined with the amount collected within the fiscal year of levy could exceed the total taxes levied for the fiscal year.

Source: County of San Diego

CITY OF SAN DIEGO
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

| Fiscal Year Ended June 30 | Governmental Activities | | | | | |
|---------------------------------|-------------------------|---------------------------------|---------------------------------------------------------------|----------------------|------------------|------------------|
| | Arbitrage Liability | Capital Lease Obligations | Qualified Energy Conservation Bonds/Lease Obligation | Contracts Payable | Notes Payable | Loans Payable |
| 2005 | \$ - | \$ 30,647 | \$ - | \$ 1,715 | \$ 7,924 | \$ 62,024 |
| 2006 | - | 40,541 | - | 2,615 | 7,294 | 64,199 |
| 2007 | - | 39,130 | - | 2,615 | 8,555 | 60,493 |
| 2008 | - | 61,262 | - | 2,615 | 5,662 | 70,763 |
| 2009 | 533 | 89,519 | - | 4,715 | 4,786 | 78,347 |
| 2010 | 3 | 84,561 | - | 1,018 | 3,301 | 110,891 |
| 2011 | 3 | 68,018 | 13,142 | 24,419 | - | 52,963 |
| 2012 | - | 69,638 | 12,392 | 17,421 | - | 38,748 |
| 2013 | - | 65,369 | 11,637 | 7,454 | - | 27,268 |
| 2014 | - | 58,094 | 10,864 | 16,820 | - | 17,633 |

| Fiscal Year Ended June 30 | Business-Type Activities | | | | | |
|---------------------------------|--------------------------|---------------------------------|------------------|------------------|-----------------------------|--------------------------------------|
| | Arbitrage Liability | Capital Lease Obligations | Notes Payable | Loans Payable | Revenue Bonds Payable | Total Business-Type Activities |
| 2005 | \$ 213 | \$ 3,521 | \$ - | \$ 63,803 | \$ 1,698,060 | \$ 1,765,597 |
| 2006 | 193 | 2,051 | - | 91,247 | 1,662,705 | 1,756,196 |
| 2007 | 224 | 1,006 | 280,830 | 101,316 | 1,469,060 | 1,852,436 |
| 2008 | 586 | 166 | 430,830 | 95,875 | 1,425,445 | 1,952,902 |
| 2009 | - | - | - | 90,326 | 2,166,906 | 2,257,232 |
| 2010 | - | - | - | 84,673 | 2,073,075 | 2,157,748 |
| 2011 | 25 | - | - | 91,025 | 2,009,160 | 2,100,210 |
| 2012 | 34 | - | - | 125,406 | 1,919,920 | 2,045,360 |
| 2013 | 60 | - | - | 145,330 | 1,850,645 | 1,996,035 |
| 2014 | 90 | 2,590 | - | 161,360 | 1,778,310 | 1,942,350 |

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

¹ Ratio is calculated using assessed property values.

² Ratio is calculated using population data.

Source: Comprehensive Annual Financial Reports

Table 9

| Governmental Activities | | | | | | |
|-----------------------------------------|---------------------------------------|-----------------------------------------------------------------------|-------------------------------------|------------------------------------------------------|----------------------------------------------|--|
| General Obligation Bonds | Pooled Financing Bonds | Lease Revenue Bonds/ Certificates of Participation | Tax Allocation Bonds | Tobacco Settlement Asset-Backed Bonds | Total Governmental Activities | |
| \$ 14,530 | \$ - | \$ 571,285 | \$ 415,778 | \$ - | \$ 1,103,903 | |
| 12,690 | - | 549,850 | 514,845 | 105,400 | 1,297,434 | |
| 10,705 | - | 521,210 | 502,804 | 102,700 | 1,248,212 | |
| 8,580 | 34,115 | 498,950 | 548,643 | 99,370 | 1,329,960 | |
| 6,315 | 33,460 | 579,500 | 534,547 | 95,380 | 1,427,102 | |
| 4,340 | 32,780 | 547,260 | 529,423 | 92,350 | 1,405,927 | |
| 2,240 | 32,010 | 531,550 | 615,495 | 89,600 | 1,429,440 | |
| - | - | 481,630 | - | 86,195 | 706,024 | |
| - | - | 533,235 | - | 81,635 | 726,598 | |
| - | - | 546,930 | - | 77,785 | 728,126 | |

| Total Primary Government | Percentage of Assessed Value ¹ | Debt Per Capita ² |
|-----------------------------------------|----------------------------------------------------------|---------------------------------------------|
| \$ 2,869,500 | 2.45% | \$ 2.20 |
| 3,053,630 | 2.34% | 2.34 |
| 3,100,648 | 2.16% | 2.35 |
| 3,282,862 | 2.11% | 2.46 |
| 3,684,334 | 2.25% | 2.76 |
| 3,563,675 | 2.19% | 2.62 |
| 3,529,650 | 2.22% | 2.69 |
| 2,751,384 | 1.71% | 2.08 |
| 2,722,633 | 1.71% | 2.05 |
| 2,670,476 | 1.60% | 1.98 |

This Page Intentionally Left Blank

CITY OF SAN DIEGO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
Last Ten Fiscal Years

Table 10

| Fiscal Year Ended June 30 | General Obligation Bonds (Thousands) | Assessed Valuation (Thousands) | Percentage of Assessed Value ¹ | Population | Debt Per Capita ² |
|---------------------------------|--------------------------------------------|--------------------------------------|-------------------------------------------------|------------|------------------------------------|
| 2005 | \$ 14,530 | \$ 117,158,001 | 0.012% | 1,306,000 | \$ 11.13 |
| 2006 | 12,690 | 130,318,456 ³ | 0.010% | 1,305,625 | 9.72 |
| 2007 | 10,705 | 143,798,262 | 0.007% | 1,316,837 | 8.13 |
| 2008 | 8,580 | 155,734,788 | 0.006% | 1,336,865 | 6.42 |
| 2009 | 6,315 | 163,665,794 | 0.004% | 1,333,617 | 4.74 |
| 2010 | 4,340 | 162,644,868 | 0.003% | 1,359,132 | 3.19 |
| 2011 | 2,240 | 159,265,144 | 0.001% | 1,311,882 | 1.71 |
| 2012 | - | 160,469,868 | 0.000% | 1,321,315 | - |
| 2013 | - | 159,632,171 | 0.000% | 1,326,238 | - |
| 2014 | - | 166,400,232 | 0.000% | 1,345,895 | - |

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

¹ Ratio is calculated using assessed property values.

² Ratio is calculated using population data.

³ The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City and the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB Statement No. 44.

Sources: MuniServices, LLC, California Department of Finance and Comprehensive Annual Financial Reports

CITY OF SAN DIEGO
DIRECT AND OVERLAPPING DEBT (UNAUDITED)
 June 30, 2014
 (Dollars in Thousands)

| | Total Debt June 30, 2014 | % Applicable ¹ | City's Share of Debt June 30, 2014 |
|------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|---------------------------------------------------------------|
| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| Metropolitan Water District | \$ 132,275 | 8.478% | \$ 11,214 |
| Palomar Community College District | 312,769 | 23.104% | 72,262 |
| San Diego Community College District | 1,296,444 | 99.933% | 1,295,575 |
| Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1 | 344,368 | 55.495 & 55.918% | 191,862 |
| San Diego Unified School District | 2,366,412 | 99.935% | 2,364,874 |
| Sweetwater Union High School District | 354,404 | 19.778% | 70,094 |
| San Ysidro School District | 123,383 | 85.831% | 105,901 |
| Other School, High School and Community College Districts | 1,454,595 | Various | 126,728 |
| Grossmont Healthcare District | 220,567 | 7.923% | 17,476 |
| Palomar Pomerado Health System | 474,824 | 27.288% | 129,570 |
| City of San Diego Special Assessment/Special Tax Bonds ² | 116,923 | 100% | 116,923 |
| Del Mar Unified School District Community Facilities District No. 99-1 & 95-1 | 27,235 | 100% | 27,235 |
| North City West School District Community Facilities District | 67,948 | 100% | 67,948 |
| Poway Unified School District Community Facilities Districts | 325,478 | 99.609-100% | 325,386 |
| San Dieguito Union High School District Community Facilities Districts | 41,749 | 81.063-100% | 36,190 |
| Sweetwater Union High School District Community Facilities Districts | 20,628 | 8.935-100% | 15,227 |
| Solana Beach School District Community Facilities Districts | 36,650 | 100% | 36,650 |
| Other Special District 1915 Act Bonds | 15,319 | Various | 1,510 |
| TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | | <u>\$ 5,012,625</u> |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| San Diego County General Fund Obligations | \$ 379,835 | 46.902% | \$ 178,150 |
| San Diego County Pension Obligations | 720,855 | 46.902% | 338,095 |
| San Diego Superintendent of Schools Certificates of Participation | 16,125 | 46.902% | 7,563 |
| Palomar Community College District General Fund Obligations | 4,855 | 23.109% | 1,122 |
| Poway Unified School District Certificates of Participation | 62,499 | 63.384% | 39,614 |
| Sweetwater Union High School District Certificates of Participation | 42,475 | 19.778% | 8,401 |
| Chula Vista School District General Fund Obligations | 141,895 | 5.183% | 7,354 |
| San Ysidro School District Certificates of Participation | 42,014 | 85.831% | 36,061 |
| Other School, High School and Community College District Certificates of Participation | 128,650 | Various | 5,282 |
| City of San Diego General Fund Obligations ³ | 546,930 | 100% | 546,930 |
| Otay Municipal Water District Certificates of Participation | 46,690 | 7.087% | 3,309 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | 1,171,881 |
| Less: Otay Municipal Water District Certificates of Participation | | | 3,309 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | <u>\$ 1,168,572</u> |
| OVERLAPPING TAX INCREMENT DEBT | \$ 582,965 | 1.323-100% | \$ 544,980 |
| TOTAL DIRECT DEBT | | | 546,930 |
| TOTAL GROSS OVERLAPPING DEBT | | | 6,182,556 |
| TOTAL NET OVERLAPPING DEBT | | | 6,179,247 |
| GROSS COMBINED TOTAL DEBT ⁴ | | | 6,729,486 |
| NET COMBINED TOTAL DEBT | | | 6,726,177 |

Table 11

| | |
|---------------------------------------------------------------------|-------|
| <u>Ratios to 2013-14 Assessed Valuations (\$185,285,799):</u> | |
| Overlapping Tax and Assessment Debt | 2.71% |
| Total Direct Debt (\$546,930) | 0.30% |
| Gross Combined Total Debt | 3.63% |
| Net Combined Total Debt | 3.63% |
| <u>Ratios to Redevelopment Incremental Valuation (\$17,612,935)</u> | |
| Total Overlapping Tax Increment Debt | 3.09% |

Footnotes:

¹ The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

² Amounts reconcile to Note 18, Total Special Assessment / Special Tax Bonds.

³ Amounts for Total Debt reconcile to Note 5, Total Lease Revenue Bonds.

⁴ Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Non-Bonded Capital Lease Obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Sources: MuniServices, LLC and Comprehensive Annual Financial Reports

**CITY OF SAN DIEGO
LEGAL DEBT MARGIN SCHEDULE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)**

| | Fiscal Year | | | |
|----------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2005 | 2006 | 2007 | 2008 |
| Assessed valuation (restated) ¹ | \$ 129,836,535 | \$ 125,983,315 | \$ 139,151,323 | \$ 151,083,767 |
| Conversion percentage ² | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 32,459,134 | 31,495,829 | 34,787,831 | 37,770,942 |
| Debt limit percentage ³ | 25% | 25% | 25% | 25% |
| Debt limit ⁴ | 8,114,783 | 7,873,957 | 8,696,958 | 9,442,735 |
| Total net debt applicable to limit: | | | | |
| General Obligation Bonds | 14,530 | 12,690 | 10,705 | 8,580 |
| Legal debt margin | 8,100,253 | 7,861,267 | 8,686,253 | 9,434,155 |
| Total debt applicable to the limit as a percentage of the debt limit | 0.18% | 0.16% | 0.12% | 0.09% |

Footnotes:

¹ The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City and the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

² The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with fiscal year 1981-82, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

³ Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation.

⁴ The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or \$6,240,009 and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or \$4,160,006.

Sources: MuniServices, LLC and Comprehensive Annual Financial Reports

Table 12

| | | Fiscal Year | | | | | | | | | |
|----|-------------|-------------|-------------|------|-------------|------|-------------|----|-------------|----|-------------|
| | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | | | |
| \$ | 163,665,794 | \$ | 162,644,868 | \$ | 159,265,144 | \$ | 160,469,868 | \$ | 159,632,171 | \$ | 166,400,232 |
| | 25% | | 25% | | 25% | | 25% | | 25% | | 25% |
| | 40,916,449 | | 40,661,217 | | 39,816,286 | | 40,117,467 | | 39,908,043 | | 41,600,058 |
| | 25% | | 25% | | 25% | | 25% | | 25% | | 25% |
| | 10,229,112 | | 10,165,304 | | 9,954,072 | | 10,029,367 | | 9,977,011 | | 10,400,015 |
| | 6,315 | | 4,340 | | 2,240 | | - | | - | | - |
| | 10,222,797 | | 10,160,964 | | 9,951,832 | | 10,029,367 | | 9,977,011 | | 10,400,015 |
| | 0.06% | | 0.04% | | 0.02% | | 0.00% | | 0.00% | | 0.00% |

CITY OF SAN DIEGO
PLEDGED-REVENUE COVERAGE - WATER BONDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

| Fiscal Year Ended June 30 | Total System Revenues | Total Maintenance and Operation Costs (Excludes Depreciation) | Net System Revenues ¹ | Less: Interest Earnings on Reserve Funds - Senior Obligations | Adjusted Net System Revenues ² |
|---------------------------------|--------------------------|---------------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------------------|-------------------------------------------------|
| 2005 | \$ 294,904 | \$ 234,392 | \$ 60,512 | \$ (1,262) | \$ 59,250 |
| 2006 | 303,453 | 242,180 | 61,273 | (1,228) | 60,045 |
| 2007 | 336,599 | 255,486 | 81,113 | (1,346) | 79,767 |
| 2008 | 350,770 | 258,813 | 91,957 | (1,481) | 90,476 |
| 2009 | 364,413 | 263,280 | 101,133 | (2,668) | 98,465 |
| 2010 | 394,948 | 287,361 | 107,587 | (3,767) | 103,820 |
| 2011 | 397,755 | 285,059 | 112,696 | (1,436) | 111,260 |
| 2012 | 431,188 | 307,465 | 123,723 | (1,919) | 121,804 |
| 2013 | 444,751 | 342,989 | 101,762 | (363) | 101,399 |
| 2014 | 473,908 | 362,989 | 110,919 | (1,017) | 109,902 |

Footnotes:

¹ Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

² Adjusted Net System Revenues is the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

³ All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

Source: Comprehensive Annual Financial Reports

Table 13

| Senior Debt Service | | | | | All Obligations ³ | | | |
|---------------------|-----------|-----------|--------------------------------|-----------------------|--------------------------------|--------------------|---------------------------------|--|
| Principal | Interest | Total | Less: Senior Interest Earnings | Adjusted Debt Service | Adjusted Debt Service Coverage | Total Debt Service | Aggregate Debt Service Coverage | |
| \$ 7,645 | \$ 13,710 | \$ 21,355 | \$ (1,262) | \$ 20,093 | 2.95 | \$ 34,861 | 1.74 | |
| 7,965 | 13,390 | 21,355 | (1,228) | 20,127 | 2.98 | 35,549 | 1.72 | |
| 8,305 | 13,046 | 21,351 | (1,346) | 20,005 | 3.99 | 40,759 | 1.99 | |
| 8,675 | 12,679 | 21,354 | (1,481) | 19,873 | 4.55 | 43,082 | 2.13 | |
| 9,065 | 12,289 | 21,354 | (2,668) | 18,686 | 5.27 | 49,600 | 2.04 | |
| 1,035 | 27,268 | 28,303 | (3,767) | 24,536 | 4.23 | 56,978 | 1.89 | |
| 6,355 | 27,760 | 34,115 | (1,436) | 32,679 | 3.40 | 62,784 | 1.79 | |
| 7,164 | 30,354 | 37,518 | (1,919) | 35,599 | 3.42 | 66,191 | 1.87 | |
| 8,719 | 30,988 | 39,707 | (363) | 39,344 | 2.58 | 64,210 | 1.58 | |
| 8,986 | 30,935 | 39,921 | (1,017) | 38,904 | 2.82 | 66,692 | 1.66 | |

**CITY OF SAN DIEGO
PLEGGED-REVENUE COVERAGE - SEWER BONDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)**

| Fiscal Year Ended June 30 | Total System Revenues | Total Maintenance and Operation Costs (Excludes Depreciation) | Net System Revenues ¹ | Senior Debt Service | | |
|---------------------------------|--------------------------|---------------------------------------------------------------------------|-------------------------------------|---------------------|-----------|-----------|
| | | | | Principal | Interest | Total |
| 2005 | \$ 322,542 | \$ 204,163 | \$ 118,379 | \$ 26,120 | \$ 50,935 | \$ 77,055 |
| 2006 | 320,288 | 202,111 | 118,177 | 27,390 | 49,662 | 77,052 |
| 2007 ³ | 343,921 | 202,632 | 141,289 | 28,760 | 48,291 | 77,051 |
| 2008 | 361,511 | 211,449 | 150,062 | 30,250 | 46,805 | 77,055 |
| 2009 | 353,446 | 197,379 | 156,067 | 31,700 | 45,356 | 77,056 |
| 2010 | 406,076 | 220,701 | 185,375 | 43,320 | 59,909 | 103,229 |
| 2011 | 380,575 | 198,773 | 181,802 | 42,620 | 59,868 | 102,488 |
| 2012 | 391,588 | 202,132 | 189,456 | 44,230 | 58,253 | 102,483 |
| 2013 | 385,211 | 205,215 | 179,996 | 46,120 | 56,368 | 102,488 |
| 2014 | 396,042 | 210,981 | 185,061 | 48,821 | 54,473 | 103,294 |

Footnotes:

¹ Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

² All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

³ Senior Debt Service principal and interest amounts for fiscal year 2007 were updated for correct amounts.

Source: Comprehensive Annual Financial Reports

Table 14

| Senior Debt Service Coverage | All Obligations ² | |
|------------------------------------|------------------------------|---------------------------------------|
| | Total Debt Service | Aggregate Debt Service Coverage |
| 1.54 | \$ 84,789 | 1.40 |
| 1.53 | 86,802 | 1.36 |
| 1.83 | 96,408 | 1.47 |
| 1.95 | 94,555 | 1.59 |
| 2.03 | 94,305 | 1.65 |
| 1.80 | 109,288 | 1.70 |
| 1.77 | 108,547 | 1.67 |
| 1.85 | 108,542 | 1.75 |
| 1.76 | 108,547 | 1.66 |
| 1.79 | 109,353 | 1.69 |

**CITY OF SAN DIEGO
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
Last Ten Fiscal Years**

Table 15

| Fiscal Year Ended June 30 | Population ¹ | Personal Income ² (Thousands) | Per Capita Personal Income | Unemployment Rate ³ |
|------------------------------------------|--------------------------------|---------------------------------------------------------|---------------------------------------|-------------------------------------------|
| 2005 | 1,306,000 | \$ 38,523,082 | \$ 29,497 | 4.5% |
| 2006 | 1,305,625 | 37,749,536 | 28,913 | 4.2% |
| 2007 | 1,316,837 | 39,302,317 | 29,846 | 4.6% |
| 2008 | 1,336,865 | 42,678,078 | 31,924 | 5.9% |
| 2009 | 1,333,617 | 42,857,116 | 32,136 | 10.0% |
| 2010 | 1,359,132 | 43,522,125 | 32,022 | 10.6% |
| 2011 | 1,311,882 | 40,336,436 | 30,747 | 10.5% |
| 2012 | 1,321,315 | 42,754,529 | 32,358 | 9.3% |
| 2013 | 1,326,238 | 43,540,765 | 32,830 | 7.8% |
| 2014 | 1,345,895 | 45,869,488 | 34,081 | 6.1% |

Footnotes:

¹ Population projections are provided by the California Department of Finance Projections.

² Income data is provided by the United States Census Bureau, 2010 American Community Survey.

³ EDD Labor Market Information as of June 30 of each fiscal year.

Sources: MuniServices, LLC and California Department of Finance

**CITY OF SAN DIEGO
PRINCIPAL EMPLOYERS (UNAUDITED)
Fiscal Year Ended June 30, 2014**

Table 16

| <u>Employer</u> | <u>Number of Employees</u> | <u>Percentage of Total Employment ¹</u> |
|-------------------------------------------------|--------------------------------|--------------------------------------------------------|
| United States Navy ² | 30,588 | 4.31% |
| University Of California San Diego ³ | 28,672 | 4.04% |
| Sharp Healthcare ⁴ | 16,446 | 2.32% |
| County of San Diego | 16,215 | 2.28% |
| Qualcomm, Inc. | 13,725 | 1.93% |
| San Diego Unified School District | 13,071 | 1.84% |
| City of San Diego ⁵ | 10,411 | 1.47% |
| Kaiser Permanente | 8,172 | 1.15% |
| UC San Diego Medical Center | 6,302 | 0.89% |
| San Diego Gas & Electric Co. ⁶ | 4,457 | 0.63% |
| Total Top Employers | <u>148,059</u> | <u>20.86%</u> |

Footnotes:

Fiscal year 2005 data is not available.

¹ Percentage based on total employment of 709,800 provided by EDD Labor Force Data.

² Employee count includes Navy, Marine and Civic Services personnel.

³ Employee count includes full and part-time, academic and support staff.

⁴ Employee count is company-wide.

⁵ Employee count is provided by the City of San Diego, Office of the Comptroller - Payroll Division (Table 17).

⁶ Employee count does not include Sempra Energy or other affiliate companies.

Source: MuniServices, LLC

This Page Intentionally Left Blank

CITY OF SAN DIEGO
FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION (UNAUDITED) ¹
Last Ten Fiscal Years

Table 17

| Function | Fiscal Year | | | | | | | | | |
|------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Government and Support | 1,944 | 1,816 | 1,870 | 1,979 | 2,248 | 2,217 | 2,143 | 2,101 | 2,058 | 2,134 |
| Public Safety - Police | 2,774 | 2,628 | 2,627 | 2,712 | 2,674 | 2,547 | 2,409 | 2,402 | 2,427 | 2,489 |
| Public Safety - Fire, Life Safety, Homeland Security | 1,373 | 1,322 | 1,333 | 1,314 | 1,304 | 1,331 | 1,265 | 1,208 | 1,235 | 1,283 |
| Parks, Recreation, Culture and Leisure | 1,777 | 1,701 | 1,663 | 1,705 | 1,682 | 1,675 | 1,556 | 1,525 | 1,646 | 1,720 |
| Transportation | 461 | 447 | 339 | 326 | 279 | 282 | 280 | 276 | 298 | 325 |
| Sanitation and Health | 148 | 144 | 129 | 150 | 164 | 156 | 153 | 132 | 121 | 135 |
| Neighborhood Services | 234 | 177 | 148 | 154 | 145 | 132 | 137 | 127 | 141 | 152 |
| Airports | 17 | 14 | 14 | 15 | 16 | 16 | 17 | 17 | 18 | 16 |
| Development Services | 535 | 482 | 426 | 392 | 329 | 258 | 259 | 268 | 293 | 332 |
| Environmental Services | 219 | 196 | 188 | 164 | 168 | 172 | 160 | 157 | 153 | 145 |
| Golf Course | 81 | 88 | 95 | 88 | 97 | 93 | 89 | 100 | 98 | 106 |
| Recycling | 116 | 121 | 108 | 98 | 100 | 97 | 87 | 94 | 97 | 104 |
| Sewer Utility | 1,050 | 976 | 906 | 863 | 817 | 781 | 762 | 731 | 721 | 775 |
| Water Utility | 943 | 878 | 839 | 829 | 776 | 742 | 734 | 703 | 720 | 695 |
| Total Employees | 11,672 | 10,990 | 10,685 | 10,789 | 10,799 | 10,499 | 10,051 | 9,841 | 10,026 | 10,411 |

Footnote:

¹ As of the last pay period of the fiscal year.

Source: City of San Diego, Office of the Comptroller - Payroll Division

CITY OF SAN DIEGO
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
Last Nine Fiscal Years ¹

| Function | Fiscal Year | | |
|-----------------------------------------------------------------------------|-------------|------------|------------|
| | 2006 | 2007 | 2008 |
| <u>Public Safety - Police</u> | | | |
| Calls for Police Services Dispatched | 626,067 | 623,940 | 631,371 |
| Calls for 9-1-1 Emergencies | 471,927 | 518,291 | 526,391 |
| <u>Public Safety - Fire and Life Safety and Homeland Security</u> | | | |
| Fire Department: | | | |
| Emergency Calls - Fire | 3,579 | 3,392 | 4,445 |
| Emergency Calls - Medical/Rescue | 84,882 | 87,789 | 91,932 |
| Emergency Calls - Other | 12,918 | 13,010 | 13,635 |
| Lifeguard: | | | |
| Water Rescues | 5,075 | 3,696 | 4,771 |
| Other Rescues | 4,490 | 3,388 | 4,334 |
| Beach Attendance | 21,277,945 | 21,253,050 | 20,275,495 |
| <u>Parks, Recreation, Culture and Leisure</u> | | | |
| Parks and Recreation: | | | |
| Number of Aquatic Users ² | 333,688 | 293,300 | 325,080 |
| Number of Youth Served in After School Program Sites ² | 80,837 | 57,111 | 88,032 |
| Library: | | | |
| Circulation | 7,003,040 | 7,167,104 | 7,374,378 |
| Total Attendance - All Libraries | 6,017,790 | 6,040,091 | 6,234,038 |
| <u>Sewer Utility</u> | | | |
| Average Daily Sewage Flow (millions of gallons) | 180.95 | 175.13 | 175.29 |
| Average Daily Peak - Maximum Sewage Flow ³ (millions of gallons) | 224.41 | 215.67 | 242.19 |
| System Daily Capacity (millions of gallons) | 255.00 | 255.00 | 255.00 |
| <u>Water Utility</u> | | | |
| Average Daily Production (millions of gallons) | 204.74 | 220.28 | 204.00 |
| Maximum Daily Production (millions of gallons) | 279.47 | 291.17 | 298.00 |
| Total Water Consumption (millions of gallons) | 74,730 | 79,606 | 74,430 |
| Total Water Production ⁴ (millions of gallons) | 79,486 | 83,202 | 80,100 |

Footnotes:

¹ Historical data for fiscal year 2005 is unavailable.

² Estimated figure.

³ The National Pollutant Discharge Elimination System (NPDES) permitted treatment capacity is the sum of the design Average Annual Daily Flows (AADF) for Point Loma Wastewater Treatment Plant (PLWTP) and South Bay Water Reclamation Plant (SBWRP). There is no permit restriction for Maximum Daily Flow at PLWTP as long as the AADF is not exceeded. The Peak Wet Weather Flow is the hydraulic capacity of the Point Loma Ocean Outfall.

⁴ Includes filtered and raw water.

⁵ Number of Calls 9-1-1 Emergencies is missing calls received during June 4th through June 30th.

Source: City Departments

Table 18

| Fiscal Year | | | | | |
|-------------|------------|------------|------------|------------|----------------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 668,989 | 653,086 | 633,328 | 583,629 | 570,628 | 583,556 |
| 506,738 | 501,094 | 542,010 | 572,808 | 605,015 | 583,391 ⁵ |
| 3,868 | 2,740 | 2,559 | 2,557 | 3,659 | 3,184 |
| 94,422 | 97,049 | 100,460 | 104,086 | 112,864 | 113,858 |
| 13,671 | 14,295 | 15,245 | 16,478 | 12,698 | 12,838 |
| 5,233 | 5,066 | 4,187 | 6,011 | 5,482 | 5,299 |
| 4,813 | 5,002 | 5,574 | 6,094 | 6,714 | 5,486 |
| 21,166,884 | 25,774,465 | 22,186,170 | 24,558,435 | 23,403,527 | 23,414,313 |
| 311,173 | 303,200 | 299,145 | 304,900 | 308,025 | 296,000 |
| 84,140 | 89,790 | 92,035 | 78,500 | 81,889 | 109,670 |
| 7,651,619 | 7,706,431 | 7,129,443 | 6,973,727 | 6,956,000 | 6,877,913 |
| 6,601,210 | 6,143,281 | 5,771,767 | 5,602,380 | 5,818,941 | 6,170,931 |
| 170.78 | 166.43 | 169.56 | 164.38 | 160.46 | 155.20 |
| 268.29 | 288.17 | 409.80 | 225.90 | 206.86 | 196.27 |
| 255.00 | 255.00 | 255.00 | 255.00 | 255.00 | 255.00 |
| 194.00 | 179.00 | 171.00 | 172.00 | 181.00 | 188.00 |
| 283.00 | 243.00 | 239.00 | 247.00 | 249.00 | 267.00 |
| 70,893 | 59,567 | 56,760 | 60,944 | 62,501 | 65,552 |
| 77,014 | 65,644 | 62,511 | 63,240 | 66,167 | 68,457 |

**CITY OF SAN DIEGO
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years**

| <u>Function</u> | <u>Fiscal Year</u> | | | |
|-------------------------------------------------------------------|--------------------|-------------|-------------|-------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| <u>Public Safety - Police</u> | | | | |
| Stations | 10 | 10 | 10 | 10 |
| <u>Public Safety - Fire and Life Safety and Homeland Security</u> | | | | |
| Fire stations | 45 | 45 | 46 | 47 |
| <u>Parks, Recreation, Culture and Leisure</u> | | | | |
| Park and recreation sites | 367 | 370 | 380 | 380 |
| <u>Transportation</u> | | | | |
| Miles of streets -asphalt,concrete, & dirt ¹ | 2,800 | 2,685 | 2,700 | 2,721 |
| <u>Airports</u> | | | | |
| Municipal airports | 2 | 2 | 2 | 2 |
| <u>Golf Course</u> | | | | |
| Municipal golf courses ² | 10 | 10 | 10 | 10 |
| <u>Sewer Utility</u> | | | | |
| Miles of sewers | 3,030 | 2,993 | 3,018 | 3,076 |
| Sewer service laterals | 271,284 | 271,445 | 274,014 | 273,081 |
| <u>Water Utility</u> | | | | |
| Miles of water distribution mains | 3,319 | 3,336 | 3,381 | 3,263 |
| Water meters in service | 271,204 | 272,466 | 273,304 | 278,692 |
| Fire hydrants | 24,600 | 24,661 | 24,905 | 25,003 |

Footnotes:

¹ Beginning in 2006, statistics include miles of asphalt and concrete streets. Prior to 2006, statistics also include alleys and dirt streets.

² Includes City operated as well as leased golf courses.

³ Includes Headquarters and Traffic.

Sources: Comprehensive Annual Financial Reports and City Departments

Table 19

| Fiscal Year | | | | | |
|-------------|---------|---------|---------|---------|-----------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 10 | 10 | 10 | 10 | 10 | 11 ³ |
| 47 | 47 | 47 | 47 | 47 | 47 |
| 384 | 385 | 385 | 387 | 387 | 387 |
| 2,721 | 2,774 | 2,774 | 2,774 | 2,777 | 2,777 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 10 | 10 | 10 | 10 | 10 | 10 |
| 3,023 | 2,991 | 3,146 | 3,017 | 3,021 | 3,020 |
| 273,438 | 273,587 | 274,464 | 274,788 | 275,404 | 261,632 |
| 3,281 | 3,294 | 3,190 | 3,277 | 3,294 | 3,376 |
| 274,310 | 276,217 | 274,310 | 276,478 | 276,998 | 278,241 |
| 25,023 | 25,044 | 25,060 | 25,098 | 25,157 | 25,195 |

