

**comprehensive annual financial report**



for Fiscal Year Ended June 30, 2004

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## INTRODUCTORY SECTION

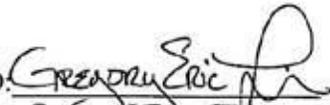
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JERRY SANDERS  
MAYOR

Certification of the Chief Financial Officer and the Comptroller

The undersigned, Jay M. Goldstone, Chief Financial Officer of the City of San Diego, and Gregory Levin, CPA, Comptroller of the City of San Diego, both of whom have been designated by the Mayor to prepare the Comprehensive Annual Financial Report, hereby certify that the information contained in the Fiscal Year 2004 Comprehensive Annual Financial Report fairly presents, in all material respects, the financial condition of the City and the results of operations of the City, as of, and for, the period presented in the Comprehensive Annual Financial Report and that the Comprehensive Annual Financial Report does not make any untrue statement of material fact or omit to state a material fact necessary in order to make the financial statements, in light of the circumstances under which they are made, not misleading.

SIGNED:   
Gregory Levin, CPA  
Comptroller

SIGNED:   
Jay M. Goldstone  
Chief Financial Officer

DATE: 5-31-07

DATE: 5-31-07

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**JERRY SANDERS**  
MAYOR

May 31, 2007

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

The City Charter requires Mayoral Staff to submit an annual report, including a Statement of Net Assets, and requires that all accounts of the City be audited by an independent auditor. Pursuant to this requirement, the Comprehensive Annual Financial Report ("CAFR") of the City of San Diego ("City") for the fiscal year ended June 30, 2004, is hereby submitted. The audit firm of Macias Gini & O'Connell LLP has issued an unqualified opinion on the City of San Diego's financial statements. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

The CAFR is organized into three sections:

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

## PROFILE OF THE GOVERNMENT

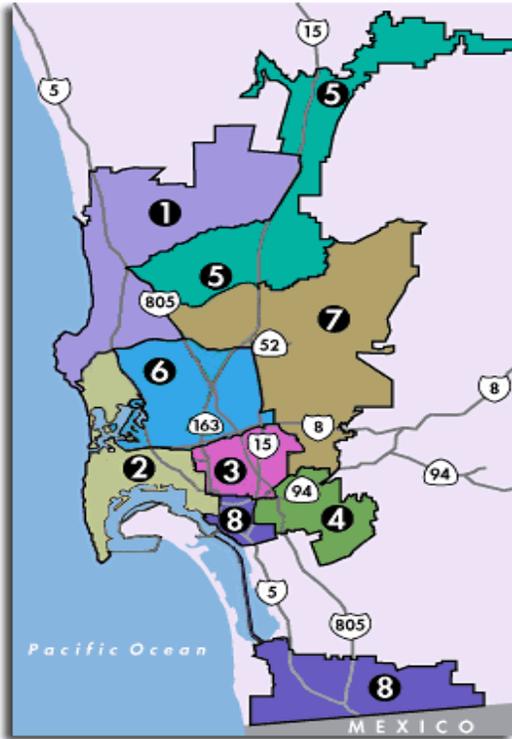
### City Profile

The City of San Diego was incorporated in 1850. The City is comprised of 403 square miles and, as of January 1, 2007, the California Department of Finance estimates the population to be 1,316,837. The City provides a full range of governmental services, which include: police and fire protection; sanitation and health services; the construction and maintenance of streets and infrastructure; recreational activities and cultural events; and the maintenance and operation of the water and sewer utilities.

### Governing Structure

The City operates and is governed by the laws of the State of California and its own Charter which was adopted by the electorate in 1931. During the period reported in this report, the City employed a Council-Manager form of government. Under this form of government, the City Council was comprised of eight members elected by district to serve overlapping four-year terms. The City Council, which acted as the City's legislative and policy-making body, appointed the City Manager, who was the City's chief administrator and was responsible for implementing the policies and programs adopted by the City Council. The Mayor, who presided over the City Council, was elected at large to serve a four-year term.

### City of San Diego Council District Map



During the fiscal year ended June 30, 2005 and prior to the issuance of this CAFR, the electorate of the City of San Diego approved the strong-mayor form of government on a trial basis which took effect during the fiscal year ended June 30, 2006. The charter amendment adopting the strong-mayor form of government is in effect for five years, and pending a voter approved extension or modification, sunsets on December 31, 2010. Under the strong-mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst and City Attorney's departments.

Under this form of government, the Council is composed of eight members and is presided over by the Council President, who is selected by a vote of the Council. The Mayor presides over Council in closed session meetings of the Council. The Council retains its legislative authority; however, all council resolutions, except for budget ordinances, are subject to a veto of the Mayor and an enactment over veto process.

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



Mayor Jerry Sanders

District 1 Council President Scott Peters			District 5 Councilmember Brian Maienschein
District 2 Councilmember Kevin Faulconer			District 6 Councilmember Donna Frye
District 3 Councilmember Toni Atkins			District 7 Councilmember Jim Madaffer
District 4 Council President Pro Tem Tony Young			District 8 Councilmember Ben Hueso

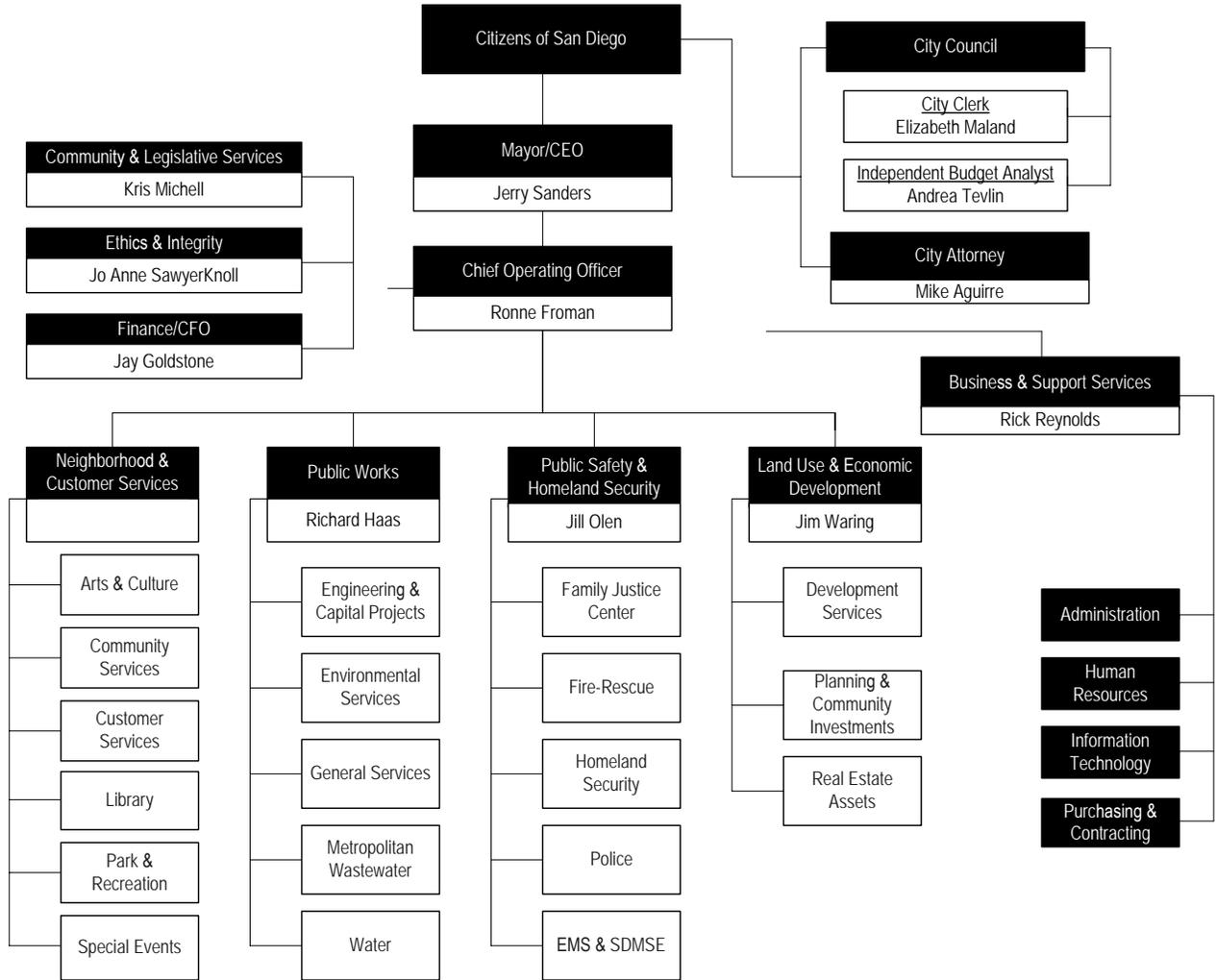


City Attorney  
Michael Aguirre

# Current Organization Chart

As of 05/31/07

## CITY OF SAN DIEGO ORGANIZATION



## Financial Reporting Entity

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

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

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

## Budgetary Process

Pursuant to the City Charter, an annual budget is presented to the City Council for adoption. Set forth in this budget are the anticipated revenues and expenditures of the general fund, certain special revenue funds, and certain debt service funds for the ensuing fiscal year. Additionally, project-length financial plans are presented to and adopted by council for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the fund, department, and object class level. Object classes are defined as salaries and non-personnel expense (including employee benefits). A copy of the Mayor's Fiscal Year 2008 Proposed Budget is available at the Financial Management office located at 202 C Street, Suite 800, San Diego, CA 92101.

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

## FACTORS AFFECTING FINANCIAL CONDITION

### Global Economic Factors

#### Unemployment

The unemployment rate is a critical indicator of the relative strength in the local economy. According to the Bureau of Labor Statistics, the City of San Diego's unemployment rate was 4.0% for the calendar year 2006. This reflects a 1.2% decrease from a 10 year high of 5.2% in the calendar year 2003 and a .7% decrease from calendar year 2004. The City of San Diego's unemployment rate is .5% below the national average and .8% below the average for the State of California during this same period.

#### Income

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

#### Housing and Construction

According to a report by the National Association of Realtors, the median residential home price in the San Diego area rose by 17% from calendar year 2002 to 2003 and 68% from calendar years 2002 to 2005. Home sales during this growth in median home prices have resulted in stronger than average property tax returns for the City and has fueled increased activity in the construction sector. However, recent data indicates that there has been a slowing in the housing market and recent rates of growth will likely not be repeated.

### Financial Information

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

Prior to settlement with the SEC, the City voluntarily hired a number of firms to review the City's disclosure practices and to investigate potential illegal acts. The independent investigations concluded when the Audit Committee report was presented to the City on August 8,

2006. In an effort to provide enhanced disclosure on the status of the City's retirement obligations, information on the most recent actuarial valuation performed for SDCERS is provided below.

**Pension Benefits**

In fiscal year 1927, the City established the San Diego City Employees' Retirement System ("SDCERS"), a public employee retirement system. The pension plan ("Plan") is a defined benefit plan and is administered by the SDCERS' Board to provide retirement, disability, death, and survivor benefits for its members. The SDCERS board contracts for an annual actuarial valuation to be performed based on the assumptions adopted by the SDCERS Board. The actuarial valuations performed for the fiscal years ending June 30, 2006 and June 30, 2005 reported the following indicators of the retirement plan's fiscal health:

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

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

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

The actuarial valuation information presented above for the fiscal year ending June 30, 2005 is based upon historical assumptions in regards to some benefits being viewed as contingent in nature, and therefore, does not include information on liabilities pertaining to the Corbett Settlement or the 13<sup>th</sup> Check. Additionally, SDCERS has established reserves of assets in an amount approximately equivalent to the related liability for the following items: Supplemental Cost of Living Adjustment, Employee Contribution Rate Increase Liability, and the Deferred Retirement Option Plan Liability. The assets placed in these reserves, as well as the corresponding liability, have also been excluded from the FY 2005 actuarial valuation.

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

SDCERS Other Liabilities

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

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

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

For the purposes of calculating the City's net pension obligation (NPO), calculated amounts do include the effects from the Corbett settlement liability and the employee contribution rate increase liability due to the City's position that these liabilities are non-contingent in

nature. As such, the following schedule shows the City's view of its revised unfunded actuarial liability as of June 30, 2005 and presents a comparison to the FY 2006 valuation.

Calculation of City's Unfunded Actuarial Liability

	<u>Fiscal Year Ending</u>		<u>% Change</u>
	<u>June 30, 2006</u>	<u>(revised)** 6/30/2005</u>	
Actuarial Liability (Cheiron*)	\$ 4,982,699,455	\$ 4,377,092,948	
Corbett Settlement (Cheiron*)	n/a **	58,923,978	
Total Actuarial Liability	4,982,699,455	4,436,016,926	12.3%
Actuarial Value of Assets (Cheiron*)	3,981,931,694	2,983,079,852	33.5%
Unfunded Actuarial Liability****	<u>\$ 1,000,767,761</u>	<u>\$ 1,452,937,074</u>	(33.7%)
Funding Ratio	79.9%	67.2%	12.7%

\* SDCERS Actuary

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

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

\*\*\*\* Unfunded Actuarial Liability has been calculated in accordance with the projected unit credit (PUC) method, see table on page 19 for comparison to entry age normal (EAN) method.

As a result of the approval of revised assumptions and methodologies on October 20, 2006 by the SDCERS Board of Administration, the actuarial valuation for the fiscal year ending June 30, 2006 includes the liabilities resulting from the Corbett Settlement and the 13<sup>th</sup> Check as well as both the asset reserves and the corresponding liabilities related to the Deferred Retirement Option Plan and the Supplemental Cost of Living Adjustment. The recognition of these previously excluded liabilities increased actuarial liabilities in the valuation dated June 30, 2006 by approximately \$113 million over amounts reported in fiscal year 2005.

As previously stated, the City views the exclusion of the Corbett Liability from the Actuarial Liability as an error; therefore it has already restated its Net Pension Obligation and amended its required supplementary schedules accordingly. The City views the SDCERS Board of Administration's decision regarding the 13<sup>th</sup> Check liability as a change in accounting estimate and therefore will account for it prospectively beginning with its June 30, 2008 financial statements. This treatment reflects City management's policy of valuing and reporting pension liabilities using the actuarial valuation from the fiscal year ending two years prior to the date of its financial statements. Additionally, total actuarial assets, total actuarial liabilities, and the funding ratio increased in FY 2006 partially due to the inclusion of the asset reserves and liabilities related to the Deferred Retirement Option Plan and the Supplemental Cost of Living Adjustment.

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

Additionally, on March 19, 2001, the City Council adopted Ordinance O-18930, adding sections 24.1601 through 24.1608 to the San Diego Municipal Code (SDMC) and establishing the Preservation of Benefit Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m), which is a vehicle created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The POB Plan is administered by the SDCERS Board as a separate trust from the City's pension plan. On February 16, 2007, the SDCERS Board adopted the Preservation of Benefit Plan and Trust to carry out the intent of SDMC section 24.1601 et seq.

As background, IRC section 415(b) imposes dollar limits on the benefits payable from a qualified pension plan that receive favorable tax treatment. The dollar limit is \$175 for calendar year 2006, however, this limit is adjusted based upon the payee's age at retirement, and the benefit tested is adjusted by a number of factors.

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. In other words, 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. Each year, SDCERS will determine the amount necessary to fund any pension benefits payable during the calendar year in excess of IRC section 415(b). This amount will include the projected amount of all excess pension benefits payable for the calendar year to existing and projected payees, as well as the projected cost of administering the POB Plan. SDCERS will provide this information to the City and the City will fund this amount on an annual basis. Any amounts remaining in the POB Plan at the end of a calendar year will be carried forward to pay benefits and administration costs in the following year. As a result, the liability related to excess benefits for eligible members, amounting to approximately \$22.8 million has been excluded from the actuarial valuation of the 401(a) retirement plan beginning in fiscal year 2006. In fiscal year 2004, however, activities related to the POB Plan are included in the RSI for the City's core pension plan and are valued using the same set of assumptions. In a review of the financial statements of other local governments, the City has noted significant diversity of practice in how governments are accounting for QEBAs. As such, the City has elected to file a technical inquiry with the staff of the Governmental Accounting Standards Board to resolve the matter.

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

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

- Effective fiscal year 2009, Unfunded Actuarially Accrued Liability would be amortized using a 15 year assumption; for the 2005 actuarial valuation, Unfunded Actuarial Accrued Liabilities were amortized over 28 years reflecting the resetting of the amortization period pursuant to the settlement of the Gleason v. City of San Diego lawsuit. (The effects of this lawsuit on the pension system are disclosed in note 12).
- Effective April 2005 the composition of the SDCERS Board was changed to the following:
  - 7 members appointed by the Mayor, who are not associated with the City or Retirement system as employees, union members or beneficiaries,
  - 1 member who is an active employee in the police safety group, elected by the members of that group,
  - 1 member who is an active employee in the fire safety group, elected by the members of that group,
  - 2 members who are active employees in the general member group, elected by members of that group,
  - 1 member who is a retired member of the system and is elected by the retired members of the system, and
  - 1 member who is a City management employee and serves at the pleasure of the Mayor. This member must be the Chief Operating Officer, City Treasurer, Deputy or Assistant Chief Operating Officer or a similar position that reports to the Chief Operating Officer or Mayor.

A review of the aforementioned charter revisions concerning SDCERS is currently underway. This includes examining the legality of changes to the City's amortization assumption made by way of revisions to the City Charter. California State Attorney General Opinion 04-710 concludes that such revisions to the system's actuarial assumptions can not be made by way of revisions to the City Charter. Furthermore, recent legal rulings by the California Superior Court have ruled that the SDCERS Board has "plenary authority" in its administrative capacity. In March 2007, the SDCERS Board adopted a 20 year amortization assumption and has not indicated any intention to change to a 15 year amortization assumption for the purpose of determining the City's fiscal year 2009 Annually Required Contribution. The San Diego City Attorney's Office has opined that the voter's amendment to the Charter simply establishes an upper boundary for the amortization of pension debt, it does not usurp or unduly interfere with the SDCERS Board's plenary authority and fiduciary responsibility over the California Pension Protection Act, and as a result, the 15 year amortization period is binding. Given the size of the City's current unfunded actuarially accrued liability, future changes to the amortization schedule will have significant impacts on future annually required contributions.

The City notes that Governmental Accounting Standards expressly state that "a plan and its employers should apply the same actuarial methods and assumptions in determining similar or related information included in their respective financial reports." However, the GASB does not assign responsibility for determining actuarial assumptions to either the plan or its employer. As such, the City and SDCERS will need to reach a consensus regarding the actuarial assumptions to be used for the fiscal year 2007 actuarial valuation in advance of its performance.

Following the most widely used actuarial cost method approved in Statement No. 25 of the Governmental Accounting Standards Board, as well as a recommendation from Cheiron, SDCERS Board of Administration voted to use the entry age normal actuarial cost method to calculate future actuarial liabilities beginning with the FY 2007 valuation. Historically, the actuarial valuations performed for SDCERS have calculated actuarial liabilities in accordance with the projected unit credit method. This change of methodology will impact the unfunded actuarial liability reported in the actuarial valuation for the fiscal year ending June 30, 2007. A comparison of the two valuation methods for the fiscal year ending June 30, 2006 was included in the June 30, 2006 actuarial valuation and is provided below for informational purposes only.

Unfunded Actuarial Liability Projected Unit Credit (PUC) vs. Entry Age Normal (EAN) For the Fiscal Year Ending June 30, 2006			
	PUC	EAN	% Change
Actuarial Value of Liability (Cheiron*)	\$ 4,982,699,455	\$ 5,191,961,336	4.2%
Actuarial Value of Assets (Cheiron*)	3,981,931,694	3,981,931,694	0.0%
Unfunded Actuarial Liability	1,000,767,761	1,210,029,642	20.9%
Funding Ratio	79.9%	76.7%	(3.2%)
*SDCERS Actuary			

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

### Other Post Employment Benefits

#### Retiree Health

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

In accordance with SDMC Sections 24.1502 and 24.1203, amounts have been transferred from the surplus annual realized earnings of SDCERS pension assets to the system's employer contribution reserve for the purposes of offsetting the City's funding of retiree health benefits. An equivalent amount has been paid by the City into a SDCERS account for post employment healthcare benefits. It is from this account that post employment healthcare benefits were paid. As a result of the retiree health care benefit expense being funded by an SDCERS employer contribution reserve, the City offset the annual required contributions submitted to SDCERS by the same amount. This offset to annual required contributions resulted in an increase to the net pension obligation which is amortized and included in future contribution calculations. This account was depleted in fiscal year 2005. Once depleted, the City began paying for post employment healthcare benefits on a pay-as-you-go basis. In fiscal year 2004, approximately 3,400 retirees received either City paid insurance, or were reimbursed for other health insurance costs incurred. For the year ended June 30, 2004, expenditures of approximately \$12.8 million were recognized by SDCERS and paid from the SDCERS account for such healthcare benefits (see additional information in Note 13). In October 2004, the City Council voted to have the amount of retiree health care expense in excess of the current reserve balance, estimated to be \$6.5 million for fiscal year 2005, directly funded from City funds and not the SDCERS pension trust fund. In fiscal year 2006 the amount budgeted to pay for the annualized cost of retiree health benefits was \$16.8 million. For fiscal year 2007, the City included \$21 million of appropriations in its budget for funding of current retiree health costs and also appropriated \$5 million to establish a reserve to cover the future costs of this benefit.

The following schedule details employer payments for retirement health benefits:

<u>Retiree Health Care Costs</u>							
(in thousands)							
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Retiree Health Expenditures	\$ 5,413	\$ 7,208	\$ 8,882	\$ 11,450	\$ 12,829	\$ 14,859	\$ 17,544
Amount Paid from 401(h) reserve	5,413	7,208	8,882	11,450	12,829	7,910	-

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

During fiscal year 2006, the City had taken a "pay as you go" approach to funding retiree health costs. Since a trust had not been set up for the express purpose of accumulating assets for the defeasance of future liabilities related to retiree health costs, the City used actuarial assumptions consistent with a "pay as you go" approach to funding retiree health benefits. Specifically, for valuation purposes, the City used a 4% earnings assumption, which approximated the average annual return of the City's investment pool, an inflation factor of 3%, and a 30 year amortization period. The following table presents the actuarial accrued liability for all retirees, deferred retirement participants, vested terminated and active members, and the annual required contribution for fiscal year 2006 had the City implemented GASB 45 early.

Retiree Healthcare Liabilities

Actuarial Accrued Liability	\$ 1,382,200,953
Annual Required Contribution	160,634,217
Estimated Level Percent of Payroll	24.70%

Defined Contribution Plan

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, and 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 ("SPSP"), a defined contribution plan administered by Wachovia Corporation, formerly Ameriprise Trust Company, which provides pension benefits for eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees may participate from the date of employment.

The City also established a 401(k) Plan effective July 1, 1985. The plan is a defined contribution plan also administered by Wachovia Corporation, formerly Ameriprise Trust Company, to provide pension benefits for all eligible employees.

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

Deferred Compensation Plan

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

**OTHER FINANCIAL INFORMATION**

**Independent Audits**

The City Charter requires an annual independent audit by independent certified public accountants. The goal of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatements. An independent audit involves examining,

on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by the City; and evaluating the overall financial statement presentation.

In addition, the City is required to undergo an annual Single Audit in conformity with the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations." As part of the City's Single Audit, tests are performed to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine the City's compliance with applicable laws, regulations, contracts and grants. Macias Gini & O'Connell LLP has been engaged to perform the City's financial statement audits for fiscal years 2004 and 2005 and is expected to be approved to perform the City's Single Audits and financial statement audits for fiscal years 2006 and 2007.

As reported in the Auditor and Comptroller's Annual Reports on Internal Controls and the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year June 30, 2003, which were both presented to the City Council, the City's internal control framework requires significant improvements in order to produce timely and accurate financial statements in a cost effective manner. The internal control weaknesses identified in those reports were a primary contributor to the need for restated fiscal year 2002 ending balances (as reported in the City's FY 2003 CAFR). These conclusions are supported by the findings and recommendations on the City's internal control framework and compliance with applicable laws and regulations provided by the City's independent auditors. The Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year ended June 30, 2003 has been included as part of the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. Both the CAFR and the Auditor and Comptroller's Annual Reports on Internal Controls for each calendar year can be obtained at the City of San Diego Auditor & Comptroller's Office, 202 C Street MS6A San Diego, CA 92101.

#### Cash Management

The City Treasurer is responsible for investment of the City's cash. Eligible investments are obligations of the U.S. Treasury and U.S. Agencies, demand deposits, negotiable certificates of deposit, bankers' acceptances, medium-term corporate notes, repurchase agreements, and commercial paper in compliance with Sections 53601-53635 of the State Government Code. The City's cash is invested under a pooled money concept, with maturities planned to coincide with projected needs, with the primary objective of preserving principal. During fiscal year 2004, the average daily pooled portfolio balance was approximately \$1.25 billion, with a weighted average maturity of 470 days. Most of these monies are held in funds that have restricted uses. The largest balances, for instance, are found in the utility funds. The average earned income yield on pooled investments was 1.75%, as compared to 4.46% in the prior year.

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

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

#### Risk Management

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

Additional information on the City of San Diego's risk activity may be found in Note 15 of the notes to the financial statements.

Sincerely,

  
Ronne Froman  
Chief Operating Officer

  
Jay M. Goldstone  
Chief Financial Officer

  
Gregory Levin, CPA  
Comptroller

City of San Diego Officials  
As of June 30, 2004

Mayor and Council Members

Dick Murphy, Mayor

Scott Peters, Councilmember District 1

Michael Zucchet, Councilmember District 2

Toni Atkins, Councilmember District 3

Charles Lewis, Councilmember District 4

Brian Maienschein, Councilmember District 5

Donna Frye, Councilmember District 6

Jim Madaffer, Councilmember District 7

Ralph Inzunza, Councilmember District 8

City Officials

Michael T. Uberuaga, City Manager

Ed Ryan, Auditor and Comptroller

Mary Vattimo, Treasurer

Casey Gwinn, City Attorney

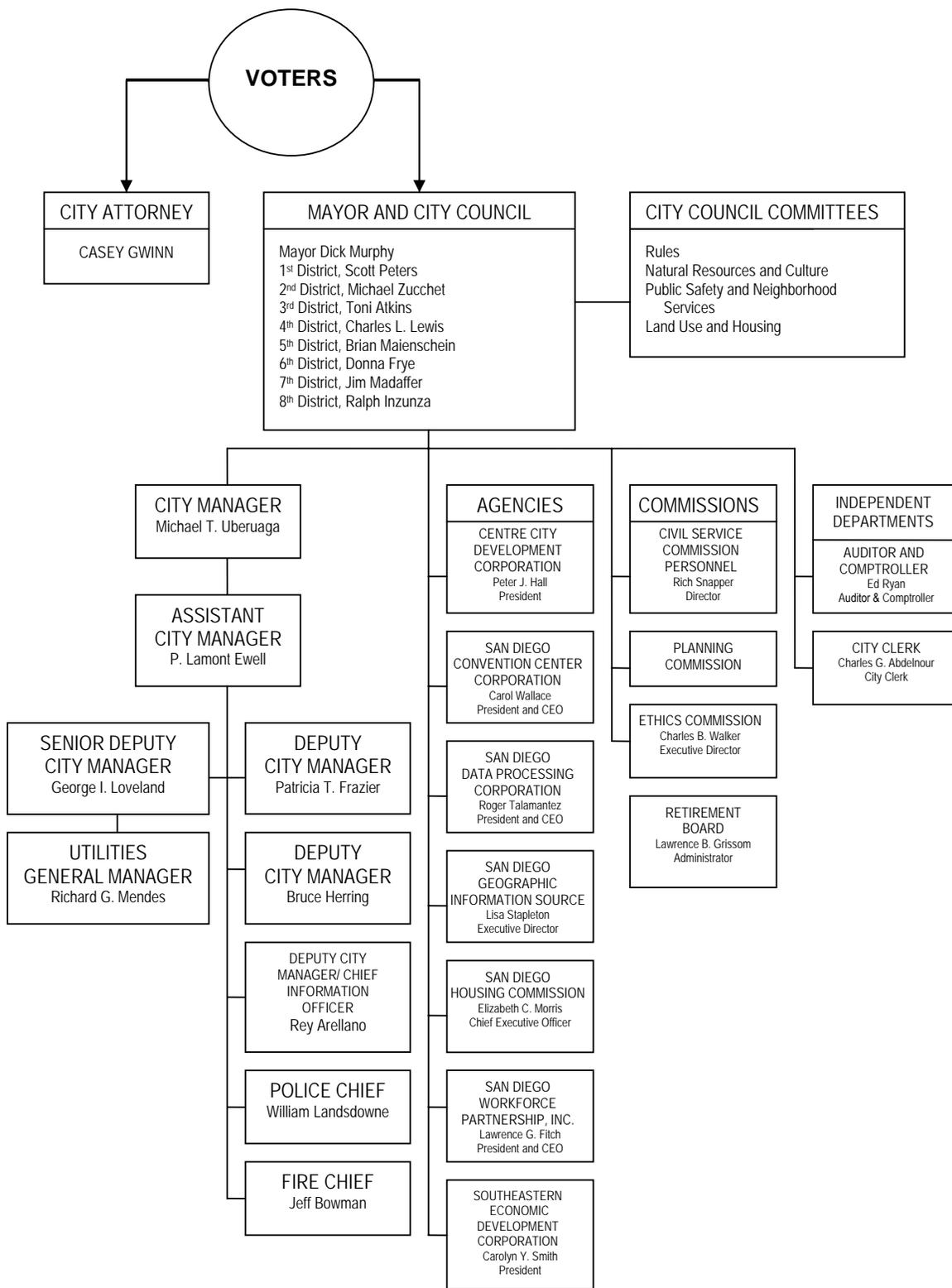
George I. Loveland, Senior Deputy City Manager

Richard Mendes, Utilities General Manager

Charles G. Abdelnour, City Clerk

# Organization Chart

As of June 30, 2004



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## FINANCIAL SECTION

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

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Sacramento, CA 95816  
916.928.4600

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

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

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

402 West Broadway, Suite 40C  
San Diego, CA 92101  
619.573.1112

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which statements reflect 87%, 94% and 81% of total assets, total net assets and total revenues, respectively, of the aggregate discretely presented component unit totals. We also did not audit the financial statements of the San Diego City Employees' Retirement System, a pension trust fund, which statements reflect 64%, 66% and 41% of total assets, total net assets and total revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to 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, 2004, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis, analysis of funding progress and general fund budgetary information on pages 25 through 37, 134 and 141 through 163 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, except for the budgetary schedules on pages 184 through 197, 204 through 205 and 216 through 220 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we and the other auditors express no opinion on them.

*Macias Jini & O'Connell LLP*

Certified Public Accountants

Los Angeles, California

May 11, 2007

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**  
**(In Thousands)**  
**June 30, 2004**

As management of the City of San Diego (City), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing changes in the City's net assets during the fiscal year 2004. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net cost of City functions, which are supported by general revenues. This Statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: general government and support; public safety – police; public safety – fire and life safety; parks, recreation, culture and leisure; transportation; sanitation and health; and neighborhood services. The business-type activities of the City include: airports; city store; development services; environmental services; golf course; recycling; sewer utility; and water utility.

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

Included within the primary government as blended component units:

- Centre City Development Corporation
- City of San Diego Metropolitan Transit Development Board Authority
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority

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

The government-wide financial statements can be found beginning on page 46 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found beginning on page 50 of this report.

#### **PROPRIETARY FUNDS**

The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its various business-type activities. Internal Service funds, such as Central Garage and Machine Shop, Central Stores, Print Shop, and Self Insurance, are used to report activities that provide centralized supplies and services to the City. All internal service funds, except for the special engineering fund, have been included within governmental activities in the government-wide financial statements since they predominately benefit governmental functions. The Special Engineering Fund, which services exclusively Water and Sewer activities, has been included within business-type activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found beginning on page 54 of this report.

**FIDUCIARY FUNDS**

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

The basic fiduciary fund financial statements can be found beginning on page 57 of this report.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 59 of this report.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 138 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor business-type funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 171 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

## CITY OF SAN DIEGO'S NET ASSETS

(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Capital Assets	\$ 4,146,158	\$ 4,063,018	\$ 4,417,208	\$ 4,158,903	\$ 8,563,366	\$ 8,221,921
Other Assets	1,231,985	1,249,243	773,434	813,268	2,005,419	2,062,511
Total Assets	<u>5,378,143</u>	<u>5,312,261</u>	<u>5,190,642</u>	<u>4,972,171</u>	<u>10,568,785</u>	<u>10,284,432</u>
Net Long-Term Liabilities	1,676,681	1,528,114	1,901,897	1,775,877	3,578,578	3,303,991
Other Liabilities	156,271	235,989	122,288	100,463	278,559	336,452
Total Liabilities	<u>1,832,952</u>	<u>1,764,103</u>	<u>2,024,185</u>	<u>1,876,340</u>	<u>3,857,137</u>	<u>3,640,443</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,200,262	3,106,168	2,818,690	2,624,846	6,018,952	5,731,014
Restricted	491,722	495,978	30,409	97,842	522,131	593,820
Unrestricted	(146,793)	(53,988)	317,358	373,143	170,565	319,155
Total Net Assets	<u>\$ 3,545,191</u>	<u>\$ 3,548,158</u>	<u>\$ 3,166,457</u>	<u>\$ 3,095,831</u>	<u>\$ 6,711,648</u>	<u>\$ 6,643,989</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,711,648 at June 30, 2004.

\$6,018,952, or approximately 90%, of total Net Assets represent the City's investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are generally not used to liquidate these liabilities.

\$522,131 or approximately 8%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$170,565, or approximately 2% of total Net Assets, is available to finance ongoing services and obligations to the City's citizens and creditors.

The deficit balance of (\$146,793) in Governmental Activities Unrestricted Net Assets reflects the fact that governmental activities raise resources based on when liabilities are expected to be paid, rather than when they are incurred. Most governments normally do not have sufficient current resources on hand to cover current and long-term liabilities. This deficit in and of itself should not be considered an economic or financial difficulty; however, it does measure how far the City has committed the government's future taxing power for purposes other than capital acquisition.

Unrestricted Net Assets decreased by \$148,590 due to resources being utilized in the acquisition and construction of capital assets, the accrual of probable losses of pending litigation, and an increase in net pension obligation (approximately \$70,000).

## CITY OF SAN DIEGO'S CHANGES IN NET ASSETS

(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues						
Charges for Current Services	\$ 214,101	\$ 203,258	\$ 636,375	\$ 595,137	\$ 850,476	\$ 798,395
Operating Grants and Contributions	95,202	95,882	1,483	3,616	96,685	99,498
Capital Grants and Contributions	91,981	115,748	133,586	143,444	225,567	259,192
General Revenues						
Property Taxes	278,804	248,659	-	-	278,804	248,659
Transient Occupancy Taxes	113,209	105,262	-	-	113,209	105,262
Other Local Taxes	139,748	98,784	-	-	139,748	98,784
Grants and Contributions not Restricted to Specific Programs	339,702	315,150	-	-	339,702	315,150
Revenue from Use of Money and Property	57,537	84,448	10,289	31,760	67,826	116,208
Other	38,476	46,782	5,451	6,141	43,927	52,923
Total Revenues	1,368,760	1,313,973	787,184	780,098	2,155,944	2,094,071
Expenses:						
General Government and Support	221,752	204,072	-	-	221,752	204,072
Public Safety-Police	361,501	334,461	-	-	361,501	334,461
Public Safety-Fire and Life Safety	173,311	147,897	-	-	173,311	147,897
Parks, Recreation, Culture and Leisure	204,736	202,567	-	-	204,736	202,567
Transportation	197,152	154,603	-	-	197,152	154,603
Sanitation and Health	44,925	37,615	-	-	44,925	37,615
Neighborhood Services	100,568	95,267	-	-	100,568	95,267
Interest on Long-Term Debt	71,588	68,410	-	-	71,588	68,410
Airports	-	-	7,384	4,281	7,384	4,281
City Store	-	-	858	731	858	731
Development Services	-	-	52,970	47,278	52,970	47,278
Environmental Services	-	-	40,602	40,306	40,602	40,306
Golf Course	-	-	7,572	6,963	7,572	6,963
Recycling	-	-	19,497	19,141	19,497	19,141
Sewer Utility	-	-	312,929	352,075	312,929	352,075
Water Utility	-	-	270,940	267,855	270,940	267,855
Total Expenses	1,375,533	1,244,892	712,752	738,630	2,088,285	1,983,522
Change in Net Assets Before Transfers:	(6,773)	69,081	74,432	41,468	67,659	110,549
Transfers	3,806	5,411	(3,806)	(5,411)	-	-
Net Change in Net Assets	(2,967)	74,492	70,626	36,057	67,659	110,549
Net Assets- July 1	3,548,158	3,473,666	3,095,831	3,059,774	6,643,989	6,533,440
Net Assets- June 30	\$ 3,545,191	\$ 3,548,158	\$ 3,166,457	\$ 3,095,831	\$ 6,711,648	\$ 6,643,989

**GOVERNMENTAL ACTIVITIES**

Governmental activities decreased the City's net assets by \$2,967 during fiscal year 2004.

- Capital Grants and Contributions revenue decreased by \$23,767, or approximately 21%, primarily due to a decrease in land donations. Large land donations were received in fiscal year 2003 from the Trustees of the California State University for Mission Trails Regional Park, as well as donations from developers within the Torrey Pines Estates, Torrey Pines Highlands, and Black Mountain Ranch areas. There were also decreases from fiscal year 2003 in transportation related grant billings for the State Route 56, West Mission Bay Drive, and Mission Beach Boardwalk projects. The Redevelopment Agency also realized less revenue, due to fewer land sales in the Centre City area, and the return of funds intended for an East Village site purchase.
- Property Tax revenue increased by \$30,145, or approximately 12%, primarily due to the increase in assessed property valuations for both City and Redevelopment properties.
- Other Local Taxes revenue increased by \$40,964, or approximately 41%, primarily due to fiscal year 2004 being the first full year of the Underground Surcharge Program (approximately \$31 million). In addition, franchise fees for Time Warner increased from 3% to 5%, and refuse container franchise fees increased by one dollar per ton.
- Revenue from the Use of Money and Property decreased by \$26,911, or approximately 32%, primarily due to market changes. The GASB 31 unrealized loss was greater in fiscal year 2004 than fiscal year 2003.
- Other revenue decreased by \$8,306, or approximately 18%, due to a combination of the following: a decrease in developer contributions from fiscal year 2003 to fiscal year 2004 per an agreement with Sycamore Estate, LLC; fewer permits issued in fiscal year 2004 compared to fiscal year 2003 for Facilities Benefit Assessments in the Torrey Highlands area; and a decrease from fiscal year 2003 to fiscal year 2004 in Facilities Benefit Assessment (FBA) credits applied, mainly for infrastructure projects within the Santaluz area.
- Fire and Life Safety expense increased by \$25,414, or approximately 17%, primarily due to overtime and other expenses related to the Cedar Fire, as well as an increase in the pilot helicopter program expenses as a result of increased gas prices.
- Transportation expense increased by \$42,549, or approximately 28%, primarily due to fiscal year 2004 being the first full year of the Underground Surcharge Program (approximately \$31 million).
- Sanitation and Health expense increased by \$7,310, or approximately 19%, primarily due to Environmental Services Department's increased motive equipment charges from Central Garage.

**BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the City's net assets by \$70,626 during fiscal year 2004.

- Revenue from the Use of Money and Property decreased by \$21,471, or approximately 68%, primarily due to market changes. The GASB 31 unrealized loss was greater in fiscal year 2004 than fiscal year 2003.
- Airports expenses increased by \$3,103, or approximately 72%, primarily due to the accrued loss of a lawsuit as a result of ongoing lease disputes.
- Development Services expenses increased by \$5,692, or approximately 12%. This was primarily due to the Development Services Fee Proposal approved by the Mayor and City Council on May 20, 2003, which necessitated an increase in personnel and non-personnel expenses, to maintain service levels and fund new and expanded services. In addition, the Building Development Review Department was transferred from the general fund into the Development Services Fund.
- Sewer utility expenses decreased \$39,146, or approximately 11%, primarily due to the accrual of the Shames lawsuit liability booked in FY 2003 for \$40 million.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### GOVERNMENTAL FUNDS

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

As of the end of fiscal year 2004, the City's governmental funds reported combined ending fund balances of \$934,887, an increase of \$19,048 from fiscal year 2003. This increase is primarily attributed to the issuance of new Section 108 loans, the receipt of new bond proceeds in the City Heights, Horton Plaza, and North Park redevelopment project areas, and an increase in activity for the first full year of the Underground Surcharge Program, offset with capital projects expenditures related to the Ballpark Construction project. Approximately \$638,369 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual care of the various programs, or (4) for a variety of other purposes.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2004, undesignated fund balance of the General Fund was \$41,339, while total fund balance was \$61,222. This represents a \$2,554 decrease from the fiscal year 2003 undesignated fund balance.

Total fund balance of the general fund decreased approximately \$5,830 compared to fiscal year 2003. This decrease is primarily attributed to the appropriation of \$11,600 from undesignated fund balance for spending in the 2004 fiscal year budget, partially offset by departmental appropriation savings and net revenues and transfers received over estimated amounts.

### PROPRIETARY FUNDS

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

As of the end of fiscal year 2004, unrestricted net assets of the Sewer Utility Fund are \$148,447. The Sewer Utility's unrestricted net assets decreased approximately \$10,533, mainly due to continued cash expenditures for the capital improvement program. As a result, the Sewer Utility's invested in capital assets, net of related debt increased approximately \$52,241.

As of the end of fiscal year 2004, unrestricted net assets of the Water Utility Fund are \$137,854. The Water Utility's unrestricted net assets decreased approximately \$45,808, mainly due to continued cash expenditures for the capital improvement program. As a result, the Water Utility's invested in capital assets, net of related debt increased approximately \$143,461.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was \$41,938 lower than the final budget due to an increase in appropriations primarily attributed to the following:

- \$5,881 for General Government and Support. This increase was due to Memoranda of Understanding executed by various General Fund departments to provide increased services to various City departments and agencies during the fiscal year. These increases were funded by current services revenue generated by the work provided. The City Attorney's Office and Facilities Maintenance department were responsible for the majority of this increase.
- \$9,711 for Public Safety - Police. \$5,900 of the increase was due to additional operation services and expenditures, including the April 2004 Academy and Red Light Photo Enforcement Program. This portion of the increase was funded by over-budget Sales Tax revenue and settlement revenue related to the Civic Center Plaza Building. \$3,800 of the increase was due to additional services for programs reimbursable by grant funds, and services for special events. This portion of the increase was funded by current services revenue generated by the work provided.

- \$13,969 for Public Safety - Fire. This increase was due to additional services performed for the Emergency Medical Services department, higher than anticipated overtime, and expenditures related to the Cedar Fire. The \$8,700 increase due to additional services performed was funded by current services revenue generated by the work provided. The \$5,300 due to higher than anticipated overtime costs and the Cedar Fire expenditures were both funded with over-budget Sales Tax revenue.
- \$3,270 for Neighborhood Services. This increase was due primarily to additional services provided to the Redevelopment Agency and other City funds. This increase was funded by services revenue generated by the work provided.
- \$7,738 for Transfers to Proprietary Funds. This was due to an increase in the Public Liability Reserve, which was funded by over-budget Sales Tax revenue.

Actual revenues received for the General Fund were \$3,760 less than budgeted. This was attributed to a combination of surpluses and shortfalls in several categories. Sales Tax was approximately \$8,100 under budget, due to actual growth rates being lower than projected growth rates. MVL Fees were under budget by \$16,800 due to the State of California's decision to withdraw the backfill that was being paid to local governments. After the 2004 election the State reconsidered and decided to return funding to the local governments, however, the backfill that was withdrawn was to be paid back to the City in a subsequent year. Unbudgeted Tobacco receipts were approximately \$7,800, and were intended to establish general fund reserves. Charges for Current Services were approximately \$11,500 over budget, mainly due to services rendered to other funds.

Actual expenditures for the General Fund were \$18,668 less than budgeted, primarily due to the City Manager's mandatory 5% savings plan enforced upon all General Fund departments, which resulted in appropriation savings of \$14,200 in fiscal year 2004.

## CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Land, Easements, Rights of Way	\$ 1,643,517	\$ 1,602,247	\$ 85,303	\$ 85,986	\$ 1,728,820	\$ 1,688,233
Structures and Improvements	745,585	557,143	1,221,888	1,200,023	1,967,473	1,757,166
Equipment	123,387	142,231	126,702	139,233	250,089	281,464
Distribution and Collection Systems	-	-	2,521,598	2,358,324	2,521,598	2,358,324
Infrastructure	1,492,211	1,470,294	-	-	1,492,211	1,470,294
Construction-in- Progress	141,458	291,103	461,717	375,337	603,175	666,440
<b>Total</b>	<b>\$ 4,146,158</b>	<b>\$ 4,063,018</b>	<b>\$ 4,417,208</b>	<b>\$ 4,158,903</b>	<b>\$ 8,563,366</b>	<b>\$ 8,221,921</b>

## CAPITAL ASSETS

In accordance with GASB Statement No. 34, all major infrastructure assets (such as streets, signals, bridges, and drains) are capitalized by the City in the government-wide statements. While capital assets of both governmental and proprietary funds are capitalized at the government-wide level, only proprietary assets are reported at the fund level. Governmental funds will continue to be reported on a modified accrual basis at the fund level. Differences between the fund and government-wide statements reporting for these governmental assets will be explained in both the reconciliation and the accompanying notes to the financial statements.

The City's investment in capital assets (including infrastructure) for governmental and business-type activities for the fiscal year ended June 30, 2004 was \$8,563,366 (net of accumulated depreciation). The total increase in the City's investment in Capital Assets for fiscal year 2004 was approximately \$341,445.

## HIGHLIGHTS OF FISCAL YEAR 2004 CAPITAL IMPROVEMENT ACTIVITIES

### Governmental Activities

- Construction was completed for the Vista Pacifica (Robinhood Ridge) Neighborhood Park. This project provided for the acquisition and development of a six-useable-acre park within the Robinhood Ridge Precise Plan Area, and improvements of open-turfed areas, a play area, and landscaping. The City's fiscal year 2004 capital expenditures for this project were \$1,600.
- Construction was completed in March 2004 of the Carmel Valley Neighborhood Park. This project provided a seven acre neighborhood park and a 4.5 acre joint use area contiguous to a six acre elementary school within the Carmel Valley Community, which accommodates facilities benefit planning for the ultimate development of this community. The City's fiscal year 2004 capital expenditures for this project were \$1,100.
- Construction was completed for the James Edgar and Jean Jessop Hervey Library/Point Loma Branch Library. The facility includes a community room, outdoor patios, lounge areas, computer room, and seminar rooms. The City's fiscal year 2004 capital expenditures for this project were \$590 for a total of \$10,500. The 26,000 square foot branch library was completed in September of 2003.
- Construction continues on the Skyline Hills Branch Library as of fiscal year 2007. This project will provide a new 15,000 square foot library to replace the existing facility located at 480 South Meadowbrook Drive. The project is part of the Mayor's 21<sup>st</sup> Century Library System/Library Department Facility Improvements Program. The City's fiscal year 2004 capital expenditures for this project were \$2,100.
- Construction of the PETCO Park Ballpark Project was completed as scheduled in May 2004. The Ballpark project consists of the Ballpark Facility, an Outfield Park, and other associate infrastructure improvements such as parking, repaved roadways, relocation of utilities, storm drain improvements, and streetscape and landscape improvements. The City's fiscal year 2004 capital expenditures for this project were \$34,900.
- Construction continues on the Carmel Mountain Road - Interstate 5 Interchange project as of fiscal year 2007. This project provides for a diamond interchange at Interstate 5 and Carmel Mountain Road. This interchange will accommodate the increase in vehicular traffic created by development in the communities of Carmel Valley and Sorrento Hills. The City's fiscal year 2004 capital expenditures for this project were \$2,600.
- Construction of the final section of the SR-56 Transportation Improvement Project was completed in July 2004. SR-56 is the only east-west freeway in the 25 mile gap between SR-78 and SR-52 in North San Diego County. The City's fiscal year 2004 capital expenditures for this project were \$8,100.
- The La Jolla Shores Drive/Torrey Pines Road/Ardath and Hidden Valley Road project was completed in September 2003. This project improved traffic flow by constructing medians between Torrey Pines Road and Ardath Road, closing the Ardath Road access road, and realigning Hidden Valley Road with the new intersection. The project also provided streetscaping. The City's fiscal year 2004 capital expenditures for this project were \$1,500.

- Construction continues on Del Mar Mesa Road (formerly named Shaw Ridge Road)– Carmel County Road to Carmel Mountain Road. This project constructs Del Mar Mesa Road as a two lane rural residential road from Carmel Country Road to the future Carmel Mountain Road, and the improvements of a 16-inch water line and a multi-use trail. The City's fiscal year 2004 capital expenditures for this project were \$2,500 and are funded by the Del Mar Mesa Facilities Benefit Assessment.
- Construction was completed for the West Mission Bay Drive Bridge Retrofit Project, over Mission Bay Channel. This project provides for the seismic retrofit of the bridge, which consists of stabilizing the existing piers and joining the paired piers together at the waterline to increase support during seismic events. The City's fiscal year 2004 capital expenditures for this project were \$2,600. The retrofit was completed in September 2003.

#### Business-Type Activities

During fiscal year 2004, the Water Utility Fund added \$104,300 in capital improvement projects (CIP). The first phase of construction on the Alvarado Water Treatment Plant expansion and upgrade project was completed, which increased the plant's treatment capacity from 120 million gallons of water a day (MGD) to 150 MGD.

During fiscal year 2004, the Metropolitan Wastewater Fund added \$135,500 in CIP, of which the Metropolitan system CIP increased approximately \$21,700 and included the following major projects: Otoy River Pump Station; Point Loma-Fourth Sludge Pump and Other Modifications; and the Point Loma Digester S1 and S2 Upgrades. Municipal system CIP increased approximately \$113,800, comprised primarily of sewer main replacements and pump station restorations, which included Pipeline Rehabilitation, Phase A, and Chollas Valley Trunk Sewer.

#### **HIGHLIGHTS OF APPROVED FISCAL YEAR 2005 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET**

The Annual Approved Capital Improvements Budget for Fiscal Year 2005 is \$583,300, which is a \$115,700, or 25% increase over the fiscal year 2004 budget of \$467,600. Engineering & Capital Projects, and Library Projects comprise more than 29%, and 17% of the total CIP budget, respectively. Water and Sewer projects comprise over 37% of the total CIP budget. Funding for governmental projects include TransNet funds, Facilities Benefit Assessments, Developer Impact Fees, Developer Contributions, and Federal, State, local, and private contributions. Highlights of the key budgets by department are as follows:

#### Governmental Activities

- Engineering and Capital Projects: \$170,600 (29.2% of total CIP budget). Key projects include the undergrounding of City utilities, which provides for underground conversion projects, to augment the California Public Utilities Commission (CPUC) Rule 20A. Funding is also allocated for conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The \$64,500 annual allocation to these projects is entirely funded by the Undergrounding Surcharge Fund. Other significant projects include: \$13,100 for the Camino Santa Fe and State Route 56 interchange project; \$6,200 for construction of a four lane collector street from Sorrento Valley Road to Scranton Road; \$6,000 for improvements to Balboa Avenue; \$2,800 for improvements to the First Avenue bridge over Maple Canyon; and \$1,300 for the construction of the central section of Del Sol Boulevard.
- Library: \$103,100 (17.7% of total CIP budget). Major budgets in fiscal year 2005 are \$74,500 for San Diego Main Library, \$12,700 for San Ysidro Branch Library, \$5,600 for Ocean Beach Branch Library, and \$2,400 for Kensington-Normal Heights Library.
- Park and Recreation: \$32,500 (5.6% of total CIP budget). Key budgets include: Ocean View Hills Community Park \$4,150, North Course at Torrey Pines Golf Course \$3,100, Nobel Athletic Area Development \$2,000, Del Mar Mesa Neighborhood Park # 10 \$1,000, and Park De La Cruz and 38<sup>th</sup> Street Canyon \$1,000.
- San Diego Fire-Rescue: \$28,700 (4.9% of total CIP budget). Significant allocations for fire stations in fiscal year 2005 are for Pacific Highlands Ranch, Central Mission Valley, Hillcrest, Mid-City, Del Cerro relocation, and new construction.

Business-Type Activities

The \$113,000 fiscal year 2005 Water Utility CIP budget includes \$55,700 for phase funded projects. Projects include the Alvarado Water Treatment Plant, including the Earl Thomas Reservoir, the upgrade and expansion of the Miramar Water Treatment Plant and Otay Water Treatment Plant, the North City Reclamation System, and replacing water mains citywide.

The fiscal year 2005 Metropolitan Wastewater Department Capital Improvement Program budget of \$203,800 includes approximately \$50,400 for phase funded projects. Projects include the Point Loma Digester S1 and S2 Upgrades, Point Loma Grit Processing Improvements, Wastewater Operations Management Network, Lake Murray Trunk Sewer-In Canyon, USIU Trunk Sewer, Sorrento Valley Trunk Sewer Relocation, Pump Station Upgrades, and the continued replacement of sewer mains and upgrades to the sewer infrastructure.

## CITY OF SAN DIEGO'S OUTSTANDING DEBT

(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Capital Lease Obligations	\$ 30,619	\$ 37,701	\$ 5,008	\$ 6,465	\$ 35,627	\$ 44,166
Contracts Payable	1,715	1,882	-	-	1,715	1,882
Notes Payable	5,998	8,416	-	-	5,998	8,416
Loans Payable	4,865	2,851	67,054	69,093	71,919	71,944
Section 108 Loans	44,917	25,925	-	-	44,917	25,925
SANDAG Loans	19,302	17,341	-	-	19,302	17,341
General Obligation Bonds	45,775	52,165	-	-	45,775	52,165
Revenue Bonds/ COP's	591,620	609,785	1,731,825	1,612,200	2,323,445	2,221,985
Special Assessment/ Special Tax Bonds	140,545	123,130	-	-	140,545	123,130
Tax Allocation Bonds	314,333	283,310	-	-	314,333	283,310
<b>Total</b>	<b>\$ 1,199,689</b>	<b>\$ 1,162,506</b>	<b>\$ 1,803,887</b>	<b>\$ 1,687,758</b>	<b>\$ 3,003,576</b>	<b>\$ 2,850,264</b>

**LONG-TERM DEBT**

At the end of fiscal year 2004, the City, including blended component units, had total debt outstanding of approximately \$3,003,576. Of this amount, \$45,775 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's debt represents special tax and special assessment bonds secured solely by specified revenue sources (i.e., revenue bonds), special assessment bonds, tax allocation bonds, contracts payable, notes payable, loans payable, Section 108 loans, capital lease obligations, and San Diego Association of Governments (SANDAG) loans.

- The City issued \$5,430 of Limited Obligation Improvement Bonds to provide funds for the Piper Ranch Assessment District, which is being developed as an industrial/business park.
- The City issued \$14,965 of Special Tax Bonds, to finance various public improvements needed to develop the property within the Community Facilities District No. 2 (Santaluz), Improvement Areas 1 and 4.

- The City issued \$8,850 of Limited Obligation Refunding Bonds for the Reassessment District No. 2003-1, which were used to refund three limited obligation improvement bonds issued under the Improvement Bond Act of 1915. The three issuances refunded were De La Fuente Phase I, De La Fuente Phase II, and the International Business Center Project.
- The City (RDA) issued \$37,180 of Tax Allocation Bonds to finance various redevelopment activities in the Horton Plaza (\$18,855), City Heights (\$5,820) and North Park (\$12,505) Project Areas.
- The City (PFFA) privately placed \$152,000 of Non-Transferable Subordinated Sewer Revenue Bonds to finance upgrades to and expansion of its wastewater system.

The following are credit ratings changes that have occurred since July 1, 2003, pertaining to the City of San Diego's outstanding General Obligation bonds, general fund backed lease revenue obligations, and Enterprise System based revenue obligations:

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

\* - Ratings were affirmed on February 16, 2006

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

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

Section 90 of the City Charter provides that the general obligation bonded indebtedness for the development, conservation and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. The City's current outstanding general obligation balances are significantly less than the current debt limitations for water and other purposes, which are \$17,653,173 and \$11,768,782 respectively.

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

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

## **ECONOMIC FACTORS AND FISCAL YEAR 2005 BUDGETS AND RATES**

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

Prior to settlement with the SEC, the City voluntarily hired a number of firms to review the City's disclosure practices and to investigate potential illegal acts. The independent investigations concluded when the Report of the Audit Committee of the City of San Diego was presented to the City on August 8, 2006. Due to the delay in issuance of the financial statements, and in an effort to provide enhanced disclosure on the status of the City's retirement obligations, we included information on the most recent actuarial valuation performed for SDCERS and modified data to show what the City believes is its true funded position in the retirement system.

## **REQUESTS FOR INFORMATION**

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

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## BASIC FINANCIAL STATEMENTS

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**STATEMENT OF NET ASSETS**  
**June 30, 2004**  
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
<b>ASSETS</b>					
Cash and Investments .....	\$ 845,257	\$ 438,633	\$ 1,283,890	\$ 6,839	\$ 32,422
Receivables:					
Taxes - Net .....	83,018	-	83,018	-	-
Accounts, Net of Allowance for Uncollectibles (Governmental Activities \$7,404, Business-Type Activities \$1,151) .....	46,725	61,349	108,074	2,475	975
Claims - Net .....	147	-	147	-	-
Contributions .....	359	-	359	-	-
Special Assessments - Net .....	1,064	-	1,064	-	-
Notes .....	29,730	-	29,730	-	94,677
Notes from Housing Commission .....	696	-	696	-	-
Accrued Interest .....	2,484	1,428	3,912	-	9,298
Grants .....	41,472	3,007	44,479	1,128	-
From Primary Government .....	-	-	-	53	539
From Other Agencies .....	1,540	-	1,540	-	2,349
From External Parties .....	-	-	-	-	371
Investment in Joint Venture .....	1,522	-	1,522	-	-
Advances to External Parties .....	1,621	464	2,085	-	-
Advances to Other Agencies .....	3,616	-	3,616	-	-
Internal Balances .....	2,293	(2,293)	-	-	-
Inventories of Water in Storage .....	-	30,695	30,695	-	-
Inventories .....	2,618	538	3,156	-	56
Land Held for Resale .....	36,561	-	36,561	-	-
Prepaid Expenses.....	4,315	28	4,343	1,164	34
Restricted Cash and Investments .....	107,815	226,776	334,591	4,902	1,001
Deferred Charges .....	19,132	12,809	31,941	-	-
Capital Assets - Non-Depreciable .....	1,784,975	547,020	2,331,995	-	35,107
Capital Assets - Depreciable .....	2,361,183	3,870,188	6,231,371	15,525	47,606
<b>TOTAL ASSETS .....</b>	<b>\$ 5,378,143</b>	<b>\$ 5,190,642</b>	<b>\$ 10,568,785</b>	<b>\$ 32,086</b>	<b>\$ 224,435</b>

**STATEMENT OF NET ASSETS**  
**June 30, 2004**  
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 43,592	\$ 62,074	\$ 105,666	\$ 3,500	\$ 2,089
Accrued Wages and Benefits .....	42,499	14,800	57,299	1,508	1,836
Other Accrued Liabilities .....	678	-	678	1,481	1,113
Interest Accrued on Long-Term Debt .....	19,131	17,908	37,039	-	42
Long-Term Liabilities Due Within One Year .....	131,841	47,594	179,435	1,000	250
Due to San Diego Convention Center Corporation .....	53	-	53	-	-
Due to San Diego Housing Commission .....	539	-	539	-	-
Due to Other Agencies .....	540	9,424	9,964	-	324
Unearned Revenue .....	21,724	6,673	28,397	1,000	53
Contract Deposits .....	-	8,110	8,110	-	-
Sundry Trust Liabilities .....	4,490	-	4,490	-	-
Customer Deposits Payable .....	-	3,235	3,235	-	-
Deposits/Advances from Others .....	-	64	64	4,721	707
Land Acquisition Credits .....	23,025	-	23,025	-	-
Long-Term Liabilities Due After One Year:					
Arbitrage Liability .....	262	221	483	-	-
Compensated Absences .....	41,957	9,484	51,441	-	-
Liability Claims .....	160,500	47,296	207,796	-	-
Capital Lease Obligations .....	20,544	3,494	24,038	-	-
Contracts Payable .....	1,715	-	1,715	-	-
Notes Payable .....	5,933	-	5,933	5,500	12,190
Notes Payable to Primary Government .....	-	-	-	-	696
Loans Payable .....	1,852	63,803	65,655	-	-
SANDAG Loans Payable .....	13,979	-	13,979	-	-
Section 108 Loans Payable .....	42,858	-	42,858	-	-
Net Bonds Payable .....	1,051,651	1,688,980	2,740,631	-	-
Estimated Landfill Closure and Postclosure Care .....	-	12,679	12,679	-	-
Net Pension Obligation .....	203,589	28,346	231,935	-	-
<b>TOTAL LIABILITIES</b> .....	<u>1,832,952</u>	<u>2,024,185</u>	<u>3,857,137</u>	<u>18,710</u>	<u>19,300</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, net of Related Debt .....	3,200,262	2,818,690	6,018,952	9,025	69,577
Restricted for:					
Capital Projects .....	274,664	-	274,664	5,030	-
Debt Service .....	74,268	3,674	77,942	-	-
Other .....	129,686	26,735	156,421	-	55,612
Permanent Funds .....	13,104	-	13,104	-	-
Unrestricted .....	<u>(146,793)</u>	<u>317,358</u>	<u>170,565</u>	<u>(679)</u>	<u>79,946</u>
<b>TOTAL NET ASSETS</b> .....	<u>\$ 3,545,191</u>	<u>\$ 3,166,457</u>	<u>\$ 6,711,648</u>	<u>\$ 13,376</u>	<u>\$ 205,135</u>

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

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2004**  
(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>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government and Support .....	\$ 221,752	\$ 81,167	\$ 18,316	\$ 308
Public Safety - Police .....	361,501	23,699	25,082	587
Public Safety - Fire and Life Safety .....	173,311	19,940	4,378	153
Parks, Recreation, Culture and Leisure .....	204,736	12,466	24,391	30,479
Transportation .....	197,152	47,709	479	41,670
Sanitation and Health .....	44,925	9,087	953	945
Neighborhood Services .....	100,568	20,033	21,603	4,193
Interest on Long-Term Debt .....	71,588	-	-	13,646
<b>TOTAL GOVERNMENTAL ACTIVITIES .....</b>	<b>1,375,533</b>	<b>214,101</b>	<b>95,202</b>	<b>91,981</b>
<b>Business-Type Activities:</b>				
Airports .....	7,384	3,827	12	787
City Store .....	858	852	-	-
Development Services .....	52,970	58,412	6	-
Environmental Services .....	40,602	38,377	95	-
Golf Course .....	7,572	11,911	-	-
Recycling .....	19,497	16,169	127	-
Sewer Utility .....	312,929	267,294	687	60,759
Water Utility .....	270,940	239,533	556	72,040
<b>TOTAL BUSINESS-TYPE ACTIVITIES .....</b>	<b>712,752</b>	<b>636,375</b>	<b>1,483</b>	<b>133,586</b>
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 2,088,285</b>	<b>\$ 850,476</b>	<b>\$ 96,685</b>	<b>\$ 225,567</b>
<b>Component Units:</b>				
San Diego Convention Center Corporation .....	\$ 31,217	\$ 29,440	\$ 4,140	\$ -
San Diego Housing Commission .....	141,487	16,481	127,280	1,895
<b>TOTAL COMPONENT UNITS .....</b>	<b>\$ 172,704</b>	<b>\$ 45,921</b>	<b>\$ 131,420</b>	<b>\$ 1,895</b>
<b>General Revenues:</b>				
Property Taxes .....				
Transient Occupancy Taxes .....				
Other Local Taxes .....				
Developer Contributions and Fees .....				
Grants and Contributions not Restricted to Specific Programs .....				
Investment Income .....				
Gain on Sale of Capital Assets .....				
Permanent Fund Contributions .....				
Miscellaneous .....				
Transfers .....				
<b>TOTAL GENERAL REVENUES AND TRANSFERS .....</b>				
<b>CHANGE IN NET ASSETS .....</b>				
Net Assets at Beginning of Year .....				
<b>NET ASSETS AT END OF YEAR .....</b>				

Net Revenue/(Expense) and Change in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
\$ (121,961)	\$ -	\$ (121,961)	\$ -	\$ -
(312,133)	-	(312,133)	-	-
(148,840)	-	(148,840)	-	-
(137,400)	-	(137,400)	-	-
(107,294)	-	(107,294)	-	-
(33,940)	-	(33,940)	-	-
(54,739)	-	(54,739)	-	-
(57,942)	-	(57,942)	-	-
(974,249)	-	(974,249)	-	-
-	(2,758)	(2,758)	-	-
-	(6)	(6)	-	-
-	5,448	5,448	-	-
-	(2,130)	(2,130)	-	-
-	4,339	4,339	-	-
-	(3,201)	(3,201)	-	-
-	15,811	15,811	-	-
-	41,189	41,189	-	-
-	58,692	58,692	-	-
\$ (974,249)	\$ 58,692	\$ (915,557)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 2,363	\$ -
-	-	-	-	4,169
\$ -	\$ -	\$ -	\$ 2,363	\$ 4,169
278,804	-	278,804	-	-
113,209	-	113,209	-	-
139,748	-	139,748	-	-
33,363	-	33,363	-	-
339,702	-	339,702	-	-
57,537	10,289	67,826	36	2,576
467	8	475	-	118
250	-	250	-	-
4,396	5,443	9,839	611	-
3,806	(3,806)	-	-	-
971,282	11,934	983,216	647	2,694
(2,967)	70,626	67,659	3,010	6,863
3,548,158	3,095,831	6,643,989	10,366	198,272
\$ 3,545,191	\$ 3,166,457	\$ 6,711,648	\$ 13,376	\$ 205,135

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2004  
(In Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments .....	\$ 23,819	\$ 743,915	\$ 767,734
Receivables:			
Taxes - Net .....	69,275	13,743	83,018
Accounts, Net of Allowance for Uncollectibles (General Fund \$5,877, Other Governmental \$1,527) .....	36,709	6,678	43,387
Claims - Net .....	62	45	107
Special Assessments - Net .....	-	1,064	1,064
Notes .....	-	30,426	30,426
Accrued Interest .....	374	2,096	2,470
Grants .....	-	41,472	41,472
Due From Other Funds .....	10,100	51,958	62,058
From Other Agencies .....	68	1,472	1,540
Investment in Joint Venture .....	1,522	-	1,522
Advances to Other Funds .....	1,790	3,126	4,916
Advances to Other Agencies .....	350	3,266	3,616
Land Held for Resale .....	-	36,561	36,561
Prepaid Items .....	207	2,475	2,682
Restricted Cash and Investments .....	-	107,815	107,815
<b>TOTAL ASSETS .....</b>	<b>\$ 144,276</b>	<b>\$ 1,046,112</b>	<b>\$ 1,190,388</b>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 3,718	\$ 28,924	\$ 32,642
Accrued Wages and Benefits .....	36,456	2,227	38,683
Other Accrued Liabilities .....	-	678	678
Due to Other Funds .....	-	64,684	64,684
Due to Component Units .....	-	592	592
Due to Other Agencies .....	-	540	540
Deferred Revenue .....	41,894	42,350	84,244
Unearned Revenue .....	-	21,660	21,660
Advances from Other Funds .....	986	3,354	4,340
Sundry Trust Liabilities .....	-	4,490	4,490
Interfund Interest Payable .....	-	562	562
Interfund Loan Payable .....	-	2,386	2,386
<b>TOTAL LIABILITIES .....</b>	<b>\$ 83,054</b>	<b>\$ 172,447</b>	<b>\$ 255,501</b>

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2004  
(In Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES:</b>			
Reserved for Land Held for Resale .....	\$ -	\$ 35,234	\$ 35,234
Reserved for Encumbrances .....	14,888	126,133	141,021
Reserved for Advances .....	2,140	6,392	8,532
Reserved for Permanent Endowments .....	-	12,225	12,225
Reserved for Debt Service .....	-	97,984	97,984
Reserved for Minority Interest in Joint Venture .....	1,522	-	1,522
Unreserved, Reported in General Fund:			
Designated for Subsequent Years' Expenditures .....	1,333	-	1,333
Undesignated .....	41,339	-	41,339
Unreserved, Reported in:			
Special Revenue Funds .....	-	305,909	305,909
Debt Service Funds .....	-	1,650	1,650
Capital Projects Funds .....	-	287,259	287,259
Permanent Funds .....	-	879	879
<b>TOTAL FUND BALANCES</b> .....	<b>61,222</b>	<b>873,665</b>	<b>934,887</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 144,276</b>	<b>\$ 1,046,112</b>	

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	4,057,528
Other assets and liabilities used in governmental activities are not financial resources, and therefore, are either deferred or not reported in the funds.	103,376
Liabilities for Facilities Benefit Assessments (FBA) credits and land acquisition credits which are earned by developers but not taken are not reported in the funds.	(24,982)
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Print Shop, Central Stores, Self Insurance, and San Diego Data Processing Corporation to individual funds. The assets and liabilities of all Internal Service funds except Special Engineering are included in governmental activities on the Statement of Net Assets.	(58,163)
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,467,455)
Net Assets of governmental activities	<b>\$ 3,545,191</b>

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

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Year Ended June 30, 2004  
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes .....	\$ 201,133	\$ 77,957	\$ 279,090
Special Assessments .....	-	26,816	26,816
Sales Taxes .....	137,360	101,070	238,430
Transient Occupancy Taxes .....	59,530	53,679	113,209
Other Local Taxes .....	64,977	75,039	140,016
Licenses and Permits .....	23,699	6,893	30,592
Fines, Forfeitures and Penalties .....	31,832	2,038	33,870
Revenue from Use of Money and Property .....	27,758	35,510	63,268
Revenue from Federal Agencies .....	4,055	46,438	50,493
Revenue from Other Agencies .....	74,204	80,355	154,559
Revenue from Private Sources .....	-	62,143	62,143
Charges for Current Services .....	98,956	30,394	129,350
Other Revenue .....	2,870	7,592	10,462
<b>TOTAL REVENUES</b> .....	<b>726,374</b>	<b>605,924</b>	<b>1,332,298</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	134,865	63,961	198,826
Public Safety - Police .....	283,747	29,640	313,387
Public Safety - Fire and Life Safety .....	137,837	14,236	152,073
Parks, Recreation, Culture and Leisure .....	97,380	72,783	170,163
Transportation .....	20,219	97,400	117,619
Sanitation and Health .....	39,111	3,073	42,184
Neighborhood Services .....	25,997	78,208	104,205
Capital Projects .....	-	174,346	174,346
Debt Service:			
Principal Retirement .....	2,318	46,800	49,118
Interest .....	5,442	63,358	68,800
Arbitrage Rebate .....	-	421	421
<b>TOTAL EXPENDITURES</b> .....	<b>746,916</b>	<b>644,226</b>	<b>1,391,142</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>			
<b>OVER EXPENDITURES</b> .....	<b>(20,542)</b>	<b>(38,302)</b>	<b>(58,844)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds .....	2,941	4,432	7,373
Transfers from Other Funds .....	37,994	207,601	245,595
Transfers to Proprietary Funds .....	(13,707)	(2,767)	(16,474)
Transfers to Other Funds .....	(15,665)	(229,930)	(245,595)
Transfers to Escrow Agent .....	-	(10,132)	(10,132)
Proceeds from Sale of Capital Assets .....	-	301	301
Net Loss from Joint Venture .....	(485)	-	(485)
Capital Leases Issued .....	3,634	-	3,634
SANDAG Loans Issued .....	-	6,400	6,400
Section 108 Loans Issued .....	-	21,107	21,107
Tax Allocation Bonds Issued .....	-	37,180	37,180
Special Assessment Bonds Issued .....	-	29,245	29,245
Premium on Bonds Issued .....	-	2	2
Discount on Bonds Issued .....	-	(259)	(259)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>14,712</b>	<b>63,180</b>	<b>77,892</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(5,830)</b>	<b>24,878</b>	<b>19,048</b>
Fund Balances at Beginning of Year .....	67,052	848,787	915,839
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 61,222</b>	<b>\$ 873,665</b>	<b>\$ 934,887</b>

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

**City of San Diego**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2004**  
**(In Thousands)**

Net change in fund balances - total governmental funds (page 52)	\$	19,048
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.		95,713
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets.		(5,324)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		22,648
Revenue recognized at the fund level provides a current financial resource to governmental funds, while the offsetting land acquisition credit results in a decrease to net assets.		(2,325)
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(38,518)
Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation), and therefore are not accrued as expenses in governmental funds.		(62,429)
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Print Shop, Central Stores, Self Insurance, and others to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.		<u>(31,780)</u>
Change in net assets of governmental activities (page 49)	\$	<u>(2,967)</u>

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

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
June 30, 2004  
(In Thousands)**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
<b>ASSETS</b>					
Current Assets:					
Cash and Investments .....	\$ 218,531	\$ 140,934	\$ 74,449	\$ 433,914	\$ 82,242
Receivables:					
Accounts, Net of Allowance for Uncollectibles (Sewer \$514, Water \$637) .....	26,301	32,665	2,383	61,349	3,338
Claims - Net .....	-	-	-	-	40
Contributions .....	-	-	-	-	359
Accrued Interest .....	654	498	273	1,425	17
Grants .....	30	2,416	561	3,007	-
Due From Other Funds .....	-	-	2,695	2,695	-
Inventories of Water in Storage .....	-	30,695	-	30,695	-
Inventories .....	-	448	90	538	2,618
Prepaid Expenses .....	6	16	6	28	1,633
Total Current Assets .....	<u>245,522</u>	<u>207,672</u>	<u>80,457</u>	<u>533,651</u>	<u>90,247</u>
Non-Current Assets:					
Restricted Cash and Investments .....	58,941	141,167	26,668	226,776	-
Advances to Other Funds .....	496	776	144	1,416	93
Deferred Charges .....	7,624	5,185	-	12,809	-
Interfund Interest Receivable .....	-	562	-	562	-
Interfund Loan Receivable .....	-	2,386	-	2,386	-
Capital Assets - Non-Depreciable .....	220,422	298,114	28,484	547,020	1,984
Capital Assets - Depreciable .....	<u>2,618,858</u>	<u>1,178,724</u>	<u>72,011</u>	<u>3,869,593</u>	<u>87,241</u>
Total Non-Current Assets .....	<u>2,906,341</u>	<u>1,626,914</u>	<u>127,307</u>	<u>4,660,562</u>	<u>89,318</u>
<b>TOTAL ASSETS</b> .....	<u>3,151,863</u>	<u>1,834,586</u>	<u>207,764</u>	<u>5,194,213</u>	<u>179,565</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable .....	26,886	33,081	1,992	61,959	9,108
Accrued Wages and Benefits .....	6,153	3,342	4,250	13,745	4,871
Interest Accrued on Long-Term Debt .....	6,496	11,404	8	17,908	169
Long-Term Liabilities Due Within One Year .....	32,309	11,004	3,799	47,112	51,632
Due to Other Funds .....	-	-	69	69	-
Due to Other Agencies .....	7,324	2,090	10	9,424	-
Unearned Revenue .....	10	2,807	3,856	6,673	64
Contract Deposits .....	2,299	5,683	128	8,110	-
Customer Deposits Payable .....	-	3,235	-	3,235	-
Total Current Liabilities .....	<u>81,477</u>	<u>72,646</u>	<u>14,112</u>	<u>168,235</u>	<u>65,844</u>
Non-Current Liabilities:					
Deposits/Advances from Others .....	-	-	64	64	-
Arbitrage Liability .....	17	204	-	221	-
Compensated Absences .....	3,173	2,503	3,145	8,821	4,465
Liability Claims .....	41,041	2,685	3,570	47,296	160,500
Capital Lease Obligations .....	-	-	3,494	3,494	9,952
Loans Payable .....	63,803	-	-	63,803	-
Net Revenue Bonds Payable .....	1,119,218	569,762	-	1,688,980	-
Estimated Landfill Closure and Postclosure Care .....	-	-	12,679	12,679	-
Net Pension Obligation .....	9,596	7,672	8,865	26,133	4,997
Total Non-Current Liabilities .....	<u>1,236,848</u>	<u>582,826</u>	<u>31,817</u>	<u>1,851,491</u>	<u>179,914</u>
<b>TOTAL LIABILITIES</b> .....	<u>1,318,325</u>	<u>655,472</u>	<u>45,929</u>	<u>2,019,726</u>	<u>245,758</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt .....	1,684,947	1,037,730	95,418	2,818,095	73,251
Restricted for Debt Service .....	144	3,530	-	3,674	-
Restricted for Closure/Postclosure maintenance .....	-	-	26,735	26,735	-
Unrestricted .....	<u>148,447</u>	<u>137,854</u>	<u>39,682</u>	<u>325,983</u>	<u>(139,444)</u>
<b>TOTAL NET ASSETS</b> .....	<u>\$ 1,833,538</u>	<u>\$ 1,179,114</u>	<u>\$ 161,835</u>	<u>3,174,487</u>	<u>\$ (66,193)</u>
Adjustment to reflect the consolidation of certain internal service fund activities related to enterprise funds.				(8,030)	
Net assets of business-type activities				<u>\$ 3,166,457</u>	

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

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For the Year Ended June 30, 2004**  
**(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>	
<b>OPERATING REVENUES</b>					
Sales of Water .....	\$ -	\$ 221,623	\$ -	\$ 221,623	\$ -
Charges for Services .....	262,673	965	73,612	337,250	160,999
Revenue from Use of Property .....	-	4,969	-	4,969	-
Usage Fees .....	-	1,426	51,845	53,271	40,785
Other .....	4,621	10,550	4,091	19,262	2,124
<b>TOTAL OPERATING REVENUES</b> .....	<u>267,294</u>	<u>239,533</u>	<u>129,548</u>	<u>636,375</u>	<u>203,908</u>
<b>OPERATING EXPENSES</b>					
Benefit and Claim Expenses .....	-	-	-	-	99,825
Maintenance and Operations .....	110,024	95,182	101,134	306,340	46,705
Cost of Materials Issued .....	-	-	347	347	25,212
Cost of Purchased Water Used .....	-	100,445	-	100,445	-
Taxes .....	-	1,359	-	1,359	-
Administration .....	84,785	33,602	15,310	133,697	64,100
Depreciation .....	62,162	21,745	8,750	92,657	19,205
<b>TOTAL OPERATING EXPENSES</b> .....	<u>256,971</u>	<u>252,333</u>	<u>125,541</u>	<u>634,845</u>	<u>255,047</u>
<b>OPERATING INCOME (LOSS)</b> .....	<u>10,323</u>	<u>(12,800)</u>	<u>4,007</u>	<u>1,530</u>	<u>(51,139)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings on Investments .....	2,291	7,643	378	10,312	987
Federal Grant Assistance .....	45	506	160	711	-
Other Agency Grant Assistance .....	642	50	80	772	-
Gain (Loss) on Sale/Retirement of Capital Assets .....	(2,692)	(1,251)	(2,090)	(6,033)	399
Debt Service Interest Expense .....	(51,322)	(15,925)	(245)	(67,492)	(839)
Other .....	2,885	606	1,948	5,439	1,512
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....	<u>(48,151)</u>	<u>(8,371)</u>	<u>231</u>	<u>(56,291)</u>	<u>2,059</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<u>(37,828)</u>	<u>(21,171)</u>	<u>4,238</u>	<u>(54,761)</u>	<u>(49,080)</u>
Capital Contributions .....	60,759	72,040	787	133,586	-
Transfers from Other Funds .....	285	197	162	644	1,060
Transfers from Governmental Funds .....	-	-	2,234	2,234	14,240
Transfers to Other Funds .....	(439)	(238)	(337)	(1,014)	(690)
Transfers to Governmental Funds .....	(1,574)	(1,563)	(2,492)	(5,629)	(1,744)
<b>CHANGE IN NET ASSETS</b> .....	<u>21,203</u>	<u>49,265</u>	<u>4,592</u>	<u>75,060</u>	<u>(36,214)</u>
Net Assets at Beginning of Year .....	<u>1,812,335</u>	<u>1,129,849</u>	<u>157,243</u>		<u>(29,979)</u>
<b>NET ASSETS AT END OF YEAR</b> .....	<u>\$ 1,833,538</u>	<u>\$ 1,179,114</u>	<u>\$ 161,835</u>		<u>\$ (66,193)</u>
Adjustment to reflect the consolidation of certain internal service fund activities related to enterprise funds.				(4,434)	
Change in net assets of business-type activities				<u>\$ 70,626</u>	

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

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2004  
( In Thousands )**

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users .....	\$ 274,187	\$ 238,361	\$ 133,184	\$ 645,732	\$ 205,269
Payments to Suppliers .....	(102,749)	(162,122)	(44,477)	(309,348)	(77,847)
Payments to Employees .....	(75,666)	(57,185)	(63,661)	(196,512)	(106,145)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>95,772</b>	<b>19,054</b>	<b>25,046</b>	<b>139,872</b>	<b>21,277</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds .....	285	197	162	644	1,060
Transfers from Governmental Funds .....	-	-	2,234	2,234	14,240
Transfers to Other Funds .....	(439)	(238)	(337)	(1,014)	(690)
Transfers to Governmental Funds .....	(1,574)	(1,563)	(2,492)	(5,629)	(1,744)
Operating Grants Received.....	687	250	366	1,303	-
Due from Other Funds .....	-	-	(891)	(891)	-
Due to Other Funds .....	-	-	(131)	(131)	-
Proceeds from Advances and Deposits .....	-	-	15	15	-
Payments for Advances and Deposits .....	-	(2,540)	(106)	(2,646)	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>(1,041)</b>	<b>(3,894)</b>	<b>(1,180)</b>	<b>(6,115)</b>	<b>12,866</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES</b>					
Proceeds from Revenue Bonds .....	151,664	-	-	151,664	-
Proceeds from Loans .....	466	-	-	466	-
Proceeds from Capital Contributions .....	15,572	22,758	787	39,117	-
Acquisition of Capital Assets .....	(145,387)	(111,604)	(7,795)	(264,786)	(11,156)
Proceeds from the Sale of Capital Assets .....	-	132	-	132	827
Principal Payments on Capital Leases .....	-	-	(1,457)	(1,457)	(7,021)
Principal Payments on Loans.....	(2,505)	-	-	(2,505)	-
Principal Payments on Revenue Bonds.....	(25,030)	(7,345)	-	(32,375)	-
Interest Paid on Long-Term Debt.....	(50,275)	(16,084)	(237)	(66,596)	(838)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCIAL ACTIVITIES .....</b>	<b>(55,495)</b>	<b>(112,143)</b>	<b>(8,702)</b>	<b>(176,340)</b>	<b>(18,188)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sales of Investments .....	495,011	2,208,871	-	2,703,882	-
Purchases of Investments .....	(533,434)	(2,158,650)	-	(2,692,084)	-
Interest Received on Investments .....	2,361	10,773	358	13,492	989
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>(36,062)</b>	<b>60,994</b>	<b>358</b>	<b>25,290</b>	<b>989</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	3,174	(35,989)	15,522	(17,293)	16,944
Cash and Cash Equivalents at Beginning of Year .....	215,357	180,303	85,595	481,255	65,298
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 218,531</b>	<b>\$ 144,314</b>	<b>\$ 101,117</b>	<b>\$ 463,962</b>	<b>\$ 82,242</b>
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:</b>					
Cash and Investments .....	\$ 218,531	\$ 140,934	\$ 74,449	\$ 433,914	\$ 82,242
Restricted Cash and Investments .....	58,941	141,167	26,668	226,776	-
Less Investments not meeting the definition of cash equivalents .....	(58,941)	(137,787)	-	(196,728)	-
<b>Total Cash and Cash Equivalents at End of Year .....</b>	<b>\$ 218,531</b>	<b>\$ 144,314</b>	<b>\$ 101,117</b>	<b>\$ 463,962</b>	<b>\$ 82,242</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss) .....	\$ 10,323	\$ (12,800)	\$ 4,007	\$ 1,530	\$ (51,139)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:</b>					
Depreciation .....	62,162	21,745	8,750	92,657	19,205
<b>Changes in Assets and Liabilities:</b>					
<b>(Increase) Decrease in Receivables:</b>					
Accounts - Net .....	5,549	2,086	1,968	9,603	677
Claims - Net .....	-	-	-	-	(36)
(Increase) Decrease in Inventories and Inventories in Water Storage .....	-	(2,264)	1	(2,263)	709
(Increase) Decrease in Prepaid Expenses.....	24	(13)	1	12	(48)
Increase (Decrease) in Accounts Payable .....	7,574	8,449	212	16,235	224
Increase (Decrease) in Accrued Wages and Benefits .....	659	746	1,503	2,908	219
Increase (Decrease) in Liability Claims .....	(1,686)	322	3,570	2,206	48,825
Increase (Decrease) in Due to Other Agencies .....	7,324	2,074	(4)	9,394	-
Increase (Decrease) in Unearned Revenue .....	(1,929)	1,255	(180)	(854)	(187)
Increase (Decrease) in Contract Deposits .....	388	(3,525)	(100)	(3,237)	-
Increase (Decrease) in Arbitrage Liability .....	3	(1,594)	-	(1,591)	-
Increase (Decrease) in Net Pension Obligation .....	2,496	1,967	2,365	6,828	1,316
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care.....	-	-	1,005	1,005	-
Other Nonoperating Revenue (Expenses) .....	2,885	606	1,948	5,439	1,512
<b>Total Adjustments .....</b>	<b>85,449</b>	<b>31,854</b>	<b>21,039</b>	<b>138,342</b>	<b>72,416</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>\$ 95,772</b>	<b>\$ 19,054</b>	<b>\$ 25,046</b>	<b>\$ 139,872</b>	<b>\$ 21,277</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Capital Leases.....	\$ -	\$ -	\$ -	\$ -	\$ 604
Developer Contributed Assets.....	45,187	47,510	-	92,697	-
Increase (Decrease) in Capital Assets related Accounts Payable.....	1,734	(1,689)	-	45	-
Change in fair value of investments.....	-	2,695	-	2,695	-

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

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2004**  
**(In Thousands)**

	<b>Pension and Employee Savings Trust</b>	<b>Investment Trust</b>	<b>Agency</b>
<b>ASSETS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ 4,073	\$ 12,638	\$ 20,246
Cash with Custodian/Fiscal Agent .....	340,209	-	-
Investments at Fair Value:			
Short Term Investments .....	214,401	-	-
Domestic Fixed Income Securities (Bonds) .....	468,962	-	-
International Fixed Income Securities (Bonds) .....	148,759	-	-
Domestic Equity Securities (Stocks) .....	1,296,360	-	-
International Equity Securities (Stocks) .....	531,527	-	-
Mortgages .....	17	-	-
Real Estate Equity and Real Estate Securities .....	277,669	-	-
Defined Contribution Investments (Mutual Funds of \$467,201 & Collective Funds of \$81,810).....	549,011	-	-
Receivables:			
Accounts - Net .....	-	-	60
Contributions .....	35,001	-	-
Accrued Interest .....	10,889	30	5
Loans .....	24,178	-	-
Securities Sold .....	44,965	-	-
Prepaid Expenses .....	3	-	-
Securities Lending Collateral .....	319,748	-	-
Restricted Cash and Investments .....	-	-	17,271
Capital Assets - Depreciable .....	191	-	-
<b>TOTAL ASSETS</b> .....	<u>4,265,963</u>	<u>12,668</u>	<u>\$ 37,582</u>
<b>LIABILITIES</b>			
Accounts Payable .....	5,189	-	\$ 741
Accrued Wages and Benefits .....	639	-	-
Due to Component Unit .....	-	-	371
Advances from Other Funds .....	-	-	2,085
Deposits/Advances from Others .....	-	-	9,823
Sundry Trust Liabilities .....	-	-	24,562
Net Pension Obligation .....	601	-	-
DROP Liabilities .....	185,108	-	-
Securities Lending Obligations.....	319,748	-	-
Securities Purchased .....	85,658	-	-
<b>TOTAL LIABILITIES</b> .....	<u>596,943</u>	<u>-</u>	<u>\$ 37,582</u>
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits and Other Purposes .....	3,659,936	-	
Held in Trust for Pooled Participants.....	-	12,668	
Held in Trust for Postemployment Healthcare Benefits .....	9,084	-	
<b>TOTAL NET ASSETS</b> .....	<u>\$ 3,669,020</u>	<u>\$ 12,668</u>	

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

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
For the Year Ended June 30, 2004  
(In Thousands)

	<b>Pension and Employee Savings Trust</b>	<b>Investment Trust</b>	<b>Total</b>
<b>ADDITIONS</b>			
Employer Contributions .....	\$ 145,973	\$ -	\$ 145,973
Employee Contributions .....	141,590	-	141,590
Contributions to Pooled Cash and Investments.....	-	16,672	16,672
Earnings on Investments:			
Investment Income .....	605,856	91	605,947
Investment Expense .....	<u>(14,859)</u>	<u>-</u>	<u>(14,859)</u>
Net Investment Income .....	<u>590,997</u>	<u>91</u>	<u>591,088</u>
Securities Lending:			
Gross Earnings .....	3,410	-	3,410
Borrower Rebates .....	(2,168)	-	(2,168)
Administrative Expenses (Lending Agent) .....	<u>(364)</u>	<u>-</u>	<u>(364)</u>
Net Securities Lending Income .....	<u>878</u>	<u>-</u>	<u>878</u>
<b>TOTAL ADDITIONS .....</b>	<b><u>879,438</u></b>	<b><u>16,763</u></b>	<b><u>896,201</u></b>
<b>DEDUCTIONS</b>			
DROP Interest Expense .....	12,735	-	12,735
Benefit and Claim Payments .....	254,190	-	254,190
Distributions from Pooled Cash and Investments .....	-	16,202	16,202
Administration .....	11,581	-	11,581
Depreciation .....	<u>76</u>	<u>-</u>	<u>76</u>
<b>TOTAL DEDUCTIONS .....</b>	<b><u>278,582</u></b>	<b><u>16,202</u></b>	<b><u>294,784</u></b>
<b>CHANGE IN NET ASSETS .....</b>	<b>600,856</b>	<b>561</b>	<b>601,417</b>
Net Assets at Beginning of Year .....	<u>3,068,164</u>	<u>12,107</u>	<u>3,080,271</u>
<b>NET ASSETS AT END OF YEAR .....</b>	<b><u>\$ 3,669,020</u></b>	<b><u>\$ 12,668</u></b>	<b><u>\$ 3,681,688</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In Thousands)**

The City of San Diego (the "City") adopted its current charter on April 7, 1931 and operates as a municipality in accordance with State laws. Since adoption, the City Charter has been amended several times. The most recent amendments were added by vote during the November 2004 election. These amendments took effect in January 2006 and are discussed further in Note 12 - Pension Plans. During the period reported, the City was governed by an elected nine member City Council, including the Mayor. Residents of the City are provided with a wide range of services including parks, recreation, police, fire, water and sewer services.

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

a. Financial Reporting Entity

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

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and so data from these units are combined with data of the primary government. Component units should be included in the reporting entity financial statements using the blending method if either of the following criteria are met:

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

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

- Centre City Development Corporation
- City of San Diego/Metropolitan Transit Development Board Authority
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation
- San Diego City Employees' Retirement System
- Community Facility and Other Special Assessment Districts

A brief description of each blended component unit follows:

- Centre City Development Corporation, Inc. ("CCDC") is a not-for-profit public benefit corporation established in 1975 to administer certain redevelopment projects in downtown San Diego and to provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. CCDC's budget and governing board are approved by the City Council and services are provided exclusively to the primary government. CCDC is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Centre City Development Corporation, 225 Broadway, Suite 1100, San Diego, California 92101.
- The City of San Diego/Metropolitan Transit Development Board Authority (The "MTDB Authority") is a financing authority which was established in 1988 and currently acquires and constructs mass transit guideways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The City appoints two Council members to the governing board and the MTDB Authority appoints one. The MTDB Authority primarily provides services to the primary government. The MTDB Authority is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- The Convention Center Expansion Financing Authority (The "CCEFA") was established in 1996 to acquire and construct the expansion to the existing convention center. During the period reported, the governing board was administered by the Mayor, the City Manager, the District Director and a member of the Board of District Commissioners. The CCEFA provides services which primarily benefit the primary government. The CCEFA is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- The Public Facilities Financing Authority (The "PFFA") was established in 1991 and currently acquires and constructs public capital improvements. PFFA is governed by a five member board appointed by the primary government. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for business-type funds is reported as a business-type activity. Complete stand-alone financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- The Redevelopment Agency (The "RDA") of the City of San Diego was established in 1958 in order to provide a method for revitalizing deteriorating and blighted areas of the City and began functioning in 1969 under the authority granted by the community redevelopment law. The City Council is the governing board and the RDA is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- San Diego Data Processing Corporation ("SDDPC") was formed in 1979 as a not-for-profit public benefit corporation for the purpose of providing data processing services. SDDPC's budget and governing board are approved by the City Council. SDDPC provides services almost exclusively to the primary government. SDDPC is reported as an Internal Service Fund. Complete stand-alone financial statements can be requested from San Diego Data Processing Corporation, 5975 Santa Fe Street, San Diego, California 92109.
- The San Diego Facilities and Equipment Leasing Corporation (The "SDFELC") is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. The City Council appoints two of the three members of the governing board and services are exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and

financing for proprietary funds is reported as a business-type activity. Complete stand-alone financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Industrial Development Authority (The "SDIDA") was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board. The SDIDA is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- The San Diego Open Space Park Facilities District #1 (The "SDOSPFD") was established in 1978 by the City for the purpose of acquiring open space properties to implement the Open Space Element of the City's General Plan. The boundaries are contiguous with those of the City. The City Council is the governing board. The SDOSPFD is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- Southeastern Economic Development Corporation ("SEDC") is a not-for-profit public benefit corporation organized in 1980 by the City to administer certain redevelopment projects in southeast San Diego and to provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. SEDC's governing board is appointed by the City Council and services are provided either to the City or on behalf of the City. SEDC is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Southeastern Economic Development Corporation, 995 Gateway Center Way, Suite 300, San Diego, California 92102.
- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and provides retirement, health insurance, disability, and death benefits. Currently, SDCERS also administers the Unified Port District and the San Diego County Regional Airport Authority defined benefit plans.

SDCERS is a legally separate, blended component unit of the City of San Diego. It is managed by a Board of Administration, the majority of which is appointed by the City of San Diego, and a Pension Administrator who does not report to, or work under the direction of the elected officials or appointed managers of the City of San Diego. Additionally, during the period reported, SDCERS utilized legal counsel independent of the City of San Diego. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports.

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

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

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

There are two entities which are discretely presented component units:

- San Diego Convention Center Corporation ("SDCCC")

SDCCC is a not-for-profit public benefit corporation originally organized to market, operate and maintain the San Diego

Convention Center. On July 1, 1993, SDCCC assumed similar responsibility for the San Diego Concourse. The City is a sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints seven voting members out of the nine-member Board of Directors of SDCCC. The City is liable for any operating deficits and would be secondarily liable for any debt issuances of SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, California 92101.

- San Diego Housing Commission ("SDHC")

SDHC is a government agency which was formed by the City under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC primarily serves low-income families by providing rental assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services. Members of the Board of Commissioners are appointed by the Mayor and confirmed by the City Council. SDHC is discretely presented because it provides services directly to the citizenry. Complete stand-alone financial statements can be requested from San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.

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

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately 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 with a specific function or segment. Direct expenses reported include administrative and overhead charges. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

The business-type activities and proprietary funds financial statements apply all effective pronouncements of the

Governmental Accounting Standards Board ("GASB"). In addition, these statements apply all Accounting Principles Board Opinions ("APBO") and Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

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

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

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

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

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

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

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

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

**Proprietary funds** distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Fiduciary funds** are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds, and include pension and employee savings trust, investment trust, and agency funds. Pension and Employee Savings Trust Funds are reported using the same

measurement focus and basis of accounting as proprietary funds. Agency funds are reported using the accrual basis of accounting.

The following is the City's major governmental fund:

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

The following are the City's major enterprise funds:

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

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

The following are the City's other fund types:

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

Pension and Employee Savings Trust Funds - These funds account for the City Employees' Retirement System, the Supplemental Pension Savings Plan, and the 401(k) plan.

Investment Trust Fund - This fund was established to account for equity that legally separate entities have in the City Treasurer's investment pool. The Automated Regional Justice Information System (ARJIS), the San Diego Graphic Information Source (SanGIS), and the Abandoned Vehicle Abatement (AVA) are all legally separate entities which have cash invested in the City Treasurer's investment pool.

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

d. Property Taxes

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

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1979 general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable

values of properties (exclusive of increases related to sales and new construction) can rise a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. For the governmental funds, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days of year end. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred revenue in the governmental funds. The City provides an allowance for uncollected property taxes of 3% of the outstanding balance which reflects historical collections.

e. Cash and Investments

The City's cash and cash equivalents for statement of cash flow purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the City Treasurer in a cash management investment pool and reported at market value. Cash equivalents for Water Utility and Sewer Utility exclude from the Statement of Cash Flows the restricted investments represented as Cash and Investments with Fiscal Agent and Investments at Fair Value with a maturity date greater than 90 days.

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

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

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds and agency funds unless expressly stated in the resolutions creating individual funds. During the fiscal year ended June 30, 2004, approximately \$1.9 million in interest was assigned from various funds to the general fund. These transactions caused an increase to the "transfers from" amount for the General Fund and caused a like increase to the "transfer to" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an increase to the "transfers from" amount for the fund transferring the negative interest and caused a like increase to the "transfer to" amount for the General Fund.

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

All City investments are reported at fair value in accordance with the GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Note 3 of the notes to the financial statements contain additional information on permissible investments per the City investment policy and other policies applicable to the cash and investments reported herein.

SDCERS' Board discharges their fiduciary duties in accordance with Article XVI, Section 17 of the California State Constitution and the "Prudent Expert Rule" under the Employee Retirement Income Security Act of 1974 (ERISA). Investment decisions are made on a risk versus return basis in a total portfolio context. SDCERS' Board has the authority to delegate investment management duties to outside advisors, to seek the advice of outside investment counsel, and to provide oversight and monitoring of the investment managers it hires. Furthermore, under the California State Constitution and other relevant authorities, SDCERS' Board may, at its discretion, and when prudent in the informed opinion of the Board, invest funds in any form or type of investment, financial instrument, or financial transaction, unless otherwise limited by the San Diego City Council. SDCERS' agents, in SDCERS' name, manage all investments.

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

f. Inventories

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

g. Land Held for Resale

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

h. Deferred Charges

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

i. Capital Assets

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

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems,

and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, net of accumulated depreciation. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of equipment outlay, must equal or exceed a capitalization threshold of \$5. All other capital assets such as land, structures, infrastructure, and distribution and collection systems are capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expenses incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the asset constructed. During fiscal year 2004, \$15,138 of interest expense incurred was capitalized.

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

Assets	Years
Structures and Improvements	
Buildings	40 - 50
Building improvements	15 - 25
Equipment	
Automobiles and light trucks	5 - 10
Construction and Maintenance Vehicles	5 - 20
General Machinery and Office Equipment	3 - 25
Distribution and Collection Systems	
Sewer Pipes and Water Mains	15 - 150
Reservoirs	100 - 150
Infrastructure	
Pavement and Traffic Signals	12 - 50
Bridges	75
Hardscape	20 - 50
Flood Control Assets	40 - 75

j. Unearned/Deferred Revenue

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

k. Interfund Transactions

The City has the following types of interfund transactions:

**Loans** – amounts provided with a requirement for repayment. Interfund loans are normally reported as interfund receivables (i.e. Due from Other Funds) in lender funds and interfund payables (i.e. Due to Other Funds) in borrower funds. The non-current portions of long-term interfund loans receivable are reported as advances. There is also one interfund loan between the Capital Outlay Fund and the Water Utility Fund, for a land acquisition, which is reported as Internal Balances.

**Services provided and used** – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures

or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

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

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

l. Long-Term Liabilities

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

m. Compensated Absences

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

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

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

n. 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.

o. Non-Monetary Transactions

The City, as part of approving new development in the community planning process, requires that certain public facilities be constructed per the provisions of community financing plans. Historically, the City has agreed to pay a pro rata share of these assets. In lieu of providing direct funding for these assets, the City often provides developers with credits for future permit fees. These credits are earned by the developer upon successful completion of construction phases and

City engineers have accepted the work. The credits are recognized as a permit revenue upon issuance and a corresponding capital asset is recorded in the government-wide financial statements.

p. Net Assets

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

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

q. Fund Balance

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

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

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

r. Estimates

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

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

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

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

The Governmental Funds Balance Sheet includes a reconciliation between Total Fund Balances-Governmental Funds and Total Net Assets-Governmental Activities as reported in the Government-wide Statement of Net Assets. One element of the reconciliation states, "Other assets and liabilities used in governmental activities are not financial resources, and therefore, are either deferred or not reported in the funds." The details of this \$103,376 difference are as follows:

Deferred Charges, net, July 1, 2003	\$ 17,620
Issuance Costs	2,615
Amortization Expense	(1,103)
Deferred Charges, net, June 30, 2004	<u>19,132</u>
Deferred Revenue:	
Taxes Receivable	6,660
Sales Taxes Receivable	5,278
Motor Vehicle License Receivable	21,623
Special Assessments Receivable	1,271
Tobacco Receipts	5,085
Notes Receivable	9,004
Grants and Other Receivables	35,323
Deferred Revenue, net, June 30, 2004	<u>84,244</u>
Net Adjustment to increase Total Fund Balances - Governmental Funds to arrive at Total Net Assets of Governmental Activities	<u>\$ 103,376</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 (\$1,467,455) difference are as follows:

Net Bonds Payable	\$ (1,090,605)
Contracts Payable	(1,715)
Notes Payable	(5,998)
Loans Payable	(4,865)
Section 108 Loans Payable	(44,917)
Arbitrage Liability	(262)
Accrued Interest Payable	(18,962)
Capital Leases Payable	(14,645)
Compensated Absences	(65,379)
SANDAG Loans Payable	(19,302)
Net Pension Obligation	<u>(200,805)</u>
Net adjustment to decrease Total Fund Balances - Governmental Funds to arrive at Total Net Assets of Governmental Activities	<u>\$ (1,467,455)</u>

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

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between "Net Change in Fund Balances-Total Governmental Funds" and "Changes in Net Assets of Governmental Activities" as reported in the Government-wide Statement of Activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$95,713 difference are as follows:

Capital Outlay	\$ 174,346
Other Capital Activities	32,574
Depreciation Expense	<u>(111,207)</u>
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	<u>\$ 95,713</u>

Another element of the reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets." The details of this \$(5,324) are as follows:

In the Statement of Activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the capital assets sold.

\$ (636)

Donations and transfers of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.

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The Statement of Activities reports losses arising from the retirement of existing capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets.

(4,821)

Net adjustment to decrease Net Change in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities

\$ (5,324)

Another element of the reconciliation states "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this (\$38,518) difference are as follows:

Debt Issued or Incurred:	
Special Assessment/Mello-Roos	\$ (29,245)
Tax Allocation Bonds	(37,180)
Section 108 Loans	(21,107)
Capital Leases	(3,634)
SANDAG Loans	(6,400)
Principal Repayments:	
General Obligation Bonds	6,390
Revenue Bonds/COP's	18,165
Special Assessment Bonds	2,200
Tax Allocation Bonds	7,739
Section 108 Loans	2,115
Capital Leases	4,299
SANDAG Loans	4,439
Contracts Payable	167
Notes Payable	2,418
Loans Payable	1,186
Refundings:	
Special Assessment Bonds	9,630
Forgiven Debt:	
Loans Payable	<u>300</u>
Net adjustment to decrease Net Changes in Fund Balances -	
Total Governmental Funds to arrive at Changes in Net	
Assets of Governmental Activities	<u>\$ (38,518)</u>

Another element of the reconciliation states that "Certain expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation, employee offset liability, amortization of bond premiums and discounts) and therefore are not accrued as expenses in governmental funds." The details of this (\$62,429) difference are as follows:

Compensated Absences	\$ (1,676)
Net Pension Obligation	(61,177)
Arbitrage Liability	101
Accrued Interest	(64)
Amortization of Bond Premiums/Discounts and	
Gains/Losses on Refundings	(1,125)
Amortization of Deferred Charges	<u>1,512</u>
Net adjustment to decrease Net Changes in Fund Balances -	
Total Governmental Funds to arrive at Changes in Net	
Assets of Governmental Activities	<u>\$ (62,429)</u>

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### 3. CASH AND INVESTMENTS (In Thousands)

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

	Governmental Activities	Business-Type Activities	Total	Fiduciary Statement Net Assets	Total
Cash & Cash or					
Equity in Pooled Cash & Investments	\$ 744,722	\$ 468,681	\$ 1,213,403	\$ 54,228	\$ 1,267,631
Cash & Investments with Fiscal Agent	125,800	71,799	197,599	340,209	537,808
Investments at Fair Value	82,550	124,929	207,479	3,486,706	3,694,185
Securities Lending Collateral	-	-	-	319,748	319,748
TOTAL	\$ 953,072	\$ 665,409	\$ 1,618,481	\$ 4,200,891	\$ 5,819,372

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

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

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

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

Cash on Hand	\$ 204
Cash Deposits	5,099
Pooled Investments in the City Treasury	1,262,328
Total Cash & Cash or Equity in Pooled Cash & Investments	<u>\$ 1,267,631</u>

A summary of the investments held by the City Treasurer's investment pool as of June 30, 2004 is as follows:

Investment	Fair Value	Cost	Interest Rate % Range	Maturity Range
US Treasury Bills	\$ 24,858	\$ 24,856	1.54	** 11/4/2004 - 11/18/2004
US Treasury Notes & Bonds	338,153	340,427	1.125 - 4.00	3/31/05 - 6/15/2009
Commercial Paper	22,361	22,357	1.04 - 1.11	** 7/1/2004 - 7/2/2004
Corporate Notes & Bonds	137,760	141,825	2.49 - 7.625	7/15/2004 - 2/12/2007
Repurchase Agreements	96,817	96,817	1.45	** 7/1/2004
Bank Notes	4,898	4,957	2.5	11/1/2006
US Agency Notes & Bonds	614,270	616,170	1.02 - 7.00	7/1/2004 - 12/24/2007
Mortgage Backed Securities	2,364	2,456	4.5	3/1/2008
LAIF - City of San Diego	20,847	20,880	1.42	N/A
	<u>\$ 1,262,328</u>	<u>\$ 1,270,745</u>		

\*\* Discount Rates

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's investment pool as of June 30, 2004:

Statement of Net Assets

Cash/Investments of Pool Participants	<u>\$ 1,262,328</u>
Equity of Internal Pool Participants	\$ 1,249,690
Equity of External Pool Participants (SanGIS, ARJIS & AVA) **	12,638
Total Equity	<u>\$ 1,262,328</u>

\*\*Voluntary Participation

Statement of Changes in Net Assets

Net Assets Held for Pool Participants at July 1, 2003	\$ 1,279,428
Net Change in Investments by Pool Participants	(17,100)
Total Net Assets Held for Pool Participants at June 30, 2004	<u>\$ 1,262,328</u>

b. Cash & Investments with Fiscal Agents

**Cash & Investments with Fiscal Agents** represents cash and investments held by fiscal agents resulting from bond issuances. More specifically, these funds represent reserves held by fiscal agents or trustees as legally required by bond issuances and liquid investments held by fiscal agents or trustees which are used to pay debt service. The San Diego City Employees' Retirement System (SDCERS) portion of **Cash & Investments with Fiscal Agents** represents funds held as cash collateral from market neutral portfolios (domestic fixed income investment strategy). Furthermore, it represents transaction settlements, held in each investment manager's portfolio, which is invested overnight by SDCERS custodial bank.

c. Investments at Fair Value

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

d. Securities Lending Collateral

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

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

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

The SDCERS securities lending transactions collateralized by cash as of June 30, 2004 had a fair value of \$311,792 and a collateral value of \$319,748, which were reported in the assets and liabilities in the statement of plan net assets for the City Employees' Retirement System in accordance with GASB Statement No. 28. The securities lending transactions collateralized by securities or irrevocable letters of credit had a fair value of \$3,905 and a collateral value of \$3,970, which were not reported in the assets or liabilities in the accompanying statement of fiduciary net assets for the City Employees' Retirement System per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end for its securities lending activities was \$323,718.

The cash collateral received on each loan was invested by SDCERS fiscal agent, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2004, such investment pool had an average duration of 55 days and an average weighted maturity of 483 days.

SDCERS may encounter various risks related to securities lending agreements. However, the fiscal agent is required to maintain its securities lending program in compliance with applicable laws of the United States and all countries in which lending activities take place, and all rules, regulations and exemptions from time to time promulgated and issued under the authority of those laws.

e. Investment Policy

**City Treasurer's Investment Policy**

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

The Policy is reviewed annually by the Investment Advisory Committee (IAC) which makes recommendations regarding the Policy to the City Council. The IAC consists of two City representatives and three outside financial professionals with market and portfolio expertise not working for the City of San Diego. The City Council reviews the Policy and considers approval on an annual basis.

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

In addition to the Policy, authorized cash deposits and investments are governed by state law. Within the context of these limitations, permissible investments include:

- (1) Obligations of the U.S. government and federal agencies with a maximum maturity of five years,
- (2) Commercial paper rated A-1+ by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch,
- (3) Banker's acceptances,
- (4) Negotiable certificates of deposit issued by a nationally or state chartered bank or a state or federal savings and loan institution or a state-licensed branch of a foreign bank,
- (5) Repurchase and reverse repurchase agreements,
- (6) The local agency investment fund established by the State Treasurer,
- (7) Financial futures transactions to hedge against changes in market conditions for the reinvestment of bond proceeds,
- (8) Government agency mortgage-backed securities and other AAA rated asset-backed securities with a maximum maturity of five years,
- (9) Medium-term corporate notes of a maximum of three years maturity issued by corporations operating within the United States,
- (10) Shares of beneficial interest issued by diversified management companies, as defined in Section 23701(m) of the California Revenue and Taxation Code,
- (11) Non-negotiable time deposits collateralized in accordance with California Government Code,
- (12) Floating rate notes whose coupon resets are based upon a single fixed income index,
- (13) Structured notes issued by U.S. government agencies that contain imbedded calls or options as long as those securities are not inverse floaters, range notes, interest only strips or a security that could result in a zero or negative accretion of interest if held to maturity, and
- (14) Financial futures given they are only used to hedge against changes in market conditions for the reinvestment of bond proceeds when deemed appropriate.

According to the Policy, the City may enter into repurchase and reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement. Exceptions to this rule can be made only upon written authorization of the City Treasurer.

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

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

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

#### **San Diego City Employee Retirement System Investment Policy**

Investments for the pension trust fund are authorized to be made by the Board of Administration of the SDCERS (Board) in accordance with the Charter of the City. The Board has restricted the authorized investments to those believed by independent investment counsel to be appropriate for investment by trust funds operating under the "prudent expert" rule as set forth under United States Code, Title 29, Chapter 18, Employee Retirement Income Security Act of 1974 (ERISA). SDCERS investments include, but are not limited to, bonds, notes and other obligations, real estate investments, repurchase agreements, common stock, preferred stock and pooled vehicles. Additionally, investment policies permit the pension trust fund to invest in financial futures contracts and non-marketable real estate investments. Financial futures contracts, which are recorded at fair value, are not hedges of existing assets, and changes in the market value of the contract result in recognition of a gain or loss. Non-marketable real estate investments are periodically appraised by independent third party appraisers. Investment earnings from the pension trust fund are accounted for in accordance with GASB 25.

A copy of the SDCERS investment policy and additional details on the results of the systems investment activities can be requested from the Retirement Office, 401 B Street, Suite 400, San Diego, CA 92101.

#### **Other Investment Policies**

The City currently has a Funds Commission whose role is to supervise and control all trust, perpetuity and investment funds of the City and such pension funds as shall be placed in its custody. The statutory authority for the Funds Commission is created in the City Charter Article V, section 41(a). While the duties described in the creation document form broad authority for the Funds Commission, in practice, the Funds Commission only oversees investments related to a small number of permanent endowments. The allowable investments for these funds are different than those as prescribed in the City Treasurer's investment policy. Additionally, the City and its component units have funds invested in accordance with various bond indenture and trustee agreements.

f. Custodial Credit Risk**Deposits**

At June 30, 2004, the carrying amount of the City's deposits was approximately \$5,715, which includes \$616 of cash held with fiscal agents, and the bank balance was approximately \$19,882, the difference of which is substantially due to deposits in transit and outstanding checks. Of the balance in financial institutions, approximately \$565 was covered by federal depository insurance and approximately \$19,317 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, \$16,838 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent, in the City's name. The remaining \$2,479 is uninsured and uncollateralized and includes the following: approximately \$1,752 in deposits relating to San Diego Data Processing Corporation, \$211 in deposits relating to Centre City Development Corporation, Inc. and \$516 in deposits held with fiscal agents on behalf of the City.

**Discretely Presented Component Units**Deposits – San Diego Convention Center Corporation

On June 30, 2004, the carrying amount of SDCCC's deposits was \$11,741 and the bank balance was \$11,966. Of the bank balance, \$200 was covered by federal depository insurance. The remaining balance was uninsured and uncollateralized (uncollateralized deposits include bank balances that are collateralized with securities held by the pledging financial institution or an affiliate of the pledging financial institution).

Deposits – San Diego Housing Commission

On June 30, 2004, the carrying amount of the Commission's cash deposits was \$541 and the bank balance was \$1,207. All deposits are collateralized and/or insured with securities held by the pledging financial institutions in the Commission's name. The California Government Code requires California banks and savings and loan associations to secure Commission's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Commission's name.

**Investments**

The City's deposits and investments at June 30, 2004 are categorized as described below, including required disclosures for securities lending:

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

The following summary of investments includes not only other legally separate entities, namely the San Diego Graphic Information Source (SanGIS), the Automated Regional Justice Information System (ARJIS), and the Abandoned Vehicle Abatement (AVA), but also SDCERS which also qualifies as a component unit.

	Category 1	Category 2	Category 3	Non Categorized	Carrying Value
<b>Pooled investment in the City Treasury:</b>					
U.S. Treasury Bills	\$ 24,858	\$ -	\$ -	\$ -	\$ 24,858
U.S. Treasury Notes & Bonds	338,153	-	-	-	338,153
U.S. Agency Notes & Bonds	614,270	-	-	-	614,270
Repurchase Agreement	96,817	-	-	-	96,817
Commercial Paper	22,361	-	-	-	22,361
Corporate Notes & Bonds	137,760	-	-	-	137,760
Bank Notes	4,898	-	-	-	4,898
Mortgage Backed Securities	2,364	-	-	-	2,364
Local Agency Investment Fund	-	-	-	20,847	20,847
Total Pooled Investment in the City Treasury:	\$ 1,241,481	-	-	\$ 20,847	\$ 1,262,328
<b>Retirement System</b>					
<b>Short Term investments</b>					
U.S. Government and Agency Obligations	\$ 66,492	\$ -	\$ -	\$ -	\$ 66,492
Commercial Paper	147,909	-	-	-	147,909
<b>Domestic Fixed Income</b>					
U.S. Government and Agency Obligations	152,282	-	-	-	152,282
U.S. Corporate Bonds	217,495	-	-	-	217,495
<b>Domestic Equity Securities</b>					
U.S. Corporate Stocks	1,082,455	-	-	-	1,082,455
International Fixed Income - Bonds	148,689	-	-	-	148,689
International Equity - Stocks	395,142	-	-	-	395,142
Real Estate Investment Trust Securities (REITs)	112,203	-	-	-	112,203
<b>Cash and Cash Equivalents with Custodial Bank (Pooled)</b>					
	-	38,870	-	-	38,870
<b>Cash with Prime Brokers (Market Neutral Strategy)</b>					
	-	301,339	-	-	301,339
<b>Domestic Equity Mutual Funds</b>					
	-	-	-	72,727	72,727
<b>International Equity Mutual Funds</b>					
	-	-	-	61,120	61,120
<b>Securities on Loan for Cash and Securities Collateral</b>					
Domestic Fixed Income - U.S. Government and Agency Obligations	-	-	-	77,374	77,374
Domestic Fixed Income - U.S. Corporate Bonds	-	-	-	21,811	21,811
Domestic Equity - U.S. Corporate Stocks	-	-	-	141,178	141,178
International Fixed Income - Bonds	-	-	-	70	70
International Equity - Stocks	-	-	-	75,265	75,265
Real Estate Equity Investments (Separate Properties)	-	-	-	165,309	165,309
Real Estate Commingled Funds	-	-	-	157	157
Mortgage Notes	-	-	-	17	17
<b>Securities Lending Collateral</b>					
Pooled Investment Vehicle with State Street Bank and Trust Co. (Cash)	-	-	-	319,748	319,748
Total Investment in Retirement Plans	\$ 2,322,667	\$ 340,209	-	\$ 934,776	\$ 3,597,652

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	Category 1	Category 2	Category 3	Non Categorized	Carrying Value
<b>Other funds:</b>					
U.S. Treasury Bills	\$ 2,045	\$ 6,979	\$ -	\$ -	\$ 9,024
U.S. Treasury Notes & Bonds	7,763	13,335	1,593	-	22,691
U.S. Government Securities	152,355	48,209	463	-	201,027
Repurchase Agreements	38,417	-	-	-	38,417
Corporate Notes & Bonds	5,670	-	2,840	-	8,510
Mortgage Backed Securities	-	-	310	-	310
Asset Backed Securities	-	-	226	-	226
Commerical Paper	2,638	-	-	-	2,638
Common Stock - Equity	-	-	3,182	-	3,182
Guaranteed Investment Contract	-	-	-	41,862	41,862
Mutual Funds & Collective Funds	-	-	-	625,586	625,586
	<u>\$ 208,888</u>	<u>\$ 68,523</u>	<u>\$ 8,614</u>	<u>\$ 667,448</u>	<u>\$ 953,473</u>
Total Investments	<u>\$ 3,773,036</u>	<u>\$ 408,732</u>	<u>\$ 8,614</u>	<u>\$ 1,623,071</u>	<u>\$ 5,813,453</u>
Total Deposits					5,715
Total Cash on Hand					204
Total Deposits, Investments, and Cash on Hand					<u>\$ 5,819,372</u>

**Total Cash and Investments Summary:**

Total Unrestricted Cash and Investments	\$ 5,467,510
Total Restricted Cash and Investments	351,862
Total Cash and Cash or Equity in Pooled Cash & Investments	<u>\$ 5,819,372</u>
Total Governmental Activities	\$ 953,072
Total Business-Type Activities	665,409
Total Fiduciary Activities	4,200,891
Total Cash and Investments	<u>\$ 5,819,372</u>

Summary of Investments – San Diego Housing Commission

Classification of deposits (with the exception of demand deposits which were discussed above) and investments by credit risk are as follows:

Deposits:

- Category 1: Insured or collateralized with securities held by the Commission or its agent in the Commission's name.
- Category 2: Collateralized with securities held by the pledging financial institutions trust department or agent in the Commission's name.
- Category 3: Deposits which are uninsured and uncollateralized.

Investments:

- Category 1: Insured or registered, with securities held by the Commission or its agent in the Commission's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Commission's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commission's name.
- Non-Categorized: Investments in LAIF and money market mutual funds are not categorized, as GASB 3 does not require categorization of investment pools managed by another agency or mutual funds.

	<u>Category 1</u>	<u>Non-Categorized</u>	<u>Carrying Value</u>
Cash Equivalents:			
Money Market Funds	\$ -	\$ 7,524	\$ 7,524
Investments:			
California Local Agency Investment Fund	-	24,353	24,353
Total Cash & Investments	-	31,877	31,877
Restricted Cash & Cash Equivalents:			
Money Market Funds	381	620	1,001
Total	\$ 381	\$ 32,497	32,878
Total Demand Deposits:			541
Total Cash on Hand:			4
Total Deposits, Investments, and Cash on Hand:			<u>\$ 33,423</u>

g. Restricted Cash and Investments

Cash and investments at June 30, 2004 that are restricted by legal or contractual requirements are comprised of the following:

<u>Nonmajor Governmental Funds</u>	
Reserved for Debt Service	\$ 97,233
Permanent Endowments	10,582
Total Nonmajor Governmental Funds	<u>107,815</u>
<u>Environmental Services Enterprise Fund</u>	
Funds set aside for landfill site closure and maintenance costs	26,668
Total Environmental Services Enterprise Fund	<u>26,668</u>
<u>Water Enterprise Fund</u>	
Customer deposits	3,235
Interest and redemption funds	51,275
Acquisition funds	86,657
Total Water Enterprise Fund	<u>141,167</u>
<u>Sewer Enterprise Fund</u>	
Interest and redemption funds	20,524
Acquisition funds	38,417
Total Sewer Enterprise Fund	<u>58,941</u>
<u>Miscellaneous Agency Funds</u>	
Retention held in escrow	17,271
Total Miscellaneous Agency Funds	<u>17,271</u>
Total Restricted Cash & Investments	<u>\$ 351,862</u>

h. Derivative Instruments

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

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

The aggregate notional or contractual amounts for SDCERS' derivative financial instruments at June 30, 2004 were as follows:

Money Market Futures	\$	60,250
Government Bond Futures		74,100
Options - Calls sold		22,500
Options - Puts sold		39,200
SWAPS		75,000

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

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

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

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows (in thousands):

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES:</b>					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	\$ 1,602,247	\$ 43,518	\$ (635)	\$ (1,613)	\$ 1,643,517
Construction in Progress	291,103	138,525	(4,373)	(283,797)	141,458
Total Non-Depreciable Capital Assets	<u>1,893,350</u>	<u>182,043</u>	<u>(5,008)</u>	<u>(285,410)</u>	<u>1,784,975</u>
Depreciable Capital Assets:					
Structures and Improvements	745,526	5,401	(116)	202,652	953,463
Equipment	367,096	14,084	(12,504)	878	369,554
Infrastructure	2,615,929	17,341	-	82,694	2,715,964
Total Depreciable Capital Assets	<u>3,728,551</u>	<u>36,826</u>	<u>(12,620)</u>	<u>286,224</u>	<u>4,038,981</u>
Less Accumulated Depreciation for:					
Structures and Improvements	(188,383)	(21,051)	50	1,506	(207,878)
Equipment	(224,865)	(30,880)	11,771	(2,193)	(246,167)
Infrastructure	(1,145,635)	(78,118)	-	-	(1,223,753)
Total Accumulated Depreciation	<u>(1,558,883)</u>	<u>(130,049)</u>	<u>11,821</u>	<u>(687)</u>	<u>(1,677,798)</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,063,018</u>	<u>\$ 88,820</u>	<u>\$ (5,807)</u>	<u>\$ 127</u>	<u>\$ 4,146,158</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	\$ 85,986	\$ 205	\$ (953)	\$ 65	\$ 85,303
Construction in Progress	375,337	223,921	(3,933)	(133,608)	461,717
Total Non-Depreciable Capital Assets	<u>461,323</u>	<u>224,126</u>	<u>(4,886)</u>	<u>(133,543)</u>	<u>547,020</u>
Depreciable Capital Assets:					
Structures and Improvements	1,410,518	7,806	(552)	45,758	1,463,530
Equipment	281,835	5,886	(934)	2,564	289,351
Distribution and Collection Systems	2,774,281	119,736	(2,001)	84,425	2,976,441
Total Depreciable Capital Assets	<u>4,466,634</u>	<u>133,428</u>	<u>(3,487)</u>	<u>132,747</u>	<u>4,729,322</u>
Less Accumulated Depreciation for:					
Structures and Improvements	(210,495)	(31,429)	282	-	(241,642)
Equipment	(142,602)	(21,962)	1,246	669	(162,649)
Distribution and Collection Systems	(415,957)	(39,629)	743	-	(454,843)
Total Accumulated Depreciation	<u>(769,054)</u>	<u>(93,020)</u>	<u>2,271</u>	<u>669</u>	<u>(859,134)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,158,903</u>	<u>\$ 264,534</u>	<u>\$ (6,102)</u>	<u>\$ (127)</u>	<u>\$ 4,417,208</u>

Governmental activities capital assets net of accumulated depreciation at June 30, 2004 are comprised of the following:

General Capital Assets, Net	\$ 4,057,528
Internal Service Funds Capital Assets, Net	88,630
Total	<u>\$ 4,146,158</u>

Business-Type activities capital assets net of accumulated depreciation at June 30, 2004 are comprised of the following:

Enterprise Funds Capital Assets, Net	\$ 4,416,613
Internal Service Funds Capital Assets, Net	595
Total	<u>\$ 4,417,208</u>

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

**Governmental Activities:**

General Government and Support	\$ 3,514
Public Safety - Police	7,714
Public Safety - Fire and Life Safety	3,235
Parks, Recreation, Culture and Leisure	25,521
Transportation	69,918
Sanitation and Health	486
Neighborhood Services	819
Subtotal	<u>111,207</u>
Internal Service (Except Special Engineering)	<u>18,842</u>
Total Depreciation Expense	<u>\$ 130,049</u>

**Business-Type Activities:**

Airports	\$ 483
City Store	1
Development Services	440
Environmental Services	6,095
Golf Course	647
Recycling	1,084
Sewer Utility	62,162
Water Utility	<u>21,745</u>
Subtotal	92,657
Internal Service (Special Engineering)	<u>363</u>
Total Depreciation Expense	<u>\$ 93,020</u>

**Discretely Presented Component Units**

Capital asset activities for the City's Discretely Presented Component Units for the fiscal year ending June 30, 2004 are as follows:

	<b>Discretely Presented Component Unit - San Diego Convention Center Corp.</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Depreciable Capital Assets:				
Structures and Improvements	\$ 18,789	\$ 941	\$ -	\$ 19,730
Equipment	9,315	797	-	10,112
Total Depreciable Capital Assets	<u>28,104</u>	<u>1,738</u>	<u>-</u>	<u>29,842</u>
Less Accumulated Depreciation for:				
Structures and Improvements	(5,851)	(870)	-	(6,721)
Equipment	(6,097)	(1,499)	-	(7,596)
Total Accumulated Depreciation	<u>(11,948)</u>	<u>(2,369)</u>	<u>-</u>	<u>(14,317)</u>
San Diego Convention Center Corp Capital Assets, Net	<u>\$ 16,156</u>	<u>\$ (631)</u>	<u>\$ -</u>	<u>\$ 15,525</u>

	<b>Discretely Presented Component Unit - San Diego Housing Commission</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	\$ 27,097	\$ 704	\$ (2)	\$ 27,799
Construction-in-Progress	6,472	836	-	7,308
Total Non-Depreciable Capital Assets	<u>33,569</u>	<u>1,540</u>	<u>(2)</u>	<u>35,107</u>
Depreciable Capital Assets:				
Structures and Improvements	85,002	-	-	85,002
Equipment	972	-	(57)	915
Total Depreciable Capital Assets	<u>85,974</u>	<u>-</u>	<u>(57)</u>	<u>85,917</u>
Less Accumulated Depreciation for:				
Structures and Improvements	(34,370)	(3,080)	-	(37,450)
Equipment	(874)	(44)	57	(861)
Total Accumulated Depreciation	<u>(35,244)</u>	<u>(3,124)</u>	<u>57</u>	<u>(38,311)</u>
San Diego Housing Commission Capital Assets, Net	<u>\$ 84,299</u>	<u>\$ (1,584)</u>	<u>\$ (2)</u>	<u>\$ 82,713</u>

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

a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2004 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, 2004</u>
Arbitrage Liability				\$ 262
Compensated Absences				71,895
Liability Claims				202,914
Capital Lease Obligations				30,619
<u>Contracts Payable:</u>				
Contract Payable to SDSU Foundation, dated December 1991	7.02%	---	1,598	1,598
Amendment to Contract Payable to SDSU Foundation, dated January 1995	7.02%	---	117	117
<b>Total Contracts Payable</b>				<b>1,715</b>
<u>Notes Payable:</u>				
Note Payable to Lorren Daro, dated March 1995	8.0	2005	257	30
Note Payable to Wal-Mart, dated June 1998	10.0	2017	1,308	853
Notes Payable to San Diego Revitalization, dated April 2001	5.0	2032	5,115	5,115
<b>Total Notes Payable</b>				<b>5,998</b>
<u>Loans Payable:</u>				
International Gateway Associates, LLC, dated October 2001	10.0	2032	1,876	1,865
Padres, L.P., dated March 1999	6.0	2005	3,500	3,000
<b>Total Loans Payable</b>				<b>4,865</b>
San Diego Association of Governments (SANDAG) Loans Payable				19,302
Section 108 Loans Payable				44,917
<u>General Obligation Bonds:</u>				
Public Safety Communications Project, Series 1991	5.0 - 8.0%*	2012	25,500	14,390
Open Space Park Refunding Bonds, Series 1994	5.0 - 6.0*	2009	64,260	31,385
<b>Total General Obligation Bonds</b>				<b>45,775</b>
<u>Revenue Bonds / Lease Revenue Bonds / COPs:</u>				
MTDB Authority Lease Revenue Refunding Bonds, Series 1994	4.25 - 5.625*	2010	66,570	21,775
Public Facilities Financing Authority Stadium Lease Revenue Bonds, Series 1996 A	6.2 - 7.45*	2027	68,425	62,870

(continued on next page)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2004</u>
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A	4.0 - 5.6*	2011	\$ 33,430	\$ 20,570
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation Refunding, Series 1996 B	4.0 - 6.0*	2022	11,720	9,845
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25*	2028	205,000	192,480
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.49*	2026	12,105	11,365
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2.75 - 4.75*	2018	30,515	20,735
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	3.5 - 5.10*	2018	7,630	5,165
Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002	7.15 - 7.7*	2032	169,685	169,685
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0*	2032	25,070	24,665
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.30%*	2027	20,515	20,515
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375*	2023	15,255	15,010
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0*	2024	17,425	16,940
<b>Total Revenue Bonds / Lease Revenue Bonds / COPs</b>				<b>591,620</b>
<b><u>Special Assessment / Special Tax Bonds</u></b>				
1915 Act Otay Mesa Industrial Park Improvement Bonds, Series 1992	5.5 - 7.95*	2013	2,235	475
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	3.75 - 5.375*	2021	59,465	50,775
Santaluz Special Tax Bonds, Series 2000 A	4.75 - 6.375*	2031	56,020	55,755
Santaluz Special Tax Bonds, Series 2000 B	4.5 - 6.2*	2031	4,350	4,295
City of San Diego Reassessment District Limited Obligation Refunding Bonds, Series 2003-1	4.25 - 5.8*	2018	8,850	8,850
Piper Ranch Limited Obligation Improvement Bonds, Series 2003	2.5 - 6.2*	2034	5,430	5,430
Santaluz Special TaxBonds, Improvement Area No.1, Series 2004	1.7 - 5.5*	2031	5,000	5,000
Santaluz Special TaxBonds, Improvement Area No.4, Series 2004	1.65 - 5.5*	2034	9,965	9,965
<b>Total Special Assessment / Special Tax Bonds</b>				<b>140,545</b>

(continued on next page)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2004</u>
<b><u>Tax Allocation Bonds:</u></b>				
Centre City Redevelopment Project Tax Allocation Bonds Series 1993 A	5.5 - 6.5*	2011	\$ 27,075	\$ 13,850
Centre City Redevelopment Project Tax Allocation Bonds, Series 1993 B	4.875 - 5.4*	2017	27,275	19,655
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8 - 9.75*	2014	1,400	940
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0*	2020	1,200	960
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 B	6.9 - 8.2*	2021	3,955	3,400
Southcrest Redevelopment Project Tax Allocation Bonds, Series 1995	4.75 - 6.592*	2020	3,750	2,660
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0*	2016	12,970	9,585
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 B	4.3 - 7.0*	2007	9,830	1,155
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125*	2019	25,680	25,390
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	6.25*	2014	11,360	11,360
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	3.1 - 4.75*	2025	13,610	12,835
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8*	2029	5,690	5,690
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4**	2029	10,141	13,745
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.6*	2031	3,395	3,260
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6*	2025	6,100	5,665
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35*	2025	21,390	20,565
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8*	2022	15,025	14,680
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875*	2031	13,000	12,340
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9*	2031	7,000	6,650
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.5*	2026	1,860	1,750

(continued on next page)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2004</u>
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	4.93 - 5.55***	2027	\$ 58,425	\$ 60,083
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	5.0*	2027	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2.5 - 5.0*	2029	31,000	27,880
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	5.875 - 6.5*	2034	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2.5 - 4.25*	2014	865	865
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125*	2028	7,145	7,145
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75 - 5.0*	2034	5,360	5,360
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65 - 5.1*	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25-5.45*	2022	4,530	4,530
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49-7.74*	2022	8,000	8,000
<b>Total Tax Allocation Bonds</b>				<u>314,333</u>
<b>Total Bonds Payable</b>				<u>1,092,273</u>
<b>Net Pension Obligation</b>				<u>203,589</u>
<b>Total Governmental Activities Long-Term Liabilities</b>				<u>\$ 1,678,349</u>

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

\*\* The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2004 includes an accreted amount of \$3,694. The principal amount at full maturity will be \$33,910.

\*\*\* The Centre City Redevelopment Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2004 includes an accreted amount of \$2,063. The principal amount at full maturity will be \$85,140.

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

Public safety general obligation bonds are secured by a pledge of the full faith and credit of the City or by a pledge of the City to levy ad valorem property taxes without limitation. Open space general obligation bonds are backed by Environmental Growth Fund 2/3 franchise fees.

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

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

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

SANDAG loans are comprised of two components: repayment of debt service on bonds, and repayment of proceeds from commercial paper. The City received distributions of SANDAG bond proceeds, based on the City's agreement with SANDAG. The annual debt service payments related to these bond issuances are recovered by SANDAG through reductions in TransNet allocations that would otherwise be available for payment to the City. TransNet – Proposition A, was passed in 1987 to enact a ½ percent sales tax increase to fund regional transportation projects. All expenses must first be approved by SANDAG and be included on the Regional Transportation Plan (RTP). The City recognizes repayment of the principal and interest on bonds as an increase in TransNet revenues and an offsetting debt service expenditure. In addition to financing from bond issuances, financing for TransNet related projects is made available through the issuance of commercial paper notes by SANDAG, at the request of the City. Repayment of proceeds related to the commercial paper is collected in future periods through reductions in TransNet allocations, similar to the repayment of the debt service on bonds. The interest rates used are based on a floating rate that changes daily, averaging 3.5 percent during fiscal year 2004.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2004, including interest payments to maturity, are as follows:

Year Ending June 30,	Capital Lease Obligations		Contracts Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 10,075	\$ 1,102	\$ -	\$ -	\$ 65	\$ 341
2006	8,090	735	-	-	38	338
2007	5,201	447	-	-	42	334
2008	2,846	277	-	-	46	329
2009	1,919	171	-	-	51	325
2010-2014	2,166	313	-	-	342	1,432
2015-2019	322	16	-	-	299	1,340
2020-2024	-	-	-	-	-	1,279
2025-2029	-	-	-	-	-	1,279
2030-2034	-	-	-	-	5,115	767
Unscheduled*	-	-	1,715	-	-	-
Total	<u>\$ 30,619</u>	<u>\$ 3,061</u>	<u>\$ 1,715</u>	<u>\$ -</u>	<u>\$ 5,998</u>	<u>\$ 7,764</u>

\* The contract payable to San Diego State University Foundation in the amount of \$1,715 does not have an annual repayment schedule. Annual payments on this debt are based on the availability of tax increment net of the low-moderate and taxing agency set-asides as well as project area administration costs.

Year Ending June 30,	Loans Payable		SANDAG Loans		Section 108 Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 3,013	\$ 367	\$ 5,323	\$ 746	\$ 2,059	\$ 2,274	\$ 6,885	\$ 2,761
2006	14	185	6,653	526	2,483	2,407	7,440	2,337
2007	15	184	5,091	315	2,959	2,270	8,045	1,878
2008	17	182	2,235	109	3,422	2,101	8,225	1,388
2009	18	181	-	-	2,246	1,951	8,865	898
2010-2014	123	872	-	-	12,987	7,717	6,315	646
2015-2019	199	796	-	-	12,355	3,596	-	-
2020-2024	320	675	-	-	5,759	980	-	-
2025-2029	515	480	-	-	647	19	-	-
2030-2034	631	165	-	-	-	-	-	-
Total	<u>\$ 4,865</u>	<u>\$ 4,087</u>	<u>\$ 19,302</u>	<u>\$ 1,696</u>	<u>\$ 44,917</u>	<u>\$ 23,315</u>	<u>\$ 45,775</u>	<u>\$ 9,908</u>

Year Ending June 30,	Revenue Bonds / COPs		Special Assessment / Special Tax Bonds		Tax Allocation Bonds		
	Principal	Interest	Principal	Interest	Principal	Unaccreted	
						Appreciation	Interest
2005	\$ 20,275	\$ 34,261	\$ 3,000	\$ 7,667	\$ 8,728	\$ 66	\$ 14,674
2006	21,435	33,380	3,505	7,471	8,856	137	14,311
2007	19,880	32,418	3,775	7,312	9,305	199	13,927
2008	20,865	31,440	4,050	7,138	9,881	259	13,517
2009	21,565	30,397	4,325	6,946	10,358	304	13,077
2010-2014	93,770	136,799	26,375	31,067	61,255	3,157	56,394
2015-2019	100,090	110,435	33,390	23,094	76,235	8,968	38,873
2020-2024	125,890	78,071	25,155	14,539	68,849	19,091	20,571
2025-2029	124,355	37,506	22,780	8,040	44,458	18,797	6,742
2030-2034	43,495	6,610	14,190	1,311	10,651	-	1,160
Subtotal	<u>591,620</u>	<u>531,317</u>	<u>140,545</u>	<u>114,585</u>	<u>308,576</u>	<u>50,978</u>	<u>193,246</u>
Add:							
Accreted Appreciation through June 30, 2004	-	-	-	-	5,757	-	-
Total	<u>\$ 591,620</u>	<u>\$ 531,317</u>	<u>\$ 140,545</u>	<u>\$ 114,585</u>	<u>\$ 314,333</u>	<u>\$ 50,978</u>	<u>\$ 193,246</u>

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, 2004. The effect of bond accretion, bond premium, discounts and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	\$ 363	\$ 262	\$ (363)	\$ 262	\$ -
Compensated Absences	70,654	52,531	(51,290)	71,895	29,938
Liability Claims	154,089	86,967	(38,142)	202,914	42,414
Capital Lease Obligations	37,701	4,238	(11,320)	30,619	10,075
Contracts Payable	1,882	-	(167)	1,715	-
Notes Payable	8,416	-	(2,418)	5,998	65
Loans Payable	2,851	3,500	(1,486)	4,865	3,013
Section 108 Loans Payable	25,925	21,107	(2,115)	44,917	2,059
SANDAG Loans Payable	17,341	6,400	(4,439)	19,302	5,323
General Obligation Bonds	52,165	-	(6,390)	45,775	6,885
Revenue Bonds / COPs	609,785	-	(18,165)	591,620	20,275
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(1,078)	-	79	(999)	-
Net Revenue Bonds/COP's	608,707	-	(18,086)	590,621	20,275
Special Assessment / Special					
Tax Bonds	123,130	29,245	(11,830)	140,545	3,000
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	-	(748)	47	(701)	-
Net Special Assessment Bonds	123,130	28,497	(11,783)	139,844	3,000
Tax Allocation Bonds	279,136	37,180	(7,740)	308,576	8,794
Interest Accretion	4,174	1,583	-	5,757	-
Balance with Accretion	283,310	38,763	(7,740)	314,333	8,794
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(132)	(11)	175	32	-
Net Tax Allocation Bonds	283,178	38,752	(7,565)	314,365	8,794
Net Pension Obligation	141,712	61,877	-	203,589	-
Total	\$ 1,528,114	\$ 304,131	\$ (155,564)	\$ 1,676,681	\$ 131,841

d. Defeasance of Debt

Limited Obligation Refunding Bonds for the Reassessment District No. 2003-1 were issued by the City in the amount of \$8,850. These bonds are payable from and secured by unpaid Reassessments upon real property located in the Reassessment District, proceeds from foreclosure proceedings, and other amounts held in certain funds maintained under the Indenture. The majority of the bond proceeds were used to refund three limited obligation improvement bonds issued under the Improvement Bond Act of 1915. The three issuances refunded were De La Fuente Phase I, De La Fuente Phase II, and the International Business Center Project, maturing on September 2 of 2013, 2017, and 2015, respectively. The refunded bonds are defeased and the corresponding liability has been removed from the Statement of Net Assets. The refunding resulted in a total economic gain of approximately \$441, and a cash flow savings of \$2,283. The current bonds issued are payable in increasing installments of principal over the next fourteen years. The refunded bonds were redeemed at a call date prior to the end of the fiscal year and, accordingly, there was no balance outstanding as of June 30, 2004.

As of June 30, 2004, principal amounts payable from escrow funds established for defeased bonds are as follows:

<u>Defeased Bonds</u>	<u>Amount (In Thousands)</u>
Horton Plaza Redevelopment Project Subordinate Tax Allocation Refunding Bonds, Series 1996 B	\$ 6,640
Miramar Ranch North Special Tax Bonds, Series 1995 B	<u>20,010</u>
Total Defeased Bonds Outstanding	<u><u>\$ 26,650</u></u>

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

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2004 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, 2004</u>
Arbitrage Liability				\$ 221
Compensated Absences				16,595
Liability Claims				49,249
Capital Lease Obligations				5,008
<u>Loans Payable:</u>				
Loans Payable to San Diego County Water Authority	-	-	100	100
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2020	10,606	8,781
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2022	6,684	6,120
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80%**	2022	33,720	30,874
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80%**	2022	7,742	7,086
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80%**	2021	860	750
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80%**	2021	2,525	2,202
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99%**	2020	3,767	3,412
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80%**	2023	8,068	<u>7,729</u>
<b>Total Loans Payable</b>				<u>67,054</u>
<u>Bonds Payable:</u>				
Sewer Revenue Bonds, Series 1993	2.8 - 5.25*	2023	250,000	195,510
Sewer Revenue Bonds, Series 1995	3.9 - 6.0*	2025	350,000	301,385
Sewer Revenue Bonds, Series 1997 A	3.7 - 5.375*	2027	183,000	160,425

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Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2004
Sewer Revenue Bonds, Series 1997 B	3.7 - 5.375%*	2027	\$ 67,000	\$ 58,730
Water Certificate of Undivided Interest, Series 1998	4.0 - 5.375*	2029	385,000	286,665
Sewer Revenue Bonds, Series 1999 A	3.5 - 5.125*	2029	203,350	186,960
Sewer Revenue Bonds, Series 1999 B	3.5 - 5.125*	2029	112,060	103,205
Subordinated Water Revenue Bonds, Series 2002	2.0 - 5.0*	2033	286,945	286,945
Sewer Revenue Bonds, Series 2004	1.7163***	2008	152,000	152,000
<b>Total Bonds Payable</b>				<u>1,731,825</u>
Estimated Landfill Closure and Postclosure Care				12,679
Net Pension Obligation				<u>28,346</u>
<b>Total Business-Type Activities Long-Term Liabilities</b>				<u>\$ 1,910,977</u>

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

\*\* Effective rate

\*\*\* Variable Interest Rate

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2004, including interest payments to maturity, are as follows:

Year Ending June 30	Revenue Bonds Payable		Loans Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 33,765	\$ 80,810	\$ 3,251	\$ 1,214	\$ 1,514	\$ 178
2006	73,355	79,120	3,311	1,155	1,454	120
2007	117,645	76,278	3,371	1,095	1,046	69
2008	81,615	73,074	3,432	1,034	841	30
2009	45,595	70,851	3,494	971	153	3
2010-2014	262,415	319,763	18,446	3,883	-	-
2015-2019	335,785	246,056	20,180	2,148	-	-
2020-2024	412,825	151,625	11,469	429	-	-
2025-2029	319,020	52,552	-	-	-	-
2030-2034	49,805	5,136	-	-	-	-
Unscheduled *	-	-	100	-	-	-
<b>Total</b>	<u>\$ 1,731,825</u>	<u>\$ 1,155,265</u>	<u>\$ 67,054</u>	<u>\$ 11,929</u>	<u>\$ 5,008</u>	<u>\$ 400</u>

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

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2004. The effect of bond premiums, discounts and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	\$ 1,812	\$ 36	\$ (1,627)	\$ 221	\$ -
Compensated Absences	16,106	12,937	(12,448)	16,595	7,111
Liability Claims	47,043	5,053	(2,847)	49,249	1,953
Capital Lease Obligations	6,465	-	(1,457)	5,008	1,514
Loans Payable	69,093	466	(2,505)	67,054	3,251
Revenue Bonds Payable	1,612,200	152,000	(32,375)	1,731,825	33,765
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(9,418)	-	338	(9,080)	-
Net Revenue Bonds Payable	<u>1,602,782</u>	<u>152,000</u>	<u>(32,037)</u>	<u>1,722,745</u>	<u>33,765</u>
Estimated Landfill Closure and Postclosure Care	11,674	1,005	-	12,679	-
Net Pension Obligation	<u>20,902</u>	<u>7,444</u>	<u>-</u>	<u>28,346</u>	<u>-</u>
Total	<u>\$ 1,775,877</u>	<u>\$ 178,941</u>	<u>\$ (52,921)</u>	<u>\$ 1,901,897</u>	<u>\$ 47,594</u>

d. Defeasance of Debt

As of June 30, 2004, principal amounts payable from escrow funds established for defeased bonds are as follows:

<u>Defeased Bonds</u>	<u>Balance</u>
Water Revenue Bonds, Series 1998	<u>\$ 77,155</u>
Total Defeased Bonds Outstanding	<u>\$ 77,155</u>

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

Discretely presented component units long-term debt as of June 30, 2004 is comprised as follows:

**San Diego Convention Center Corporation**

<u>Type of Obligation</u>	<u>Interest Rate</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2004</u>	<u>Due Within One Year</u>
Note Payable to San Diego Unified Port District, dated 1999	0.00%	2010	<u>\$ 10,000</u>	<u>\$ 6,500</u>	<u>\$ 1,000</u>

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

Fiscal Year	Amount
2005	\$ 1,000
2006	1,000
2007	1,000
2008	1,000
2009	1,000
2010 and thereafter	1,500
Total	<u>\$ 6,500</u>

### San Diego Housing Commission

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2004	Due Within One Year
Note Payable to Bank of America, dated February 1985	5.0 – 10.2%	2025	\$ 3,789	\$ 3,263	\$ 89
Note Payable to City of San Diego Redevelopment Agency, dated March 1992	0.0	2022	696	696	-
Note Payable to Washington Mutual, dated June 1995	Variable*	2011	4,725	3,919	161
Note Payable to State of California (RHCP)	0.0	2015	3,149	3,149	-
Note Payable to State of California (RHCP)	0.0	2013	1,405	1,405	-
Note Payable to State of California (CalHELP)	0.0	2013	704	704	-
Total Notes Payable				<u>\$ 13,136</u>	<u>\$ 250</u>

\* The interest rate as of June 30, 2004 was 3.13%

Annual requirements to amortize such long-term debt as of June 30, 2004 to maturity are as follows:

Year Ending June 30	Principal	Interest
2005	\$ 250	\$ 316
2006	260	306
2007	271	294
2008	283	282
2009	295	270
2010-2014	2,868	1,288
2015-2019	4,957	943
2020-2024	2,237	514
2025-2026	1,715	33
Total	<u>\$ 13,136</u>	<u>\$ 4,246</u>

**8. SHORT-TERM NOTES PAYABLE (In Thousands)**

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

Short-term debt activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax Anticipation Notes	\$ 93,200	\$ 110,900	\$ (204,100)	\$ -

The \$93.2 million FY03 TANS issue had an interest rate of 3.0% and was repaid on August 1, 2003.  
The \$110.9 million FY04 TANS issue had an interest rate of 1.75% and was repaid on June 30, 2004.

The Redevelopment Agency issues short-term promissory notes to finance various redevelopment activities. These promissory notes may be repaid with set-aside housing funds, in-lieu and land payment funds, and/or discretionary tax increment funds.

Short-term debt activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Notes Payable to San Diego Revitalization Corporation, dated February 2003	\$ 2,596	\$ -	\$ (2,596)	\$ -

**9. JOINT VENTURE (In Thousands)**San Diego Medical Services Enterprise, LLC

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

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

The maximum funds which the City is required to contribute to the costs of SDMSE operations are limited to an aggregate of \$8,450. This aggregate includes a \$650 annual subsidy and any other amounts to be paid to the City since 1997 under the original contract, and any losses the City is required to cover under the extended contract, excluding any amount the City contributes for Medicare fee reimbursements. Cumulatively, the City has paid annual

subsidies totaling \$5,050 as of June 30, 2004. Net assets of SDMSE are pro-rated to each partner based on a 50/50 split. In accordance with the operating agreement, profit and loss for each fiscal year is allocated equally to the members, subject to an aggregate limitation on loss to the City of \$8,450 (equal to the amount of subsidies discussed above). For the fiscal year ended June 30, 2004, SDMSE reported a net loss of (\$971) and an ending net assets of \$3,043. There was no distribution to partners during fiscal year 2004.

Under the terms of an operating agreement between Rural/Metro of San Diego, Inc. and SDMSE, Rural/Metro of San Diego, Inc. has made available a line-of-credit in the initial amount of \$3,500 bearing an interest rate of 9.5%. SDMSE did not have an outstanding balance, nor did it borrow on the line-of-credit at June 30, 2004.

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

#### 10. LEASE COMMITMENTS (In Thousands)

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

##### Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. The following is a schedule of future minimum rental payments required under operating leases entered into by the City for property that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2004:

Year Ending June 30	Amount
2005	\$ 12,123
2006	11,885
2007	11,705
2008	11,194
2009	11,400
2010-2014	49,933
2015-2019	274
2020-2024	37
Total	<u>\$ 108,551</u>

Rent expense as related to operating leases was \$13,574 for the year ended June 30, 2004.

##### Capital Leases

The City has entered into various capital leases for equipment, vehicles and property. These capital leases have maturity dates ranging from April 1, 2004 through November 30, 2014, and interest rates ranging from 1.76% to 7.94%. A schedule of future minimum lease payments under capital leases as of June 30, 2004 is provided in Notes 5 and 6. The value of all capital leased assets as of June 30, 2004 for governmental assets is \$41,462, net of accumulated depreciation of \$71,127 and business-type assets of \$12,413 net of accumulated depreciation of \$5,628.

Lease Revenues

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

Year Ending June 30	Amount
2005	\$ 28,329
2006	27,581
2007	26,683
2008	26,181
2009	26,047
2010-2014	124,889
2015-2019	115,992
2020-2024	107,876
2025-2029	102,831
2030-2034	96,070
2035-2039	85,453
2040-2044	70,801
2045-2049	48,428
2050-2054	5,687
2055-2059	3,000
2060-2064	1,200
Total	<u>\$ 897,048</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 \$63,330 for the year ended June 30, 2004, which includes contingent rentals amounting to \$36,302.

#### 11. DEFERRED COMPENSATION PLAN (In Thousands)

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

## 12. PENSION PLANS (In Thousands)

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

### DEFINED BENEFIT PLAN

#### a. Plan Description

San Diego City Employees' Retirement System ("SDCERS"), as authorized by Article IX of the City Charter, is a public employee retirement system established in fiscal year 1927 by the City. SDCERS is an agent multiple-employer defined benefit public pension plan and acts as a common investment and administrative agent for the City, the Unified Port District (the "Port"), and the San Diego County Regional Airport Authority (the "Airport"). It is administered by the SDCERS Board (the "Board") to provide retirement, disability, death and survivor benefits for its members. Adoption and amendment of the City's benefit provisions requires City Council approval and a majority vote by members and are codified in the City's Municipal Code.

The Defined Benefit Plan (the Plan) covers all eligible employees of the City, the Port, and the Airport. The Port and Airport are not component units of the City CAFR. All City employees working half-time or greater and full-time employees of the Port and the Airport, are eligible for membership and are required to join SDCERS. City employment classes participating in the Plan are elected officers, general and safety (including police, fire and lifeguard members). These classes are represented by various unions depending on the type and nature of work performed, except for elected officials, unclassified and unrepresented employees.

	General	Safety	Total by Classification
Active Members	7,117	2,632	9,749
Terminated Members	1,651	233	1,884
Retirees, Disabled and Beneficiaries	3,399	2,324	5,723
Total Members, as of June 30, 2004	<u>12,167</u>	<u>5,189</u>	<u>17,356</u>

As a defined benefit plan, retirement benefits are determined primarily by a member's class, age at retirement, number of years of service credit earned, and the member's final compensation based on the highest salary earned over a consecutive one-year period. The City provides cost of living adjustments of 2% to retirees, which is factored into the actuarial assumptions. The City requires ten years of service at age 62, or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity, to vest for a benefit. Typically, retirement benefits are awarded at a rate of 2.5% of the employee's one-year high annual salary per year of service at age 55 for general members, and 3% for Safety members starting at the age of 50. The actual percentage of final average salary per year served component of the calculation rises as the employee's retirement age increases and depends on the retirement option selected by the employee. General plan percentage of final average salary per year served is a maximum of 2.8% for general members and 3% for safety members.

The City also has a Deferred Retirement Option Program (DROP). If a SDCERS member participates in DROP, they have access to a lump sum benefit or periodic distributions in addition to their normal monthly retirement allowance when they leave employment with the City. DROP was initially offered by SDCERS' plan sponsors on a trial basis for a three-year period ending March 31, 2000, and subsequently became a permanent benefit. SDCERS' members are

eligible to participate in DROP when they are eligible for a service retirement. A DROP participant continues to work for the City and receives a regular paycheck. The DROP participant makes reduced retirement contributions to SDCERS and the DROP participant stops earning creditable service. A DROP participant continues to receive most of the employer offered benefits available to regular employees.

SDCERS' members electing to enter DROP must agree to participate in the program for a specific period of time, up to a maximum of five years. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. A SDCERS member's decision to enter DROP is irrevocable.

The DROP benefit is the value of a DROP participant's account at the end of the DROP participation period. It is available either in a lump sum or periodic distributions. Once a participant leaves DROP, they begin receiving their monthly retirement allowance directly.

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

Additionally, on March 19, 2001, the City Council adopted Ordinance O-18930, adding SDMC sections 24.1601 through 24.1608, establishing the Preservation of Benefit Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QWEBA) under Internal Revenue Code (IRC) section 415(m), which is a vehicle created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The POB Plan is administered by the SDCERS Board as a separate trust from the City's pension plan. On February 16, 2007, the SDCERS Board adopted the Preservation of Benefit Plan and Trust to carry out the intent of SDMC section 24.1601 et seq. As provided, in SDMC section 24.1606, and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan, and is therefore in the process of establishing a mechanism to pay for these benefits on a pay-as-you-go basis. Currently, activities related to the POB Plan are included in the RSI for the City's pension plan using actuarial assumptions consistent with those used to perform actuarial valuations for the City's core pension plan.

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

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

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

*Method Used to Value Investments* - SDCERS investments are stated at fair value. The SDCERS custodial agent provides market values of invested assets with the exception of the fair value of directly owned real estate assets which are provided by the responsible investment manager and independent third party appraisal firms. Investment income is recognized in accordance with GASB 25 and is stated net of investment management fees and related expenses.

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

**Funding Contracts: MP-1 and MP-2**

The City employer contributions for fiscal years 1996 - 2003 were not based on the full actuarial rates as reported in the actuarial valuation reports. Instead, employer contributions were less than the full actuarial rates and were in accordance with an agreement between the City and SDCERS, the agreement subsequently became known as Manager's Proposal 1 (MP-1). The MP-1 agreement provided that the City would make annual payments according to a contractually fixed formula of slowly increasing percentages of total payroll instead of payments computed using the annually required contribution (ARC) rates determined by the actuary. This agreement was subject to an actuarially determined funding ratio ("the trigger") of 82.3%. In the event the trigger was reached, the City would be required to make a lump sum payment to return the system to the funding ratio of 82.3%. The funding provision established by MP-1 was to occur until fiscal year 2007, at which time, the City's contribution would return to the full ARC rate as determined by the actuary. In the opinion of the City's Audit Committee and the City Attorney, MP-1 was illegal (See Contingencies Note 18 for additional background on MP-1).

In 2002, a second agreement between the City and SDCERS was ratified; this agreement subsequently became known as Manager's Proposal 2 (MP-2). MP-2 modified MP-1 allowing the City to avoid a balloon payment if the trigger was reached, allowing instead that the City increase its funding until the full ARC was reached. This provision of MP-2 required that funding be increased over a period of five years. In the opinion of the City's Audit Committee and the City Attorney, MP-2 was illegal (See Contingencies Note 18 for additional background on MP-2).

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

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

**Funding Contracts: Union Agreements**

The City has historically made payments to offset some of the employee's portion of retirement costs. Subsequent to June 30, 2003, the City engaged in meet and confer with its employee unions. The fiscal year 2006 Memoranda of Understanding (MOUs) and the changes to current and future employee benefits within were introduced to Council in November 2006, and the changes in benefit eligibility are intended to be codified in the City's Municipal Code during fiscal year 2007.

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

The agreements with the bargaining units explicitly indicate that savings to the City must be used to address the Unfunded Actuarial Accrued Liability (UAAL) within the timeframe of the respective contracts. The labor contract with

Local 127 states that "By June 30, 2008, if the City has not dedicated a total of \$600 million or more to the UAAL reduction, including the amount received by leveraging employee salary reduction and pension contribution monies, the AFSCME salary reduction monies with interest will revert to SDCERS Employee Contribution Rate Reserve for benefit of Local 127 unit members to defray employee pension contributions. The City will be excused from meeting the above obligation if the funded ratio reaches 100% by June 30, 2008. "

In June 2006, the City leveraged a portion of the employee pick up savings by contributing \$90.8 million from securitization of future tobacco settlement revenues, \$9.2 million of current tobacco settlement revenues, and \$7 million from the remaining balance in the employee "pick-up" amount as part of meeting its negotiated commitment. (These agreements are also discussed in the Subsequent Events Note 22). In order to create a \$600 million reduction in the UAAL, the City would need to pursue a pension obligation bond issuance or other financing. However, the City Attorney has recommended that such bonds not be issued.

### **Funding Commitments Related to Legal Settlements**

Subsequent to MP-2, the City entered into the Gleason Settlement Agreement, which governs contributions made in fiscal years 2006 through 2008. The City agreed that it would:

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

The settlement agreement also stipulated that certain actuarial assumptions be fixed in place, notably, that the amortization period was reset to a 29 year closed commencing with the June 30, 2004 Annual Actuarial Valuation. These assumptions were to remain in place for the duration of the settlement. On July 1, 2004 the City made the Gleason Settlement required contribution of \$130 million for fiscal year 2005. On July 1, 2005 the City made the annually required contribution of \$163 million for fiscal year 2006. On July 1, 2006 the City made its full annually required contribution of \$162 million. The contributions for fiscal years 2005 and 2006 did not include the effects of the Corbett settlement because the SDCERS' Board viewed those benefits as contingent (see section e for a description of the Corbett settlement). Subsequent to those payments, the SDCERS' Board and the City determined that the Corbett settlement benefits are not contingent, and therefore, the ARC for financial reporting was modified from the original ARC calculated by the Actuary to include Corbett liabilities. As such, the City's NPO includes the effects of the Corbett settlement. These benefits will also be included in actuarial liabilities beginning with the valuation period dated June 30, 2006.

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

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

The City has already contributed \$107 million pursuant to the McGuigan settlement agreement through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts and additional employee "pick up" savings. This contribution is the same as that discussed in the Funding Contracts: Union Agreements section above.

d. **Funding Policy and Contribution Rates**

City Charter Article IX Section 143 requires employees and employers to contribute to the retirement plan. The Charter section, which was amended in fiscal year 2005, subsequent to the period reported on but prior to the issuance of these financial statements, stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances, may the City and Board enter into any multi-year funding agreements that delay full funding of the retirement plan. Prior to the amendment in 2005, the Charter required that employer contributions simply match that of employee contributions. Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as percentages of annual covered payroll. The entire expense of SDCERS' administration is charged against the earnings and plan assets of SDCERS.

The following table shows the City's contribution rates for fiscal year 2004, provided by the actuary as of June 30, 2002, expressed as percentages of active payroll:

	Employer Contribution Rates				
	General Members		Safety Members		
	General	Legislative	Police	Fire	Lifeguard
Normal Cost*	9.26%	21.01%	17.11%	18.91%	16.61%
Amortization Payment*	6.75%	43.01%	16.23%	16.23%	16.23%
Normal Cost Adjusted for Amortization Payment*	16.01%	64.02%	33.34%	35.14%	32.84%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	15.41%	61.61%	32.08%	33.82%	31.60%

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

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

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

Members are required to contribute a percentage of their annual salary to the Plan on a biweekly basis. Contributions vary according to age at entry into the defined Plan and salary. For fiscal year 2004, the City employee contribution rates as a percentage of annual covered payroll, average 10.02% for general members and 12.85% for safety members. A portion of the employee's share, depending on the employee's member class, is paid by the City. The amount paid by the City ranges from 7% to 8% of covered payroll for general members. Of this, 1.6% came from the retirement fund employee rate reserve, the other 5.4% to 6.4% was paid by the City. The range for safety plan members is 9% to 10%. Of this, 2.7% came from the retirement fund employee rate reserve and all remaining payments were made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process and reduced the amount of the employee contribution paid for by the City. Any and all savings realized by these agreements must be set aside and ultimately leveraged to reduce the unfunded actuarial accrued liability (UAAL) of the pension fund.

Annually a cash basis calculation is required by SDMC Sections 24.1501 and 24.1502 to determine the Annual Realized Investment Earnings ("Realized Earnings") of SDCERS' pension assets. In accordance with these SDMC

sections an annual distribution of these Realized Earnings, in priority order, takes place. The Realized Earnings are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: First, realized earnings are used to credit interest, at a rate determined by the SDCERS Board, which is currently 8%, to the Employer and Employee Contribution Reserves (these reserves increase Plan assets to fund the Plan liabilities for defined benefits), and Deferred Retirement Option Plan ("DROP") member accounts as well as funding the SDCERS Annual Budget (DROP and Budget disbursements decrease Plan assets). If earnings still remain, they are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) A transfer to the Employer Contribution Reserve for funded retiree health in accordance with SDMC Section 24.1203. When a transfer of realized earnings to the Employer Contribution Reserve occurs under SDMC Section 24.1203, the City allocates an equivalent amount of its' annual contribution to the 401(h) Fund for healthcare benefits. (Pursuant to Resolution 300102, adopted February 1, 2005, SDCERS no longer pays for retiree health care from pension assets.) 2) Annual Supplement Benefit Payment ("13th Check") paid to retirees generally equal to approximately \$30 times the number of years of employment and paid only when there are sufficient annual realized earnings. 3) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue to the next year and remain an obligation of SDCERS until paid). 4) Crediting interest to the Reserve for Employee Contribution Rate Increases and the Reserve for Supplemental Cost of Living Adjustment ("COLA").

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

The impact of paying health insurance, supplemental or contingent payments out of realized earnings is to decrease system assets which increases the UAAL and decreases the funded ratio. This negative impact to the UAAL and funded ratio results from diverting earnings that would otherwise be retained. Another related impact is on the net rate of interest earned on system assets which is negatively impacted when earnings are diverted from system assets. The actuarial assumed rate of interest is 8%. As an example, if the system earned 10%, the difference between the 10% and the 8% was diverted and not used to increase system assets. The City recognizes SDMC Section 24.1502's negative impact to the UAAL and funded ratio; however, in order to eliminate the use of surplus undistributed earnings as described above, changes to the municipal code are necessary. Beginning in fiscal year 2005 when the 401(h) reserve was depleted, the City funded the remaining retiree health benefits expense for fiscal year 2005 and the expenses for fiscal years 2006 and 2007 directly from the general and non-general funds. In November 2004, voters changed the City Charter by passing Proposition H, requiring a majority of the Board to be independent of the City. Additionally, voters changed the City Charter by passing Proposition G, requiring a 15 year amortization period be used to amortize the UAAL beginning in fiscal year 2009; however, the SDCERS Board, in conjunction with the actuary, has taken the position that it is legally responsible for establishing the valuation parameters, including the amortization period. In March 2007, the SDCERS Board adopted a 20 year amortization assumption and has not indicated any intention to change to a 15 year amortization assumption for the purpose of determining the City's fiscal year 2009 Annually Required Contribution. The San Diego City Attorney's Office has opined that the voter's amendment to the Charter simply establishes an upper boundary for the amortization of pension debt, it does not usurp or unduly interfere with the SDCERS Board's plenary authority and fiduciary responsibility over the California Pension Protection Act, and as a result, the 15 year amortization period is binding. Given the size of the City's current unfunded actuarially accrued liability, future changes to the amortization schedule will have significant impacts on future annually required contributions.

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

**Annual Pension Costs**

The normal cost and UAAL amortization cost were determined using the Projected Unit Credit (PUC) actuarial funding method. The actuarial assumptions included:

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

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

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. In fiscal year 2006, the SDCERS Board accepted the actuary's recommendation to adopt a different asset smoothing method. The method used by the actuary in this reporting period is not a commonly used method. The UAAL for funding purposes, as approved by SDCERS, was being amortized over a fixed 30-year period on a closed basis and the resulting annual amount is herein called the full actuary rate. As of June 30, 2002, the valuation year used to compute the annually required contribution, there were 19 years remaining in the amortization period. As discussed above, the 30 year closed amortization period was restarted in fiscal year 2005 pursuant to the settlement of Gleason v. City of San Diego. Beginning in fiscal year 2007 the normal cost and UAAL amortization cost will be determined using the Entry Age Normal actuarial method, the result of which will cause the UAAL to increase.

The following table shows the City's annual pension cost ("APC") and the percentage of APC contributed for the fiscal year ended June 30, 2004 and two preceding years (in thousands):

Fiscal Year Ending June 30	APC	Percentage Contributed	Net Pension Obligation
2002	\$ 66,500	61.45%	\$ 131,246
2003	90,454	64.84%	163,050
2004	138,488	49.83%	232,536

**Net Pension Obligation**

Net Pension Obligation (NPO) is the cumulative difference, since the effective date of GASB 27 (fiscal year 1998), between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt. As of June 30, 2004, the City's NPO is approximately \$232.5 million in accordance with GASB 27. See table above.

**NPO Components related to Retiree Health**

The City's annual contribution to SDCERS pension trust fund, for the fiscal years ended June 30, 2004, 2003, and 2002, included amounts that were contributed to the 401(h) Fund for healthcare benefits and are reported net of this contribution. Annual realized earnings, as determined by the SDMC Sections 24.1501 and 24.1502, in the pension trust fund were withdrawn and used to offset the portion of the City's contribution that went to healthcare benefits

instead of being retained in the pension trust fund. This funding mechanism is a violation of the Internal Revenue Code (IRC) Section 401(a). SDCERS hired the law firm of Ice Miller to make several filings to the IRS to voluntarily correct this operational failure and IRC violation. (See Contingencies Note 18 for additional disclosures). The amounts taken from the pension trust fund for healthcare benefits were approximately \$12.8 million in fiscal year 2004, \$11.5 million in fiscal year 2003, and \$8.9 million in fiscal year 2002. These payments have been removed from the City contribution amounts and resulted in an increase to the City's NPO. The cumulative increase to the City's NPO related to retiree health is approximately \$66.2 million. (See Other Post Employment Benefits Note 13 for further details.)

#### NPO Components related to Employee Offset Liabilities

In fiscal year 1998, the City set aside \$37.8 million in funds from the pension trust fund's undistributed earnings to fund the Employee Contribution Rate Reserve, and annually added 8% interest earnings to this reserve. This employee contribution reserve was to pay for the City's share (pick up) of the employee's retirement contribution. The amount of NPO related to the employee offset as of June 30, 2004 is \$14.5 million. This reserve was depleted in fiscal year 2006. As noted in the Funding Contracts: Union Agreements section above, the agreements with labor unions resulted in the reduction of City "pick-up" of the employee pension contribution.

#### NPO Components related to Corbett Settlement and Subsequent Benefit Increases

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

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

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

#### GENERAL MEMBER RETIREMENT CALCULATION FACTORS

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

## SAFETY MEMBER RETIREMENT CALCULATION FACTORS

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

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

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

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

ARC [Fiscal Year 2004]	\$ 140,168
Contributions Adjusted for Health Expenses [Fiscal Year 2004]	(69,002)
Interest on NPO	13,044
ARC Adjustment	(14,724)
Change in NPO	<u>69,486</u>
NPO Beginning of Year [Fiscal Year 2003]	163,050
NPO End of Year [Fiscal Year 2004]	<u><u>\$ 232,536</u></u>

The City interpreted GASB 27 to require that the amortization methods used in calculating funding for the Plan to be consistent with the method used to calculate Plan expense. Thus, the previous amortization method of 40 years open was found to be incorrect. The impact on the NPO related to Corbett as of June 30, 2004 is approximately \$15.8 million.

f. **Actions taken on behalf of the City to address Pension Liability**

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

The economic benefits from the labor agreements have created an opportunity for the City to begin addressing the unfunded liability issue of the Retirement System. In June 2006, the amount from labor concessions that was committed to address the pension's unfunded liability was \$17.4 million (general fund and non-general fund). The City has already contributed \$100 million pursuant to the McGuigan settlement agreement through the securitization of

future tobacco revenue, transfers of actual tobacco revenue receipts and additional employee "pick up" savings. This contribution is the same as that discussed in the Funding Contracts: Union Agreements section above. The contribution will have the effect of reducing the NPO in fiscal year 2006. The City is also exploring other financing options as a means to eliminate its NPO.

## 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"). Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 ("OBRA-90") requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act ("FICA") effective July 1, 1991, the City established the Supplemental Pension Savings Plan-Hourly ("SPSP-H"). These Plans are defined contribution plans administered by Wachovia Corporation, formerly Ameriprise Trust Company, to provide pension benefits for eligible employees. There are no plan members who belong to an entity other than the City of San Diego. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general retirement members and lifeguard members of the City's safety retirement members participate in the plan. Eligible employees may participate from the date of employment.

The following table details plan participation:

<u>Plan</u>	<u>Participants</u>
SPSP	2,003
SPSP - M	7,005
SPSP - H	4,484

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

The City and the covered employees contributed approximately \$48,108 in fiscal year 2004. As of June 30, 2004, the fair value of plan assets totaled approximately \$423,963. SPSP is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund. The SPSP and SPSP-M Plans were merged into a single plan ("SPSP") on November 12, 2004 for administrative simplification, without a change in benefits.

b. 401(k) Plan - City

The City established a 401(k) Plan effective July 1, 1985. The Plan is a defined contribution plan administered by Wachovia Corporation, formerly Ameriprise Trust Company, to provide pension benefits for eligible employees. Employees are eligible to participate from date of employment. Employees make contributions to their 401(k) accounts through payroll deductions, and may also elect to contribute to their 401(k) account through the City's Employees' Flexible Benefits Program.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed approximately \$25,015 during the fiscal year ended June 30, 2004. There is no City contribution towards the 401(k) Plan.

As of June 30, 2004, the fair value of plan assets totaled approximately \$152,311. The 401(k) Plan is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund.

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

CCDC has a Money Purchase Pension Plan covering all full-time permanent employees. The plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each year, CCDC contributes quarterly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service. CCDC's total payroll in fiscal year 2004 was approximately \$3,065. CCDC contributions were calculated using the base salary amount of approximately \$2,830. CCDC made the required 8% contribution amounting to approximately \$226 (net of forfeitures) for fiscal year 2004.

In addition, CCDC has a Tax Deferred Annuity Plan covering current and previous eligible employees. The plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan by the employer and the employees, plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. This amount includes a 3% increase from the prior year as approved by the Board of Directors on August 13, 2003. CCDC's contributions for each employee are fully vested at time of contribution. The Tax Deferred Annuity Plan includes amounts deposited by employees prior to CCDC becoming a contributor to the Plan. CCDC made the required 16% contribution amounting to approximately \$453 for fiscal year 2004.

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

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

SDCCC's Money Purchase Pension Plan (the "Plan") became effective January 1, 1986. The 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 Plan covers employees not otherwise entitled to a retirement/pension plan provided through a collective bargaining unit agreement. Employees are eligible at the earlier of the date on which they complete six months of continuous full-time service, or the twelve-month period beginning on the hire date (or any subsequent Plan year) during which they complete 1,000 hours of service.

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

For the year ended June 30, 2004, pension expenditures for the Plan amounted to \$1,163. SDCCC records pension expenditures during the fiscal year based upon estimated covered compensation.

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

SDDPC has accrued and set aside funds in a money market account to provide employees who transferred from the City to SDDPC with retirement benefits approximately equal to those under the City's retirement plan. As of June 30, 2004, the balance in the account was \$126.

The balance at June 30, 2004 consisted of the total estimated liability plus interest earned on the account since its establishment in fiscal year 1991.

In addition, SDDPC has in effect a Money Purchase Pension Plan (the "Plan") covering substantially all employees. The Plan is a defined contribution plan, wherein benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC contributions for each employee are fully vested after four years of continuing service. The City does not act in a trustee or agency capacity for the SDDPC plan; therefore, these assets are not reported within the City's basic financial statements. SDDPC's total payroll in fiscal year 2004 was approximately \$22,151. As all employees are substantially covered, SDDPC contributions were calculated using this base salary amount. SDDPC made the required 20% contribution, amounting to approximately \$4,367.

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

SDHC provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce the SDHC's current-period contribution requirement. SDHC's covered payroll in fiscal year 2004 was approximately \$11,187. SDHC made the required 14% contribution, amounting to approximately \$1,566 for fiscal year 2004. The City does not act in a trustee or agency capacity for the SDHC plan; therefore, these assets are not reported within the City's basic financial statements.

g. **Pension Plan - Southeastern Development Corporation (SEDC)**

SEDC has an optional Simplified Employee Pension Plan covering all full-time permanent employees. The plan is a defined contribution plan administered by Morgan Stanley Dean Witter. Per provision 212 of the SEDC Employee Handbook, employees are eligible to participate six months after their date of employment, and SEDC contributes a monthly amount equal to 12% of the employees' base salary, or 15% of management employees' base salary. Such contributions are fully vested upon contribution. SEDC's total payroll in fiscal year 2004 was approximately \$908. SEDC contributions were calculated using the base salary amount of approximately \$820. SEDC made the required contribution, amounting to approximately \$109 for fiscal year 2004. Plan members contributed an additional \$1.2.

### 13. OTHER POST EMPLOYMENT BENEFITS (In Thousands)

#### a. Plan Description

The City provides certain healthcare insurance benefits to a variety of retired employees through SDCERS, as provided for in San Diego Municipal Code (SDMC) SDMC Sections 24.1201 through 24.1204. Currently, the benefits primarily are for employees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Employees who retired or terminated prior to October 6, 1980, who were eligible for retirement allowances prior to that date, are also eligible for healthcare benefits, limited to a total of \$1.2 per year.

#### b. Contributions

In accordance with SDMC Sections 24.1502 and 24.1203 as in effect for fiscal year 2004 (such sections having been subsequently repealed), amounts were transferred from annual realized earnings of SDCERS' pension assets to the Employer Contribution Reserve for the purposes of funding the retiree health benefits that would have otherwise have been paid by the City. It is from this Reserve that post-employment healthcare benefits were paid. This was found to be in violation of IRC Section 401(a) and SDCERS hired the law firm of Ice Miller to make several filings to the IRS to voluntarily correct this operational failure and IRC violation. (See Contingencies Note 18 for additional disclosures). The City was credited against the Annually Required Contribution (ARC) for payments made to fund retiree healthcare benefits, with the net result that the City paid the basic ARC with no additional amount for post-employment healthcare benefits.

Expenses for post-employment healthcare benefits are on a pay-as-you-go basis. In fiscal year 2004 approximately 5,700 retirees received City paid insurance or were reimbursed for other health insurance costs incurred. For the year ended June 30, 2004, expenditures of approximately \$12,800 were recognized by SDCERS, and paid from the SDCERS reserve for such healthcare benefits (Additional information is presented in note 12 section d and e). The book value of the remaining balance in the reserve at June 30, 2004 was approximately \$7,900, as compared to the fair market value of \$9,000 reported in the Fiduciary Funds Statement of Net Assets. For the year ended June 30, 2005, expenditures of approximately \$14,800 were recognized by SDCERS. Approximately \$7,900 was paid from this Reserve, which was depleted in January 2005. An additional contribution of approximately \$6,900 was made by the City to fund post-employment healthcare benefits in excess of the reserve balance for fiscal year 2005.

In October 2004, the City Council voted to have the remaining retiree health benefits expense, estimated to be \$6,900 for fiscal year 2005, directly funded from City funds and not the SDCERS Pension Trust Fund. In February 2005 the City Council adopted O-19354 which requires retiree healthcare premiums to be paid out of the General Fund and non-general funds of the City.

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

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

Interfund Working Capital Advance (WCA) balances are the result of loans between funds that are expected to be repaid over a period of time in excess of one year. The majority of the advances, \$2,300, is an advance from the Redevelopment Agency to the HUD Section 108 grant funds. Interfund WCA balances at June 30, 2004 are as follows:

Contributing Fund (Receivable)	Benefiting Fund (Payable)			Total
	General Fund	NonMajor Governmental	Fiduciary	
General Fund	\$ -	\$ 300	\$ 1,490	\$ 1,790
NonMajor Governmental	-	3,054	72	3,126
Sewer Utility	341	-	155	496
Water Utility	645	-	131	776
NonMajor Enterprise	-	-	144	144
Internal Service	-	-	93	93
<b>Total</b>	<b>\$ 986</b>	<b>\$ 3,354</b>	<b>\$ 2,085</b>	<b>\$ 6,425</b>

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year. The majority of the NonMajor Governmental loans, \$38,000, represent the Redevelopment Agency loans from their special revenue funds to their capital projects funds. There is also a \$10,100 loan from the General Fund to expenditure-driven grant funds that have temporary cash shortfalls, pending reimbursements from the State. Interfund receivable/payable balances at June 30, 2004 are as follows:

Contributing Fund (Receivable)	Benefiting Fund (Payable)		Total
	NonMajor Governmental	NonMajor Enterprise	
General Fund	\$ 10,100	\$ -	\$ 10,100
NonMajor Governmental	51,958	-	51,958
NonMajor Enterprise	2,626	69	2,695
<b>Total</b>	<b>\$ 64,684</b>	<b>\$ 69</b>	<b>\$ 64,753</b>

The Water Utility Major Fund has an interfund loan receivable of \$2,386, and the Capital Outlay NonMajor Governmental Fund has a corresponding interfund loan payable of \$2,386 for a loan agreement in which the Water Utility financed a land acquisition for the government. This land held for resale in the Capital Outlay Fund is expected to be sold to the Redevelopment Agency in fiscal year 2007. The purchase price of the land is expected to be \$6,380, of which \$2,840 (which includes accrued interest) will be repaid to the Water Utility fund and the remainder will be placed in the Capital Outlay Fund.

Due to / due from discretely presented component units at June 30, 2004 are as follows:

Contributing Fund (Receivable)	Benefiting Fund (Payable)	
	NonMajor Governmental	
San Diego Convention Center Corporation	\$	53
San Diego Housing Commission		539
Total	\$	592

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including Transient Occupancy Tax (TOT), Storm Drain, and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for the capital projects and debt service needs during the fiscal year. Interfund transfer balances at June 30, 2004 are as follows:

Contributing Fund	Benefiting Fund						Total
	General Fund	NonMajor Governmental	Sewer Utility	Water Utility	NonMajor Enterprise	Internal Service	
General Fund	\$ -	\$ 15,665	\$ -	\$ -	\$ -	\$ 13,707	\$ 29,372
NonMajor Governmental	37,994	191,936	-	-	2,234	533	232,697
Sewer Utility	254	1,320	-	-	-	439	2,013
Water Utility	238	1,325	-	-	-	238	1,801
NonMajor Enterprise	1,739	753	-	-	-	337	2,829
Internal Service	710	1,034	285	197	162	46	2,434
Total	\$ 40,935	\$ 212,033	\$ 285	\$ 197	\$ 2,396	\$ 15,300	\$ 271,146

## 15. RISK MANAGEMENT (In Thousands)

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

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

The City, which offers a cafeteria-style flexible benefits plan to its employees, is not self-insured for life, health, dental or vision. The flexible benefits plan offered to employees requires them to choose a health and life insurance plan and also gives employees the option of obtaining dental insurance, vision insurance, or catastrophic care insurance. Employees can place remaining flexible benefit dollars into IRS qualified dental/medical/vision and childcare reimbursement accounts, into their 401(k) and/or take as cash.

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

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2004 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund.

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

	Public Liability	Workers' Comp & Long-Term Disability	Total
Balance, July 1, 2002	\$ 38,690	\$ 107,464	\$ 146,154
Claims and Changes in Estimates	57,675	36,139	93,814
Claim Payments	(11,292)	(27,544)	(38,836)
Balance, June 30, 2003	85,073	116,059	201,132
Claims and Changes in Estimates	29,055	62,965	92,020
Claim Payments	(12,267)	(28,722)	(40,989)
Balance, June 30, 2004	<u>\$ 101,861</u>	<u>\$ 150,302</u>	<u>\$ 252,163</u>

The City also participates in the joint purchase of its first party property insurance including all-risk, flood, boiler and machinery and business interruption coverages through the CSAC-EIA pool. Earthquake coverage is purchased separately through the pool. The joint purchase of the City's "all risk" property insurance, insuring approximately \$2,000,000 in value of City property and assets, provides coverage for losses to City property up to approximately \$400,000 per occurrence, subject to a \$25 deductible. This limit includes coverage for business interruption losses for designated lease-financed locations. There is no sharing of limits among the City and member counties of the CSAC-

EIA pool, unless the City and member counties are mutually subject to the same loss. Limits and coverages may be adjusted periodically in response to requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace.

Earthquake coverage is provided for designated buildings/structures and certain designated City lease financed locations in the amount of \$75,000, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 5% of total values per unit per occurrence, subject to a \$500 minimum, effective March 31, 2004. The City's earthquake coverage is purchased jointly and shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an individual earthquake occurrence. Depending upon the availability and affordability of such earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

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

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

See Contingencies, Note 18, for additional information.

**16. FUND DEFICIT (In Thousands)**

The Self Insurance Fund has a net deficit of approximately (\$180,746) at June 30, 2004, which represents unfunded estimated claims and claim settlements related to public liability, workers' compensation, and long-term disability. It is anticipated that individual claim settlements will be funded through future user charges subsequent to the filing of a claim and prior to its settlement. In addition to user charges, in November 2006, the Mayor's office presented a five-year financial plan to the City Council that outlines a funding commitment to the Self Insurance Fund over and above amounts needed to fund current year expenditures in future periods.

The Grants Fund and the Capital Outlay Fund also have net deficits of approximately (\$9,368) and (\$14,217), respectively, due to the large number of reimbursement grants accounted for within these funds. With reimbursement grants, the resources remain the property of the grantor until allowable costs are incurred. The grants are recognized as soon as all eligibility criteria have been met and the amounts become available. This results in a deficit fund balance and negative cash balance in these funds.

**17. COMMITMENTS (In Thousands)**

As of June 30, 2004, the City's business-type activities contractual commitments are as follows:

Airports	\$	496
Environmental Services		4,747
Sewer Utility		108,135
Water Utility		73,540
Other		2,433
Total Contractual Commitments	<u>\$</u>	<u>189,351</u>

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

Proposed Consent Decree

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

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

The EPA, the City and the environmental groups have reached an agreement on the additional requirements to reduce sewer spills, which will be set forth in a Proposed Consent Decree (the "Proposed Consent Decree"). The Proposed Consent Decree will require increased sewer spill response and tracking, increased root control, replacement or

rehabilitation of 250 miles of pipeline, a canyon economic and environmental analysis, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The estimated annual cost of this commitment is \$108,000 per year in capital projects and \$47,000 per year in operational maintenance to the sewer system through the term of the settlement. No civil penalty payment will be required, though stipulated penalties ranging from \$375 (in whole dollars) to \$20,000 (in whole dollars) per occurrence are included for subsequent violations of the Proposed Consent Decree.

The compliance elements of the Proposed Consent Decree present substantial financial commitments for improved wastewater capital improvement projects as outlined above. The City has been prevented from obtaining public financing for these projects. Consequently, the parties agreed to a First Partial Consent Decree, which allowed the City to proceed with all the key components of the Proposed Consent Decree without committing to the major capital projects that require financing. The First Partial Consent Decree expired on June 30, 2006. A Second Partial Consent Decree has been approved by the City Council, the EPA and the environmental groups, and has been lodged with the District Court for approval. The Second Partial Consent Decree mirrors the First Partial Consent Decree, bridging the gap until the City can obtain sufficient financing to commit to the Proposed Consent Decree. The Second Partial Consent Decree would expire on June 30, 2007.

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

## 18. CONTINGENCIES (In Thousands)

### FEDERAL AND STATE GRANTS

The City recognizes revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the County's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2003 is being performed by the firm Macias Gini & O'Connell LLP and is currently in progress.

### CONTINUING DISCLOSURE OBLIGATIONS

The City, in connection with all bond offerings since the effective date (July 1995) of the continuing disclosure requirements of SEC Rule 15c2-12, has contractually obligated itself to provide annual financial information, including audited financial statements, within certain specified time periods (generally nine months) after the end of each fiscal year. The City has completed its financial statements for fiscal year ending June 30, 2003, but still requires Council approval to officially release those statements to the public. The City has not yet released its audited financial statements for the fiscal years ending June 30, 2004, 2005, and 2006. Accordingly, the City has not been able to timely satisfy its contractual obligations to provide to the national repositories audited financial statements, or financial information and operating data derived from the financial statements. At the time of each deadline, the City did, as required by its continuing disclosure contractual obligations, provide to the national repositories a notice of the failure to file the audited annual financial statements information.

### INVESTIGATIONS INTO POTENTIAL ILLEGAL ACTS

#### Timeline and Description of Events - Pension

As of the issue date of this report, the City of San Diego is subject to numerous federal and state investigations surrounding alleged illegal acts by current and former City officials. The following timeline outlines significant events regarding the occurrence, disclosure and investigation of the alleged illegal acts.

In June 1996, the San Diego City Employee's Retirement System (SDCERS) board approved a pension funding proposal entitled Manager's Proposal 1 (MP-1). This proposal had the effect of reducing the City's annual pension costs but protected the pension fund by imposing a minimum funding ratio of 82.3%. If the funding ratio fell below 82.3%, the City was required to make payments sufficient to bring the funding ratio back to 82.3%.

In July 1996, the City adopted an ordinance to authorize the placement of a ballot measure to amend the San Diego City Charter to authorize the City Council to pay health insurance benefits through SDCERS. The amendment was approved by the voters the following November.

In November 2002, the SDCERS board and City Council approved a proposal to modify MP-1. This agreement was entitled Manager's Proposal 2 (MP-2). MP-2 allowed the City to make contractually determined contributions to SDCERS and provided a ramp-up period to meet its full actuarially required contribution.

In January 2004 the City filed a Voluntary Disclosure with the Nationally Recognized Municipal Securities Information Repositories concerning omissions in a number of Official Statements delivered by the City in connection with City public bond offerings.

In February 2004, as a result of the January 2004 Voluntary Disclosure, the Securities and Exchange Commission initiated an investigation into the City's disclosure practices, particularly regarding the under-funding of SDCERS.

In April 2004, prior to the release of the City's already completed and audited fiscal year 2003 financial statements, the City determined that the statements contained numerous errors and omissions of material fact. As a result, the City terminated its original independent auditor and engaged KPMG to conduct a full-scope re-audit of its 2003 basic financial statements. The restatements identified in this re-audit are detailed in Note 23 to the fiscal year 2003 basic financial statements.

In December 2004, the U.S. Attorney for the Southern District of California issued subpoenas for its own investigation into the City's and SDCERS disclosure practices. The investigations were later expanded to include the City's sewer rate schedule.

In May 2005, the San Diego District Attorney charged six former City and SDCERS' officials with violations of California conflict of interest laws stemming from agreements to under-fund the City's pension plan.

In January 2006 a federal grand jury indicted five former City and SDCERS officials on various criminal charges. The federal investigations are ongoing. None of the illegal acts discussed below have led to the conviction of any individuals; as of the issue date of this report, those individuals who have been charged are awaiting trial.

In June 2006, SDCERS filed a voluntary disclosure with the IRS regarding violations of the plan qualification provisions of Internal Revenue Code Sections 401(a) and 401(h). The voluntary disclosure related to the use of pension plan assets in funding retiree health benefits.

In November 2006, the Securities and Exchange Commission entered an Order sanctioning the City of San Diego for committing securities fraud by failing to disclose to the investing public important information about its pension and retiree health care obligations in the sale of its municipal bonds in 2002 and 2003.

#### Timeline and description of Events - Wastewater

In September 1994 the City was instructed by the State Water Resources Control Board (SWRCB) to modify agreements with participating agencies to include the incremental cost associated with removing organics from the wastewater.

In May 1998, the City was made aware through a Cost of Service Study (COS) performed by independent consultants that its sewer rate structure did not comply with standards set by the SWRCB.

In October 1999 a Deputy City Manager informed a Councilmember that the COS did not warrant changing the rate structure.

In November 1999 a Deputy City Attorney informed a Councilmember that the COS did in fact indicate that the rate structure should be revised.

In January 2002, the City Council was notified in closed session that the City's Sewer Rate structure was not in compliance with the noticing and proportionate billing requirements set forth in State Proposition 218. The City Council took no affirmative action to remediate non-compliance and requested further review by the City Attorney's office.

In March 2002, the City filed a continuing disclosure that does not discuss any facts related to non-compliance with SWRCB guidelines and that non-compliance may result in potential liabilities to the City.

In November 2002, Senior City Officials are provided a memorandum detailing the nature of and potential impacts of Sewer Rate non-compliance. This memorandum indicates that the City had not experienced any regulatory action from the SWRCB because of the Boards' confusion over the true nature of the City's rate structure. It also detailed City staff member's beliefs as to why the rate structure was not brought into conformance with SWRCB guidelines.

In February 2003, the City was granted a \$12 million loan for sewer improvements. This loan included covenants that required compliance with the Clean Water Act and applicable state guidelines including those set by the SWRCB.

In June 2003, City officials met with bond rating agencies to discuss a proposed sewer bond offering. City officials led bond rating agencies to believe that the City was in compliance with state and federal regulations concerning its sewer rate structure. However, the City never issued the 2003 bond offering.

In November 2003, the SWRCB gave the City a 90 day deadline to submit the ordinance enacting a compliant rate structure.

In March 2004, SWRCB requested the City implement revised rates for fiscal year 2005 and gave the City 90 days to submit an adopted ordinance or resolution providing for a revised rate structure.

In June 2004, the City Council adopted Resolution R-299322, authorizing revisions to the existing wastewater fees and charges to bring the City into full compliance with the SWRCB's requirements.

In June 2004, a lawsuit against the City was filed alleging residential users were overcharged for sewer services.

In June 2004, SWRCB notified the City that its rate structure was now compliant with state guidelines.

In October 2004 the City's new compliant rate structure took effect.

In April 2006, a San Diego County grand jury concluded that the City was improperly charging General Fund expenses to the City's Water and Wastewater Enterprise Funds.

#### REGULATORY AND OTHER INDEPENDENT INVESTIGATIONS INTO PENSION AND WASTEWATER MATTERS

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

In issuing the Order the SEC made the following determinations:

- The City failed to disclose that the City's unfunded liability to its pension plan was projected to dramatically increase.
- The City failed to disclose that it had been intentionally under-funding its pension obligations so that it could increase pension benefits but defer the costs, and that it would face severe difficulty funding its future pension and retiree healthcare obligations unless new revenues were obtained, pension and healthcare benefits were reduced, or City services were reduced.
- The City knew or was reckless in not knowing that its disclosures were materially misleading.
- The Order finds that the City made these misleading statements through three different means:
  1. In the offering documents for five municipal offerings in 2002 and 2003 that raised over \$260 million from investors. The offering documents containing the misleading statements included the "official statements," which were intended to disclose material information to investors, and the "preliminary official statements," which were used to gauge investors' interest in a bond issuance.
  2. The City made misleading statements to the agencies that gave the City its credit rating for its municipal bonds.

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

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

- The SEC Order sanctioning the City of San Diego for committing securities fraud is available at: [www.sec.gov](http://www.sec.gov)

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

Many of the recommendations contained in the first V&E report were adopted by the City in October 2004. However, the City's previous accounting firm advised that the report did not provide a sufficient basis to conclude that all questions necessary to the completion of the audit were sufficiently investigated and resolved in a manner that would permit the issuance of an audit report. In response, the City engaged a professional consulting firm, Kroll Inc., to act in the capacity of an Audit Committee. The Audit Committee took over the investigatory process. The independent investigations concluded when the Audit Committee presented its final report to the City on August 8, 2006.

The Audit Committee (commonly known as Kroll) concluded the following with regard to illegal acts:

- The enactment of the MP-1 and MP-2 pension funding agreements constituted a violation of state and local law.
- The SDCERS board breached their fiduciary responsibility to plan beneficiaries.
- The City knowingly failed to comply with federal and state requirements applicable to its wastewater system which required that sewer rates reflect the costs of treating sewage and be proportionately allocated.
- The City violated federal securities laws by obtaining money from public investors through financial statements and related disclosure that the City knew were false, and certain City officials intentionally, violated Section 10(b) of the Securities and Exchange Act of 1934.
- Certain members of the City Council knowingly and improperly caused the City to violate federal and state law applicable to its wastewater system by failing to act in accordance with legal mandates.
- Between 1982 and 2005 the City was not in compliance with the Internal Revenue Code because the City was using pension fund assets to pay retirement healthcare benefits. However, the firm concluded that it was unlikely that the IRS would disqualify SDCERS from tax exempt status as that would primarily hurt the beneficiaries of the system while not adversely affecting the City directly.

As to the legality of the pension benefits, Kroll concluded that they were not illegal and it would be unlikely for a court to invalidate them. The Audit Committee concluded that members of the City Council, as well as certain senior City officials who are no longer employed by the City, were negligent in the fulfillment of their bond offering disclosure responsibilities.

The entire Audit Committee report including interview summaries and footnotes, as well as the V&E report, are available at: [www.sandiego.gov](http://www.sandiego.gov).

## INDEPENDENT INVESTIGATIONS INTO SERVICE LEVEL AGREEMENTS

On April 25, 2006, the San Diego Grand Jury completed its report regarding the use of service level agreements (SLAs) by the City's water district and wastewater district. The Grand Jury found that there was no City Council policy governing the use of SLAs, and that the use of SLAs lack internal management checks and balances to ensure that City departments appropriately bill the enterprise funds for services provided. The Grand Jury found that the City had used SLAs to improperly divert enterprise funds to subsidize City services that should have been funded by the City's general fund. In response to the Grand Jury report, the Mayor on May 15, 2006 announced the implementation of various measures to improve internal controls for the use of SLAs. In addition, the Mayor announced the refund of approximately \$2 million to the sewer and water enterprises effective June 30, 2006.

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

## CITY ATTORNEY INVESTIGATIONS INTO PENSION, WASTEWATER, AND LAND USE MATTERS

The City Attorney has conducted several investigations into pension disclosures and the potential for illegal acts. These investigations have thus far resulted in 17 "interim reports" detailing the City Attorney's conclusions on pension disclosures and other illegal acts. The City Attorney's findings have not been adopted by the Audit Committee, the SEC, or any court of law. The City Attorney's findings do not necessarily agree with the position of the City Council, nor have the Council members taken action to adopt the City Attorney's findings.

The City Attorney's reports concluded that City staff and City officials, including certain current City Council members, violated federal, state and local laws as described below. It should be noted that the City Attorney's findings of violations of law covered a wider array of illegal conduct and identified a greater number of individuals, including specifically certain current members of the City Council, than were identified in either the V&E or Kroll reports.

It is the City Attorney's opinion that City officials, City employees and SDCERS' board members and management engaged in illegal acts concerning the City's funding of SDCERS beginning with the adoption in 1996 of MP-1. In summary the City Attorney believes that the City negotiated an agreement with its unions whereby pension benefits to retired City employees would be increased, but only if the board of SDCERS would allow the City to fund SDCERS at a level below what would be required by generally accepted accounting and actuarial principles. The City Attorney has asserted that that this agreement violated the California Constitution, the San Diego City Charter and the San Diego Municipal Code and constituted a breach of the fiduciary duties of the SDCERS' board and management.

Similarly, the City Attorney has asserted that City officials (including certain current City Council Members), City employees and SDCERS' board members and management engaged in illegal acts concerning the approval in 2002 of MP-2. The City Attorney believes that the action taken in MP-2 was again to increase pension benefits in exchange for continuing to allow the City to fund SDCERS at a reduced rate and to remove certain funding level safeguards put in place by MP-1. The City Attorney alleges that the approval and enactment of MP-2 violated the California Constitution, the San Diego City Charter, and the San Diego Municipal Code and constitutes a breach of the fiduciary duties of the board and management of SDCERS.

The City Attorney's conclusions expressly state that there was illegal conduct on the part of the City Council in the approving MP-1 and MP-2 which the City Attorney believes resulted is an illegally funded pension system. The City Attorney has initiated proceedings in the Superior Court to invalidate the benefits conferred by MP-1 and MP-2. This action is ongoing and the City Attorney states that it is not possible to determine an outcome at this time. The City

Attorney believes that the City Council violated Section 10(b) and Rule 10b-5 of the Securities and Exchange Act of 1934 and Section 17(a) of the Securities Act of 1933 because they were at least reckless in approving City disclosures regarding the wastewater system and the pension fund that were materially misleading.

In May 2007, the City Attorney announced that his office was commencing an illegal acts investigation into the role of City Management in the issuance of permits for an office building that has been determined to have violated Federal Aviation Administration regulations on the height of structures in close proximity to municipal airports. The City Attorney has indicated that any potential liability to the City as a result of this matter is inestimable nor has he identified when the underlying event that could potentially cause liability to the City occurred. As such, the City has elected to disclose this matter in Note 22: Subsequent Events.

The City Attorney detailed his findings regarding matters identified by the County Grand Jury in his Interim Report #10. The City Attorney concluded that improper billing practices had occurred within the City Attorney's office and that the practice had been discontinued upon the current City Attorney taking office in December 2004.

All of the City Attorney's Interim Reports are available on the City Attorney's website at:

<http://www.sandiego.gov/cityattorney/reports/index.shtml>

#### REMEDIATION ON ILLEGAL ACTS

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

- Created a Disclosure Practices Working Group.
- Required the City Attorney to designate a deputy city attorney for finance and securities.<sup>1</sup>
- Mandated an annual review of Internal Controls to be conducted by the City's Auditor and Comptroller.

The City's first annual report on Internal Controls was published in January 2006 and can be found at [www.sandiego.gov](http://www.sandiego.gov).

In January 2006, pursuant to a charter amendment, the City adopted a Strong Mayor form of government. This form of governance places the accountability for the operations of the City principally with the Mayor. In response to the Kroll report and the SEC administrative order, the Mayor has proposed to the City Council a comprehensive remediation plan that addresses the deficiencies identified by Kroll and the SEC. The Mayor's plan, which is currently pending approval by the City Council, is proposed to be implemented over the course of three years at an estimated cost of \$45 million. Additionally, some of the proposed remediation will require ballot initiatives that will need to be approved by a vote of the public. It includes:

- The appointment of an independent consultant to:
  - 1) Conduct annual reviews for a three-year period of the City's policies, procedures, and internal controls regarding its disclosures for offerings, including disclosures made in its financial statements, pursuant to continuing disclosure agreements, and to rating agencies, the hiring of internal personnel and external experts for disclosure functions, and the implementation of active and ongoing training programs to educate appropriate City employees, including officials from the City Auditor and Comptroller's office, the City Attorney's office, the Mayor, and the City Councilmembers regarding compliance with disclosure obligations;
  - 2) Make recommendations concerning these policies, procedures, and internal controls with a view to assuring compliance with the City's disclosure obligations under the federal securities laws; and

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<sup>1</sup>The City Attorney has hired three attorneys to fulfill this obligation

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

- Significant changes to the organizational structure of the City, including the centralization of the various components of the City's newly created Finance Department. This includes enhanced accountability for the City's Chief Financial Officer.
- The formation of an Audit Committee.
- The appointment of an independent Auditor General who reports to the Audit Committee.
- Guidelines and regulations over the hiring and retention of an Independent Audit firm.
- Modifications to the City Ethics Laws to impose criminal penalties for violations.
- The retention of an independent actuary to assist the City in reviewing the SDCERS actuarial valuation and to provide analysis of the financial effects of retirement related decisions.
- Modifications to the City's internal controls governing the disclosure process.
- The acquisition of a new information system to record and maintain records of the City's operating results.
- Increased training for employees responsible for financial management, reporting and grant management.

#### LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City has received approximately 3,000 notices of claims.

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

Significant individual lawsuits are described below.

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

In McGuigan, the plaintiff alleges the City has under-funded its pension plan in violation of its own Charter and Municipal code. A tentative settlement has been reached in which the City has agreed to pay \$173,000 plus interest on amounts outstanding, into the San Diego City Employees Retirement System (SDCERS) over a period of 5 years. The City has already contributed \$95,000 pursuant to this settlement agreement through the securitization of tobacco revenue. An additional requirement of the tentative settlement is that the City provides SDCERS real property collateral totaling \$100,000, to be returned upon the full payment of the settlement. Amounts related to this settlement were not accrued in the City's Self Insurance Fund because the settlement has not been finalized and because the City has already recorded a Net Pension Obligation in its financial statements. As of the issue date of this report, this case has

yet to be settled and settlement is being contested by a number of third parties. If the case is not settled, the City has been threatened by the California Superior Court with a default judgment of \$173,000.

William Newsome III v. San Diego City Employees Retirement System, City of San Diego (Newsome)

On November 14, 2005, William Newsome, a former employee of the City of San Diego, filed a complaint against SDCERS and the City of San Diego for Breach of Fiduciary Duty, Aiding and Abetting and Conspiracy. On January 25, 2006, SDCERS filed an answer to the complaint and filed a cross-complaint against the City of San Diego for declaratory relief. On September 7, 2006, the parties entered into a stipulation that dismissed the case without prejudice. In addition, the plaintiff agreed not to re-file the lawsuit if within five years the City made an additional contribution above the McGuigan settlement amounts of the lesser of (a) \$100,000; or (b) an amount sufficient to allow SDCERS to achieve a funded ratio of 82.3%.

De La Fuente Business Park v. City of San Diego

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

San Diego City Employees Retirement System v. San Diego City Attorney Michael Aguirre and City of San Diego

SDCERS filed this lawsuit in January 2005 to assert its right to independent legal counsel. The City Attorney has filed a cross complaint alleging that the pension benefits provided pursuant to the MP-1 and MP-2 agreements are illegal. The financial statements and accompanying notes presented herein are prepared under the assumption that said benefits are legal and that related liabilities are binding (see note 12 and required supplementary information). If the City Attorney were to prevail in his cross complaint, the impact of that determination by a court could reduce the City's current Unfunded Actuarially Accrued Liability (UAAL). In a proposed statement of decision issued December 14, 2006, the court ruled that the City could not challenge the pension benefits granted by MP-1 and MP-2. This decision has not been made final and the City is objecting to it in the lower court. If the City does not prevail, it will go to the court of appeal either by writ or appeal.

Shames v. City of San Diego, et al.

This is a class action lawsuit alleging that the City of San Diego employed an improper method in calculating sewer rates. As a result of the improper billing calculation, the plaintiff alleges that residential users were overcharged while industrial users were undercharged (discussed in the illegal acts section of this note). A settlement agreement has been entered into and the liability is reported on the City's financial statements; however, Council still needs to approve a rate increase in the future to fund this liability.

Weisblat, et al v. City of San Diego

Plaintiffs own rental property in San Diego and are bringing this action on behalf of all owners of rental property in San Diego. Plaintiffs claim that a processing fee charged by the City is in reality an illegal tax because the fee was not approved by a super-majority of voters as required by Proposition 218. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of \$0 - \$5,000.

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

Internal Revenue Service Code Violations

This regulatory action relates to the City and SDCERS practice of using pension plan assets, and later a bifurcation of City contributions to the Pension Plan to fund retirement healthcare benefits. The funding mechanism, which was in effect in various forms from 1982 to 2005, is alleged to have violated the provisions of Internal Revenue Code §401(a) and (h). The cumulative value of funds diverted from the pension plan assets is approximately \$8,200, not including lost interest earnings to the Pension Trust Fund. SDCERS has filed a voluntary disclosure with the IRS and the matter is still pending. The potential range of outcomes includes a disqualification of SDCERS tax exempt status and/or the City having to repay SDCERS for the funds diverted for retiree healthcare benefits. The range of loss to the City if forced to repay funds to SDCERS could be from \$10,000 to \$33,000 depending on how the effects of the funding mechanism on plan assets is calculated. It is the City's position that the diverted funds resulted in an increased Unfunded Actuarially Accrued Liability for the pension plan. Thus, the City's annually required contribution for the periods covered included the amortized cost of diverted plan assets. As a result, a significant portion of the City's liability is included in the Net Pension Obligation (NPO) as reported on the City's financial statements; the portion not already accrued within NPO is approximately \$2,000 and is accrued within the City's Self Insurance Fund.

Civil Actions Related to Ongoing SEC Investigations

As discussed previously in this footnote, in November 2006 the City was found by the SEC to have violated securities laws. The City Attorney has determined that the City could be subject to civil actions brought by holders of the City's bonds as a result of these sanctions. Such actions could potentially subject the City to significant liability. Specifically, the City Attorney has determined that since the City has not defaulted on its Bond obligations, potential civil actions could arise from changes in the market value of the City's bonds as a result of failures to disclose the City's pension and healthcare liabilities. At this time, no cases have been filed against the City and potential liabilities arising from aforementioned disclosure failures are not estimable. Most of the City's bonds were insured, minimizing or eliminating the risk of any liability related to interest rate reductions.

See Risk Management Note 15 for additional information.

**19. THIRD PARTY DEBT (In Thousands)**

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

Mortgage and Revenue Bonds

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

Industrial Development Revenue Bonds

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

1911 Act Special Assessment Bonds

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

As of June 30, 2004, the status of all third party bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2004
Mortgage Revenue	\$ 132,390	\$ 125,415
Industrial Development Revenue	345,805	342,005
1911 Act Special Assessment	236	25
Total	<u>\$ 478,431</u>	<u>\$ 467,445</u>

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

**20. CLOSURE AND POSTCLOSURE CARE COST (In Thousands)**

State and federal laws and regulations require that the City of San Diego place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and 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 \$12,600 reported as landfill closure and postclosure care liability at June 30, 2004 represents the cumulative amount reported to date based on the use of 72.6% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and postclosure care of \$4,800 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at June 30, 2004. The City expects to close the landfill in fiscal year 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The City is in compliance with these requirements and at June 30, 2004, cash or equity in pooled cash and investments of \$26,700 was held for this purpose. This is reported as restricted assets on the statement of net assets in the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

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

On October 22, 2001, SDDPC renewed its fiscal year 2002 agreement with a joint powers agency known as the Automated Regional Justice Information System ("ARJIS") whose main purpose is to pursue development of computerized law enforcement systems in the region.

Under the agreement, SDDPC is to provide data processing services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental entity clients. Included in SDDPC's data processing services revenue is approximately \$3,100 related to ARJIS for the year ended June 30, 2004.

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

On July 1, 1997, the City entered into an operating agreement with San Diego Medical Services Enterprise, LLC (SDMSE) to provide emergency medical services and emergency medical transportation services. On June 30, 2002, the City exercised the provision to renew the operating agreement with SDMSE for an additional three years. Under the agreement the City paid SDMSE \$788. SDMSE did not make a profit distribution to its partners during fiscal year 2004.

City of San Diego and Padres L.P.

On February 1, 2000 the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the new Petco Park Ballpark Facility (Facility). The Facility was completed and operational in April 2004. The City and Padres jointly own the facility; the Padres having a 30% divided interest based upon the original Facility cost estimate of \$267,500 (or \$80,250) with the City owning 70% which is capitalized on the City's books. The City and the Padres have agreed upon the schedule of items and components that constitute the Padres' divided ownership, and the value of that divided ownership may vary from (but does not exceed) 30% due to the calculation of cost overruns for the Ballpark. Following termination of any occupancy agreement for the Ballpark, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, up to a maximum of \$3,500 per year, subject to certain inflationary adjustments.

## 22. SUBSEQUENT EVENTS (In Thousands)

On July 1, 2004, the City privately placed a Tax Revenue Anticipation Note in an amount not to exceed \$129,000. The City borrowed \$114,000 to meet its cash flow needs and repaid the borrowing by May 2005.

On July 26, 2004, the City and the San Diego Chargers football team (Chargers) entered into Supplement Number Eight to the 1995 Agreement for Partial Use and Occupancy of Qualcomm Stadium. The agreement was approved by Ordinance No. O-19302, and is on file in the City Clerk's Office as Document No. O-19302. This agreement, among other items, eliminated the ticket guarantee, whereby the City was obligated to pay the Chargers for unsold home game tickets, up to 60,000 tickets per game. The agreement also reduced the rent paid to the City by approximately two thirds. The Chargers will pay \$2,500 through the 2013 regular season, rising to \$4,000 by the 2020 regular season. Additionally, the Chargers were granted the right to negotiate with third parties to relocate the team outside of the City after the 2008 regular season; any such move under the agreement would require payment to the City of an early termination fee of approximately \$56,000 in 2009 and decreasing in subsequent years.

On July 28, 2004, the Redevelopment Agency of the City of San Diego issued \$147,700 of Subordinate Tax Allocation and Tax Allocation Housing Bonds for the purpose of financing redevelopment activities, including the development of low and moderate income housing, and make payments pursuant to an MOU with the San Diego Padres in connection with development of the new PETCO Ballpark. A portion of the bonds were issued to refund \$33,500 of the Agency's outstanding Series 1993 Bonds. The Series 2004 A and B Bonds are payable from and secured by subordinate pledged tax revenues, and the Series 2004 C and D Bonds are payable from and secured by pledged housing tax revenues. The interest rates on the bonds range from 2.26 to 6.28 percent, with maturity dates of September 1, 2029 for the Series A, C and D Bonds and September 1, 2010 for the Series B Bonds.

On October 27, 2004, the Sewer Utility experienced several sewer overflows including a 2.26 million gallon overflow at the Point Loma Wastewater Treatment Plant, all due to extraordinary rain in the region. All overflows have been properly reported to the regulatory agencies, explaining the cause and extent of the overflows. To date no corrective action or penalty letters have been issued.

On February 14, 2005, Council authorized the sale of City Vehicle License Fee ("VLF") Receivables to the California Statewide Communities Development Authority. The use of the approximately \$20,000 in proceeds was to pay down the majority of the outstanding principal and accrued interest on the 1994 Open Space Refunding Bonds. On April 21, 2005, VLF proceeds of \$20,435 and Environmental Growth Fund 2/3 Fund monies of \$4,355 were used towards the partial redemption of the 1994 Open Space Refunding Bond principal and interest.

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

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

On August 15, 2005 (and March 13, 2006) the San Diego Police Officers' Association (SDPOA) filed a lawsuit against the City for alleged violations of the Fair Labor Standards Act, various California Labor Code provisions, as well as breach of contract and unfair competition relating to the terms of their employment. The courts dismissed the unfair competition claim but denied a motion to dismiss the breach of contract claim. Extensive discovery is about to commence for both parties, and therefore the range of loss cannot be estimated at this time. Plaintiffs have claimed \$230,000, but Plaintiffs counsel has proposed a mediation of the dispute before a third-party mediator. The City is currently considering this

proposal.

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

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

On June 22, 2006, the Redevelopment Agency of The City of San Diego issued \$76,200 of Subordinate and \$33,800 of Housing Tax Allocation Bonds. The Subordinate bonds were issued for the purpose of financing certain redevelopment activities within the Centre City Project, to pay the costs of debt service reserve surety bonds and the costs of issuance in connection with the Series 2006A Subordinate Bonds. The Housing bonds were issued for the purpose of financing certain improvements relating to, or increasing the development of low and moderate income housing, to pay the costs of the debt service reserve surety bonds and the costs of the issuance for the Series 2006B Housing Bonds. The Series 2006 A and B Bonds are payable from and secured by subordinate pledged tax revenues derived from the Centre City Redevelopment Project Area. The interest rate on the bonds ranges from 4.25 to 6.20 percent and the maturity date for the 2006A issue is September 1, 2032 and for the 2006B issue is September 1, 2031.

On July 3, 2006, the City privately placed a fiscal year 2006-2007 Tax Revenue Anticipation Note in an amount not to exceed \$160,000. Pursuant to the actual cash flow needs, the City borrowed \$142,000 on July 3, 2006 on a 13 month term.

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

On July 18, 2006 the SDPOA filed one lawsuit and has another pending case against the City of San Diego. The SDPOA alleges several violations of state and federal law arising from failed labor negotiations between the City and SDPOA in 2005. SDPOA also alleges state and federal claims based on the City's underfunding of the City's retirement system. The City is vigorously contesting this matter and the estimated loss, if any, is not known at this time.

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

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

On December 15, 2006, the City brought action against Sunroad Centrum L.P. for public nuisance abatement, injunction and violation of Unfair Practices Act as a result of their construction of an office building that has been deemed a hazard to air navigation at Montgomery Airport. Sunroad Centrum L.P. filed a cross-complaint against the City, alleging the City issued building permits to Sunroad Centrum L.P. for construction of this office building. The City is vigorously pursuing the nuisance abatement action and the cross-action complaint and the estimated loss, if any, arising from the cross complaint by Sunroad Centrum L.P. is not estimable at this time.

On January 30, 2007, the Public Facilities Financing Authority of the City of San Diego issued \$57,000 of Non-Transferable Subordinated Water Revenue Notes to finance upgrades to and expansion of its water system. This was a private placement/non-public offering. The Series 2007A Notes are secured by and payable solely from net system revenues of the Water Utility Fund. The notes bear an interest rate of 4.06 percent, and the maturity date is January 30, 2009.

On March 12, 2007, the Public Facilities Financing Authority of the City of San Diego issued \$156,560 of Lease Revenue Refunding Bonds to refund the existing Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002. This was a private placement/non-public offering. The Series 2007A Bonds are secured by and payable solely from base rental payments payable under the Ballpark Facility Lease. Such base rental payments are a general fund obligation of the City. The interest rates range from 5.0% to 5.25%, and the final maturity date is February 15, 2032.

On March 21, 2007, the City received a State Revolving Fund Loan disbursement from the State of California Water Resources Control Board totaling \$3,858 for the Point Loma Fourth Sludge Pump Modifications Project. The pay back period for the loan is 20 years, which begins one year after the completion of the project. The City is required to provide a 16.667 percent match for the loan, resulting in an effective interest rate of 2.42%.

On March 27, 2007, the City Council authorized a Master Lease Agreement with Koch Financial Corporation for the lease-purchase of Motive Equipment and Public Safety Equipment in an amount not to exceed \$14,600.

On May 7, 2007, the Public Facilities Financing Authority of the City of San Diego issued \$223,830 of Subordinate Sewer Revenue Notes, Series 2007 to finance upgrades to its sewer system and to refund the outstanding balance on the Series 2004 Subordinated Bonds in the amount of \$144,400. This was a private placement/non-public offering. The Series 2007 Notes are secured by and payable solely from net system revenues of the Sewer Utility Fund. The notes bear an interest rate of 5.00 percent, and the maturity date is May 15, 2009.

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

On May 15, 2007, the City Council authorized a Master Lease Agreement with IBM Credit LLC for the lease-purchase of the Enterprise Resource Planning System in an amount not to exceed \$29,500.

**Required Supplementary Information  
(Unaudited)  
Pension Trust Funds Analysis of Funding Progress**

The following table shows the funding progress of the full City's portion of SDCERS (excluding the Port and the Airport) for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability PUC * (b)	UAAL (b - a)	Funded Ratio ** (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2002	\$ 2,448,208	\$ 3,237,947	\$ 789,739	75.61%	\$ 535,157	147.57%
6/30/2003	2,375,431	3,607,173	1,231,742	65.85%	533,595	230.84%
6/30/2004	2,628,680	4,077,833	1,449,153	64.46%	540,181	268.27%

\* Projected Unit Credit method used for determining actuarial accrued liability.

\*\* The funded ratio has been adjusted to reflect the impact of the Corbett contingent benefit. The Actuarial Valuation provided by the actuary does not include this contingent benefit in the funded ratio.

REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND

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## GENERAL FUND

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

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

Current expenditures and encumbrances are classified by the functions of: General Government and Support; Public Safety–Police; Public Safety–Fire and Life Safety; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and Interest on Long-Term Debt. Appropriations are made from the fund annually.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2004**  
(In Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Tax .....	\$ 199,949	\$ 200,376	\$ 201,133	\$ 757
Sales Tax .....	127,948	145,449	137,360	(8,089)
Transient Occupancy Tax .....	57,998	59,293	59,530	237
Other Local Taxes .....	60,559	62,555	64,977	2,422
Licenses and Permits .....	23,507	23,507	23,699	192
Fines, Forfeitures and Penalties .....	27,748	30,150	31,832	1,682
Revenue from Use of Money and Property .....	32,288	31,439	28,629	(2,810)
Revenue from Federal Agencies .....	1,185	2,661	4,055	1,394
Revenue from Other Agencies .....	82,848	83,754	74,204	(9,550)
Charges for Current Services .....	71,789	87,446	98,956	11,510
Other Revenue .....	3,822	4,375	2,870	(1,505)
<b>TOTAL REVENUES</b> .....	<b>689,641</b>	<b>731,005</b>	<b>727,245</b>	<b>(3,760)</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	141,474	147,355	140,293	7,062
Public Safety - Police .....	274,483	284,194	282,693	1,501
Public Safety - Fire and Life Safety .....	125,262	139,231	138,501	730
Parks, Recreation, Culture and Leisure .....	109,168	108,619	101,328	7,291
Transportation .....	19,757	21,057	20,820	237
Sanitation and Health .....	39,074	40,593	39,880	713
Neighborhood Services .....	24,757	28,027	26,893	1,134
Debt Service:				
Principal Retirement .....	1,924	2,318	2,318	-
Interest .....	6,103	5,442	5,442	-
<b>TOTAL EXPENDITURES</b> .....	<b>742,002</b>	<b>776,836</b>	<b>758,168</b>	<b>18,668</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>(52,361)</b>	<b>(45,831)</b>	<b>(30,923)</b>	<b>14,908</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Proprietary Funds .....	2,747	4,557	2,941	(1,616)
Transfers from Other Funds .....	40,445	45,998	37,994	(8,004)
Transfers to Proprietary Funds .....	(5,969)	(13,707)	(13,707)	-
Transfers to Other Funds .....	(16,299)	(15,665)	(15,665)	-
Net Income (Loss) from Joint Venture .....	-	-	(485)	(485)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>20,924</b>	<b>21,183</b>	<b>11,078</b>	<b>(10,105)</b>
<b>NET CHANGE IN FUND BALANCE</b> .....	<b>(31,437)</b>	<b>(24,648)</b>	<b>(19,845)</b>	<b>4,803</b>
Fund Balance Undesignated at July 1, 2003 .....	43,893	43,893	43,893	-
Reserved for Encumbrances at July 1, 2003 .....	17,333	17,333	17,333	-
Reserved for Minority Interest in Joint Venture at July 1, 2003 .....	-	-	2,007	2,007
Reserved for Minority Interest in Joint Venture at June 30, 2004 .....	-	-	(1,522)	(1,522)
Designated for Subsequent Years' Expenditures at July 1, 2003 .....	806	806	806	-
Designated for Subsequent Years' Expenditures at June 30, 2004 .....	-	-	(1,333)	(1,333)
<b>FUND BALANCE UNDESIGNATED AT JUNE 30, 2004</b> .....	<b>\$ 30,595</b>	<b>\$ 37,384</b>	<b>\$ 41,339</b>	<b>\$ 3,955</b>

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

## Notes to Required Supplementary Information For the Year Ended June 30, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Budgetary Data

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

- **General Fund**
- **Special Revenue Funds:**
  - City of San Diego:
    - Acquisition, Improvement and Operation
    - Environmental Growth Funds:
      - Two-Thirds Requirement
      - One-Third Requirement
    - Police Decentralization
    - Public Transportation
    - Qualcomm Stadium Operations
    - Special Gas Tax Street Improvement
    - Street Division Operations
    - Transient Occupancy Tax
    - Zoological Exhibits
    - Other Special Revenue
  - Centre City Development Corporation
  - Southeastern Economic Development Corporation
- **Debt Service Funds:**
  - City of San Diego:
    - Public Safety Communications Project
  - San Diego Open Space Park Facilities District #1
- **Capital Projects Funds:**
  - City of San Diego:
    - Underground Surcharge

Public hearings are then conducted to obtain citizen comments on the proposed budget. During the month of July the budget is legally adopted through passage of an appropriation ordinance by the City Council. Budgets are prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments.

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

approval except as delegated in the Annual Appropriation Ordinance.

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

The following is a reconciliation of the excess (deficiency) of revenues over expenditures prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2004 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	\$ (5,830)
Add (Deduct):	
Encumbrances Outstanding, June 30, 2004	(14,888)
Reserved for Advances and Deposits, June 30, 2004	(2,140)
Reserved for Advances and Deposits, June 30, 2003	2,142
Designated for Unrealized Gains, June 30, 2003	871
Net Change in Fund Balances - Budgetary Basis	<u>\$ (19,845)</u>

b. Encumbrances

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

Encumbrances outstanding at year-end are reported as reservations of fund balances, since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

SUPPLEMENTARY INFORMATION - GENERAL FUND

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**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>PROPERTY TAX</b>					
One Percent Property Tax Allocation .....	\$ -	\$ -	\$ -	\$ 200,178	\$ (200,178)
Current Year - Secured .....	171,671	-	171,671	-	171,671
Current Year Supplemental - Secured .....	9,744	-	9,744	-	9,744
Current Year - Unsecured .....	8,333	-	8,333	-	8,333
Current Unsecured Supplemental Roll .....	213	-	213	-	213
Homeowners' Exemptions - Secured .....	2,705	-	2,705	-	2,705
Homeowners' Exemptions - Unsecured .....	3	-	3	-	3
Prior Years' - Secured .....	3,319	-	3,319	198	3,121
Prior Years' - Unsecured .....	(259)	-	(259)	-	(259)
Interest and Penalties on Delinquent Taxes .....	479	-	479	-	479
Escapes - Secured .....	65	-	65	-	65
Escapes - Unsecured .....	386	-	386	-	386
Other Property Taxes .....	877	-	877	-	877
State Secured Unitary .....	3,597	-	3,597	-	3,597
<b>TOTAL PROPERTY TAX .....</b>	<b>201,133</b>	<b>-</b>	<b>201,133</b>	<b>200,376</b>	<b>757</b>
<b>SALES TAX .....</b>	<b>137,360</b>	<b>-</b>	<b>137,360</b>	<b>145,449</b>	<b>(8,089)</b>
<b>TRANSIENT OCCUPANCY TAX .....</b>	<b>59,530</b>	<b>-</b>	<b>59,530</b>	<b>59,293</b>	<b>237</b>
<b>OTHER LOCAL TAXES</b>					
Franchises .....	54,415	-	54,415	52,087	2,328
Property Transfer Tax .....	10,562	-	10,562	10,468	94
<b>TOTAL OTHER LOCAL TAXES .....</b>	<b>64,977</b>	<b>-</b>	<b>64,977</b>	<b>62,555</b>	<b>2,422</b>
<b>LICENSES AND PERMITS</b>					
General Business Licenses .....	5,115	-	5,115	5,537	(422)
Refuse Collection Business Licenses .....	1,001	-	1,001	1,400	(399)
Other Regulatory Business Licenses .....	2,783	-	2,783	2,337	446
Rental Unit Tax .....	5,103	-	5,103	4,502	601
Parking Meter Revenue .....	6,700	-	6,700	7,237	(537)
Street and Curb Permits .....	139	-	139	64	75
Other Licenses and Permits .....	2,858	-	2,858	2,430	428
<b>TOTAL LICENSES AND PERMITS .....</b>	<b>23,699</b>	<b>-</b>	<b>23,699</b>	<b>23,507</b>	<b>192</b>
<b>FINES, FORFEITURES AND PENALTIES</b>					
California Vehicle Code Violations .....	25,834	-	25,834	26,060	(226)
Other City Ordinance Code Violations .....	5,995	-	5,995	4,090	1,905
Other California Statutory Violations .....	3	-	3	-	3
<b>TOTAL FINES, FORFEITURES AND PENALTIES .....</b>	<b>31,832</b>	<b>-</b>	<b>31,832</b>	<b>30,150</b>	<b>1,682</b>
<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>					
Interest on Investments .....	525	871	1,396	3,562	(2,166)
Balboa Park Rents and Concessions .....	641	-	641	923	(282)
Mission Bay Park Rents and Concessions .....	20,487	-	20,487	20,044	443
Other Rents and Concessions .....	6,105	-	6,105	6,910	(805)
<b>TOTAL REVENUE FROM USE OF MONEY AND PROPERTY .....</b>	<b>27,758</b>	<b>871</b>	<b>28,629</b>	<b>31,439</b>	<b>(2,810)</b>
<b>REVENUE FROM FEDERAL AGENCIES .....</b>	<b>4,055</b>	<b>-</b>	<b>4,055</b>	<b>2,661</b>	<b>1,394</b>

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**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUE FROM OTHER AGENCIES</b>					
State Motor Vehicle License Fees .....	\$ 58,952	\$ -	\$ 58,952	\$ 75,799	\$ (16,847)
Off-Highway Motor Vehicle License Fees .....	37	-	37	-	37
Local Relief .....	5,310	-	5,310	5,223	87
Tobacco Revenue .....	7,781	-	7,781	-	7,781
State Grants .....	2,124	-	2,124	2,732	(608)
<b>TOTAL REVENUE FROM OTHER AGENCIES .....</b>	<b>74,204</b>	<b>-</b>	<b>74,204</b>	<b>83,754</b>	<b>(9,550)</b>
<b>CHARGES FOR CURRENT SERVICES</b>					
Administrative Services to Other Agencies .....	80	-	80	27	53
Cemetery Revenue .....	758	-	758	701	57
Engineering Services .....	285	-	285	812	(527)
Fire Services .....	11,443	-	11,443	11,361	82
Library Revenue .....	1,870	-	1,870	1,907	(37)
Miscellaneous Recreation Revenue .....	2,373	-	2,373	2,425	(52)
Other Services .....	548	-	548	356	192
Paramedic Services .....	184	-	184	193	(9)
Planning and Miscellaneous Filing Fees .....	276	-	276	258	18
Police Services .....	3,525	-	3,525	3,043	482
Swimming Pools Revenue .....	1,424	-	1,424	1,252	172
Services Rendered to Other Funds for:					
General Government and Financial .....	38,519	-	38,519	35,804	2,715
Engineering .....	21,781	-	21,781	19,626	2,155
Park Design .....	3,838	-	3,838	2,045	1,793
Miscellaneous Services .....	12,052	-	12,052	7,636	4,416
<b>TOTAL CHARGES FOR CURRENT SERVICES .....</b>	<b>98,956</b>	<b>-</b>	<b>98,956</b>	<b>87,446</b>	<b>11,510</b>
<b>OTHER REVENUE</b>					
Other Refunds of Prior Years' Expenditures .....	472	-	472	362	110
Repairs and Damage Recoveries .....	257	-	257	110	147
Sale of Personal Property .....	222	-	222	181	41
Miscellaneous Revenue .....	1,919	-	1,919	3,722	(1,803)
<b>TOTAL OTHER REVENUE .....</b>	<b>2,870</b>	<b>-</b>	<b>2,870</b>	<b>4,375</b>	<b>(1,505)</b>
<b>TOTAL REVENUES .....</b>	<b>726,374</b>	<b>871</b>	<b>727,245</b>	<b>731,005</b>	<b>(3,760)</b>
<b>TRANSFERS FROM PROPRIETARY FUNDS</b>					
Enterprise Funds:					
City of San Diego:					
Airports .....	2	-	2	1	1
City Store .....	-	-	-	-	-
Golf Course .....	1,692	-	1,692	1,682	10
Environmental Services .....	26	-	26	7	19
Planning and Development Review .....	12	-	12	12	-
Recycling .....	7	-	7	7	-
Sewer .....	254	-	254	-	254
Water Utility .....	238	-	238	80	158
Internal Service Funds:					
City of San Diego:					
Central Garage and Machine Shop .....	221	-	221	300	(79)
Print Shop .....	11	-	11	-	11
Self Insurance .....	219	-	219	-	219
Central Stores .....	13	-	13	-	13
Miscellaneous Internal Service .....	56	-	56	-	56
Special Engineering .....	-	-	-	658	(658)
San Diego Data Processing Corporation .....	190	-	190	1,810	(1,620)
<b>TOTAL TRANSFERS FROM PROPRIETARY FUNDS .....</b>	<b>2,941</b>	<b>-</b>	<b>2,941</b>	<b>4,557</b>	<b>(1,616)</b>

**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>TRANSFERS FROM OTHER FUNDS</b>					
Special Revenue Funds:					
Redevelopment Agency .....	\$ 34	\$ -	\$ 34	\$ 1,000	\$ (966)
City of San Diego:					
Environmental Growth Fund .....	692	-	692	692	-
Special Gas Tax Street Improvement .....	3,346	-	3,346	3,546	(200)
Transient Occupancy Tax .....	16,900	-	16,900	18,859	(1,959)
Zoological Exhibits.....	9	-	9	5,354	(5,345)
Street Division Operations.....	37	-	37	-	37
Police Decentralization.....	70	-	70	-	70
Other Special Revenue-Budgeted .....	5,399	-	5,399	5,354	45
Other Special Revenue-Unbudgeted .....	5,866	-	5,866	5,891	(25)
Capital Projects Funds:					
City of San Diego:					
Other Construction .....	5,275	-	5,275	4,927	348
Permanent Funds:					
Cemetery Perpetuity .....	366	-	366	375	(9)
<b>TOTAL TRANSFERS FROM OTHER FUNDS .....</b>	<b>37,994</b>	<b>-</b>	<b>37,994</b>	<b>45,998</b>	<b>(8,004)</b>
<b>PROCEEDS FROM CAPITAL LEASES</b>					
Proceeds from Capital Leases .....	3,634	(3,634)	-	-	-
Net Income (Loss) from Joint Venture .....	(485)	-	(485)	-	(485)
<b>TOTAL REVENUE AND TRANSFERS .....</b>	<b>\$ 770,458</b>	<b>\$ (2,763)</b>	<b>\$ 767,695</b>	<b>\$ 781,560</b>	<b>\$ (13,865)</b>

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>GENERAL GOVERNMENT AND SUPPORT</b>					
Departmental:					
Mayor					
Salaries and Wages .....	\$ 1,839	\$ -	\$ 1,839	\$ 1,841	\$ 2
Non-Personnel .....	805	5	810	855	45
Total Mayor .....	<u>2,644</u>	<u>5</u>	<u>2,649</u>	<u>2,696</u>	<u>47</u>
City Council District 1					
Salaries and Wages .....	454	-	454	469	15
Non-Personnel .....	234	1	235	236	1
Total City Council District 1 .....	<u>688</u>	<u>1</u>	<u>689</u>	<u>705</u>	<u>16</u>
City Council District 2					
Salaries and Wages .....	568	-	568	581	13
Non-Personnel .....	259	1	260	277	17
Total City Council District 2 .....	<u>827</u>	<u>1</u>	<u>828</u>	<u>858</u>	<u>30</u>
City Council District 3					
Salaries and Wages .....	549	-	549	562	13
Non-Personnel .....	244	1	245	248	3
Total City Council District 3 .....	<u>793</u>	<u>1</u>	<u>794</u>	<u>810</u>	<u>16</u>
City Council District 4					
Salaries and Wages .....	593	-	593	593	-
Non-Personnel .....	268	1	269	269	-
Total City Council District 4 .....	<u>861</u>	<u>1</u>	<u>862</u>	<u>862</u>	<u>-</u>
City Council District 5					
Salaries and Wages .....	465	-	465	508	43
Non-Personnel .....	235	1	236	280	44
Total City Council District 5 .....	<u>700</u>	<u>1</u>	<u>701</u>	<u>788</u>	<u>87</u>
City Council District 6					
Salaries and Wages .....	500	-	500	508	8
Non-Personnel .....	253	1	254	280	26
Total City Council District 6 .....	<u>753</u>	<u>1</u>	<u>754</u>	<u>788</u>	<u>34</u>
City Council District 7					
Salaries and Wages .....	558	-	558	559	1
Non-Personnel .....	251	1	252	281	29
Total City Council District 7 .....	<u>809</u>	<u>1</u>	<u>810</u>	<u>840</u>	<u>30</u>
City Council District 8					
Salaries and Wages .....	582	-	582	583	1
Non-Personnel .....	271	1	272	290	18
Total City Council District 8 .....	<u>853</u>	<u>1</u>	<u>854</u>	<u>873</u>	<u>19</u>
Council Administration					
Salaries and Wages .....	433	-	433	459	26
Non-Personnel .....	290	1	291	348	57
Total Council Administration .....	<u>723</u>	<u>1</u>	<u>724</u>	<u>807</u>	<u>83</u>
City Attorney					
Salaries and Wages .....	20,729	-	20,729	20,729	-
Non-Personnel .....	9,330	70	9,400	9,429	29
Total City Attorney .....	<u>30,059</u>	<u>70</u>	<u>30,129</u>	<u>30,158</u>	<u>29</u>

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Actual		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,839	\$ -	\$ 1,839	\$ 1,841	\$ 2
2	-	2	5	3	807	5	812	860	48
2	-	2	5	3	2,646	5	2,651	2,701	50
-	-	-	-	-	454	-	454	469	15
-	-	-	1	1	234	1	235	237	2
-	-	-	1	1	688	1	689	706	17
-	-	-	-	-	568	-	568	581	13
1	-	1	2	1	260	1	261	279	18
1	-	1	2	1	828	1	829	860	31
-	-	-	-	-	549	-	549	562	13
-	-	-	-	-	244	1	245	248	3
-	-	-	-	-	793	1	794	810	16
-	-	-	-	-	593	-	593	593	-
2	-	2	3	1	270	1	271	272	1
2	-	2	3	1	863	1	864	865	1
-	-	-	-	-	465	-	465	508	43
-	-	-	1	1	235	1	236	281	45
-	-	-	1	1	700	1	701	789	88
-	-	-	-	-	500	-	500	508	8
-	-	-	1	1	253	1	254	281	27
-	-	-	1	1	753	1	754	789	35
-	-	-	-	-	558	-	558	559	1
-	-	-	1	1	251	1	252	282	30
-	-	-	1	1	809	1	810	841	31
-	-	-	-	-	582	-	582	583	1
-	-	-	-	-	271	1	272	290	18
-	-	-	-	-	853	1	854	873	19
-	-	-	-	-	433	-	433	459	26
-	-	-	1	1	290	1	291	349	58
-	-	-	1	1	723	1	724	808	84
-	-	-	-	-	20,729	-	20,729	20,729	-
49	10	59	62	3	9,379	80	9,459	9,491	32
49	10	59	62	3	30,108	80	30,188	30,220	32

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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2004**  
(In Thousands)

	Current Year				Variance with Final Budget Positive Negative
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Departmental (Continued):					
City Auditor and Comptroller					
Salaries and Wages .....	\$ 5,899	\$ -	\$ 5,899	\$ 6,086	\$ 187
Non-Personnel .....	2,561	28	2,589	2,702	113
Total City Auditor and Comptroller .....	8,460	28	8,488	8,788	300
City Clerk					
Salaries and Wages .....	1,921	-	1,921	1,998	77
Non-Personnel .....	1,203	59	1,262	1,367	105
Total City Clerk .....	3,124	59	3,183	3,365	182
City Manager					
Salaries and Wages .....	303	-	303	303	-
Non-Personnel .....	112	-	112	113	1
Total City Manager .....	415	-	415	416	1
Engineering and Capital Projects - Administration					
Salaries and Wages .....	228	-	228	273	45
Non-Personnel .....	456	39	495	496	1
Total Engineering and Capital Projects - Administration .....	684	39	723	769	46
Field Engineering					
Salaries and Wages .....	7,947	-	7,947	7,953	6
Non-Personnel .....	4,001	62	4,063	4,164	101
Total Field Engineering .....	11,948	62	12,010	12,117	107
Public Buildings & Parks					
Salaries and Wages .....	2,777	-	2,777	2,779	2
Non-Personnel .....	1,311	39	1,350	1,355	5
Total Public Buildings & Parks .....	4,088	39	4,127	4,134	7
Equal Opportunity Contracting					
Salaries and Wages .....	1,493	-	1,493	1,495	2
Non-Personnel .....	730	-	730	860	130
Total Equal Opportunity Contracting .....	2,223	-	2,223	2,355	132
Budget and Management Services					
Salaries and Wages .....	1,787	-	1,787	1,841	54
Non-Personnel .....	781	-	781	855	74
Total Budget and Management Services .....	2,568	-	2,568	2,696	128
City Treasurer					
Salaries and Wages .....	3,717	-	3,717	3,717	-
Non-Personnel .....	3,354	685	4,039	4,081	42
Total City Treasurer's .....	7,071	685	7,756	7,798	42
Financing Services					
Salaries and Wages .....	919	-	919	1,027	108
Non-Personnel .....	428	-	428	507	79
Total Financing Services .....	1,347	-	1,347	1,534	187
General Services - Administration					
Salaries and Wages .....	504	-	504	505	1
Non-Personnel .....	201	24	225	226	1
Total General Services - Administration .....	705	24	729	731	2
Station 38					
Salaries and Wages .....	-	-	-	3	3
Non-Personnel .....	-	-	-	39	39
Total General Services - Administration .....	-	-	-	42	42

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Actual		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,899	\$ -	\$ 5,899	\$ 6,086	\$ 187
3	-	3	14	11	2,564	28	2,592	2,716	124
3	-	3	14	11	8,463	28	8,491	8,802	311
-	-	-	-	-	1,921	-	1,921	1,998	77
2	-	2	22	20	1,205	59	1,264	1,389	125
2	-	2	22	20	3,126	59	3,185	3,387	202
-	-	-	-	-	303	-	303	303	-
-	-	-	-	-	112	-	112	113	1
-	-	-	-	-	415	-	415	416	1
-	-	-	-	-	228	-	228	273	45
3	13	16	16	-	459	52	511	512	1
3	13	16	16	-	687	52	739	785	46
-	-	-	-	-	7,947	-	7,947	7,953	6
30	50	80	80	-	4,031	112	4,143	4,244	101
30	50	80	80	-	11,978	112	12,090	12,197	107
-	-	-	-	-	2,777	-	2,777	2,779	2
1	5	6	14	8	1,312	44	1,356	1,369	13
1	5	6	14	8	4,089	44	4,133	4,148	15
-	-	-	-	-	1,493	-	1,493	1,495	2
78	5	83	102	19	808	5	813	962	149
78	5	83	102	19	2,301	5	2,306	2,457	151
-	-	-	-	-	1,787	-	1,787	1,841	54
-	7	7	7	-	781	7	788	862	74
-	7	7	7	-	2,568	7	2,575	2,703	128
-	-	-	-	-	3,717	-	3,717	3,717	-
133	408	541	608	67	3,487	1,093	4,580	4,689	109
133	408	541	608	67	7,204	1,093	8,297	8,406	109
-	-	-	-	-	919	-	919	1,027	108
-	-	-	-	-	428	-	428	507	79
-	-	-	-	-	1,347	-	1,347	1,534	187
-	-	-	-	-	504	-	504	505	1
1	-	1	1	-	202	24	226	227	1
1	-	1	1	-	706	24	730	732	2
-	-	-	-	-	-	-	-	3	3
-	-	-	-	-	-	-	-	39	39
-	-	-	-	-	-	-	-	42	42

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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2004**  
(In Thousands)

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Departmental (Continued):					
Facilities Maintenance					
Salaries and Wages .....	\$ 7,190	\$ -	\$ 7,190	\$ 7,210	\$ 20
Non-Personnel .....	8,653	484	9,137	9,169	32
Total Facilities Maintenance .....	15,843	484	16,327	16,379	52
Purchasing					
Salaries and Wages .....	1,096	-	1,096	1,097	1
Non-Personnel .....	648	2	650	685	35
Total Purchasing .....	1,744	2	1,746	1,782	36
Storm Water					
Salaries and Wages .....	1,215	-	1,215	1,216	1
Non-Personnel .....	1,097	216	1,313	1,336	23
Total Storm Water .....	2,312	216	2,528	2,552	24
Governmental Relations					
Salaries and Wages .....	261	-	261	279	18
Non-Personnel .....	404	63	467	467	-
Total Governmental Relations .....	665	63	728	746	18
Human Resources					
Salaries and Wages .....	475	-	475	495	20
Non-Personnel .....	204	-	204	224	20
Total Human Resources .....	679	-	679	719	40
Organizational Effectiveness Program					
Salaries and Wages .....	449	-	449	450	1
Non-Personnel .....	231	-	231	236	5
Total Organizational Effectiveness Program .....	680	-	680	686	6
Personnel					
Salaries and Wages .....	3,649	-	3,649	3,700	51
Non-Personnel .....	1,989	321	2,310	2,391	81
Total Personnel .....	5,638	321	5,959	6,091	132
Public and Media Affairs					
Salaries and Wages .....	161	-	161	196	35
Non-Personnel .....	127	-	127	158	31
Total Public and Media Affairs .....	288	-	288	354	66
Real Estate Assets					
Salaries and Wages .....	2,458	-	2,458	2,811	353
Non-Personnel .....	1,243	6	1,249	1,476	227
Total Real Estate Assets .....	3,701	6	3,707	4,287	580
Special Projects					
Salaries and Wages .....	1,249	-	1,249	1,249	-
Non-Personnel .....	726	65	791	2,033	1,242
Total Special Projects .....	1,975	65	2,040	3,282	1,242
Citizens Assistance					
Salaries and Wages .....	112	-	112	130	18
Non-Personnel .....	57	-	57	70	13
Total Citizens Assistance .....	169	-	169	200	31

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Actual		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,190	\$ -	\$ 7,190	\$ 7,210	\$ 20
234	13	247	750	503	8,887	497	9,384	9,919	535
234	13	247	750	503	16,077	497	16,574	17,129	555
-	-	-	-	-	1,096	-	1,096	1,097	1
3	-	3	3	-	651	2	653	688	35
3	-	3	3	-	1,747	2	1,749	1,785	36
-	-	-	-	-	1,215	-	1,215	1,216	1
40	77	117	126	9	1,137	293	1,430	1,462	32
40	77	117	126	9	2,352	293	2,645	2,678	33
-	-	-	-	-	261	-	261	279	18
-	37	37	37	-	404	100	504	504	-
-	37	37	37	-	665	100	765	783	18
-	-	-	-	-	475	-	475	495	20
-	-	-	-	-	204	-	204	224	20
-	-	-	-	-	679	-	679	719	40
-	-	-	-	-	449	-	449	450	1
-	-	-	-	-	231	-	231	236	5
-	-	-	-	-	680	-	680	686	6
-	-	-	-	-	3,649	-	3,649	3,700	51
52	-	52	154	102	2,041	321	2,362	2,545	183
52	-	52	154	102	5,690	321	6,011	6,245	234
-	-	-	-	-	161	-	161	196	35
-	2	2	2	-	127	2	129	160	31
-	2	2	2	-	288	2	290	356	66
-	-	-	-	-	2,458	-	2,458	2,811	353
1	14	15	16	1	1,244	20	1,264	1,492	228
1	14	15	16	1	3,702	20	3,722	4,303	581
-	-	-	-	-	1,249	-	1,249	1,249	-
-	10	10	10	-	726	75	801	2,043	1,242
-	10	10	10	-	1,975	75	2,050	3,292	1,242
-	-	-	-	-	112	-	112	130	18
-	-	-	-	-	57	-	57	70	13
-	-	-	-	-	169	-	169	200	31

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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2004**  
(In Thousands)

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Departmental (Continued):					
Ethics Commission					
Salaries and Wages .....	\$ 192	\$ -	\$ 192	\$ 267	\$ 75
Non-Personnel .....	123	4	127	213	86
Total Ethics Commission .....	315	4	319	480	161
Total Departmental .....	116,352	2,181	118,533	122,488	3,955
Citywide Program:					
Assessments to Public Property					
Non-Personnel .....	226	-	226	260	34
Citywide Elections					
Non-Personnel .....	-	-	-	11	11
Competition Program					
Salaries and Wages .....	3	-	3	6	3
Non-Personnel .....	1	-	1	8	7
Total Competition Program .....	4	-	4	14	10
Employee Personal Property Damage					
Non-Personnel .....	5	-	5	10	5
Fellowship Program					
Salaries and Wages .....	6	-	6	12	6
Non-Personnel .....	32	-	32	64	32
Total Fellowship Program .....	38	-	38	76	38
Financial Accounting Systems					
Salaries and Wages .....	63	-	63	63	-
Non-Personnel .....	874	25	899	899	-
Total Financial Accounting Systems .....	937	25	962	962	-
General Government Printing					
Non-Personnel .....	34	-	34	66	32
Independent Audit					
Non-Personnel .....	3	598	601	601	-
Total Financial Accounting Systems .....	3	598	601	601	-
Insurance					
Non-Personnel .....	1,085	-	1,085	1,151	66
Labor Relations					
Salaries and Wages .....	161	-	161	162	1
Non-Personnel .....	79	-	79	92	13
Total Labor Relations .....	240	-	240	254	14
Management Compensation Plan					
Non-Personnel .....	324	-	324	379	55
Total Management Compensation Plan .....	324	-	324	379	55

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget			Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192	\$ -	\$ 192	\$ 267	\$ 75
26	-	26	26	-	149	4	153	239	86
26	-	26	26	-	341	4	345	506	161
661	651	1,312	2,065	753	117,013	2,832	119,845	124,553	4,708
-	-	-	-	-	226	-	226	260	34
-	-	-	-	-	-	-	-	11	11
-	-	-	-	-	3	-	3	6	3
1	-	1	1	-	2	-	2	9	7
1	-	1	1	-	5	-	5	15	10
-	-	-	-	-	5	-	5	10	5
-	-	-	-	-	6	-	6	12	6
-	-	-	-	-	32	-	32	64	32
-	-	-	-	-	38	-	38	76	38
-	-	-	-	-	63	-	63	63	-
-	-	-	-	-	874	25	899	899	-
-	-	-	-	-	937	25	962	962	-
-	-	-	-	-	34	-	34	66	32
63	130	193	193	-	66	728	794	794	-
63	130	193	193	-	66	728	794	794	-
-	76	76	76	-	1,085	76	1,161	1,227	66
-	-	-	-	-	161	-	161	162	1
-	-	-	-	-	79	-	79	92	13
-	-	-	-	-	240	-	240	254	14
-	-	-	-	-	324	-	324	379	55
-	-	-	-	-	324	-	324	379	55

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**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Citywide Program (Continued):					
Memberships					
Non-Personnel .....	\$ 590	\$ -	\$ 590	\$ 594	\$ 4
Municipal Activities					
Non-Personnel .....	35	-	35	37	2
Property Tax Administration					
Non-Personnel .....	2,255	-	2,255	2,255	-
Public Works Projects					
Salaries and Wages .....	168	-	168	176	8
Non-Personnel .....	273	38	311	399	88
Total Public Works Projects .....	441	38	479	575	96
Random Drug Testing					
Salaries and Wages .....	37	-	37	42	5
Non-Personnel .....	73	52	125	136	11
Total Random Drug Testing .....	110	52	162	178	16
Special Pay					
Non-Personnel .....	-	-	-	169	169
Training					
Salaries and Wages .....	-	-	-	4	4
Non-Personnel .....	-	-	-	12	12
Total Training .....	-	-	-	16	16
Travel Contingency					
Non-Personnel .....	-	-	-	14	14
San Diego Geographic Info Source					
Non-Personnel .....	545	27	572	587	15
Total San Diego Geographic Info Source .....	545	27	572	587	15
Space Rental					
Salaries and Wages .....	44	-	44	47	3
Non-Personnel .....	6,003	246	6,249	6,304	55
Total Space Rental .....	6,047	246	6,293	6,351	58
Other Special Projects					
Salaries and Wages .....	454	-	454	471	17
Non-Personnel .....	3,813	366	4,179	5,457	1,278
Total Other Special Projects .....	4,267	366	4,633	5,928	1,295
Total Citywide Program .....	17,186	1,352	18,538	20,488	1,950
<b>TOTAL GENERAL GOVERNMENT AND SUPPORT .....</b>	<b>133,538</b>	<b>3,533</b>	<b>137,071</b>	<b>142,976</b>	<b>5,905</b>

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget			Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 590	\$ -	\$ 590	\$ 594	\$ 4
-	-	-	-	-	35	-	35	37	2
-	-	-	-	-	2,255	-	2,255	2,255	-
-	-	-	-	-	168	-	168	176	8
22	171	193	193	-	295	209	504	592	88
22	171	193	193	-	463	209	672	768	96
-	-	-	-	-	37	-	37	42	5
13	-	13	47	34	86	52	138	183	45
13	-	13	47	34	123	52	175	225	50
-	-	-	-	-	-	-	-	169	169
-	-	-	-	-	-	-	-	4	4
-	-	-	-	-	-	-	-	12	12
-	-	-	-	-	-	-	-	16	16
-	-	-	-	-	-	-	-	14	14
15	-	15	16	1	560	27	587	603	16
15	-	15	16	1	560	27	587	603	16
-	-	-	-	-	44	-	44	47	3
3	538	541	542	1	6,006	784	6,790	6,846	56
3	538	541	542	1	6,050	784	6,834	6,893	59
-	-	-	-	-	454	-	454	471	17
549	329	878	1,246	368	4,362	695	5,057	6,703	1,646
549	329	878	1,246	368	4,816	695	5,511	7,174	1,663
666	1,244	1,910	2,314	404	17,852	2,596	20,448	22,802	2,354
1,327	1,895	3,222	4,379	1,157	134,865	5,428	140,293	147,355	7,062

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**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	Current Year			Final Budget	Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis		
<b>PUBLIC SAFETY - POLICE</b>					
Departmental:					
Police					
Salaries and Wages .....	\$ 184,725	\$ -	\$ 184,725	\$ 184,730	\$ 5
Non-Personnel .....	97,903	(1,136)	96,767	96,853	86
Total Police .....	<u>282,628</u>	<u>(1,136)</u>	<u>281,492</u>	<u>281,583</u>	<u>91</u>
Citywide Program:					
Police Review Board					
Salaries and Wages .....	142	-	142	147	5
Non-Personnel .....	78	-	78	87	9
Total Police Review Board .....	<u>220</u>	<u>-</u>	<u>220</u>	<u>234</u>	<u>14</u>
Total Citywide Program .....	<u>220</u>	<u>-</u>	<u>220</u>	<u>234</u>	<u>14</u>
<b>TOTAL PUBLIC SAFETY - POLICE .....</b>	<b><u>282,848</u></b>	<b><u>(1,136)</u></b>	<b><u>281,712</u></b>	<b><u>281,817</u></b>	<b><u>105</u></b>
<b>PUBLIC SAFETY - FIRE AND LIFE SAFETY</b>					
Departmental:					
Fire-Rescue					
Salaries and Wages .....	94,603	-	94,603	94,603	-
Non-Personnel .....	40,992	608	41,600	41,603	3
Total Fire-Rescue .....	<u>135,595</u>	<u>608</u>	<u>136,203</u>	<u>136,206</u>	<u>3</u>
Citywide Program:					
Emergency Medical Services					
Salaries and Wages .....	141	-	141	177	36
Non-Personnel .....	893	272	1,165	1,262	97
Total Emergency Medical Services .....	<u>1,034</u>	<u>272</u>	<u>1,306</u>	<u>1,439</u>	<u>133</u>
Other Special Projects					
Non-Personnel .....	255	(255)	-	20	20
Total Citywide Program .....	<u>1,289</u>	<u>17</u>	<u>1,306</u>	<u>1,459</u>	<u>153</u>
<b>TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY .....</b>	<b><u>136,884</u></b>	<b><u>625</u></b>	<b><u>137,509</u></b>	<b><u>137,665</u></b>	<b><u>156</u></b>

Actual	Prior Year				Actual	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,725	\$ -	\$ 184,725	\$ 184,730	\$ 5
899	82	981	2,377	1,396	98,802	(1,054)	97,748	99,230	1,482
899	82	981	2,377	1,396	283,527	(1,054)	282,473	283,960	1,487
-	-	-	-	-	142	-	142	147	5
-	-	-	-	-	78	-	78	87	9
-	-	-	-	-	220	-	220	234	14
-	-	-	-	-	220	-	220	234	14
899	82	981	2,377	1,396	283,747	(1,054)	282,693	284,194	1,501
-	-	-	-	-	94,603	-	94,603	94,603	-
797	39	836	1,409	573	41,789	647	42,436	43,012	576
797	39	836	1,409	573	136,392	647	137,039	137,615	576
-	-	-	-	-	141	-	141	177	36
156	-	156	157	1	1,049	272	1,321	1,419	98
156	-	156	157	1	1,190	272	1,462	1,596	134
-	-	-	-	-	255	(255)	-	20	20
156	-	156	157	1	1,445	17	1,462	1,616	154
953	39	992	1,566	574	137,837	664	138,501	139,231	730

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**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	Current Year			Final Budget	Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis		
<b>PARKS, RECREATION, CULTURE AND LEISURE</b>					
Departmental:					
Reservoir Concessions					
Salaries and Wages .....	\$ 674	\$ -	\$ 674	\$ 999	\$ 325
Non-Personnel .....	405	52	457	1,028	571
Total Reservoir Concessions .....	1,079	52	1,131	2,027	896
Park and Rec-Administrative Services					
Salaries and Wages .....	651	-	651	651	-
Non-Personnel .....	338	1	339	339	-
Total Park and Rec - Administration Services .....	989	1	990	990	-
Community Parks I					
Salaries and Wages .....	5,346	-	5,346	5,808	462
Non-Personnel .....	6,595	635	7,230	8,140	910
Total Community Parks I .....	11,941	635	12,576	13,948	1,372
Community Parks II					
Salaries and Wages .....	8,901	-	8,901	9,193	292
Non-Personnel .....	7,472	524	7,996	8,264	268
Total Community Parks II .....	16,373	524	16,897	17,457	560
Developed Regional Parks					
Salaries and Wages .....	11,778	-	11,778	12,520	742
Non-Personnel .....	14,385	781	15,166	15,465	299
Total Developed Regional Parks .....	26,163	781	26,944	27,985	1,041
Open Space Division					
Salaries and Wages .....	1,178	-	1,178	1,455	277
Non-Personnel .....	1,688	727	2,415	2,655	240
Total Open Space Division .....	2,866	727	3,593	4,110	517
Park and Planning Development					
Salaries and Wages .....	2,750	-	2,750	2,752	2
Non-Personnel .....	1,205	40	1,245	1,552	307
Total Park and Planning Development .....	3,955	40	3,995	4,304	309
Library					
Salaries and Wages .....	17,546	-	17,546	17,837	291
Non-Personnel .....	14,673	605	15,278	16,410	1,132
Total Library .....	32,219	605	32,824	34,247	1,423
Total Departmental .....	95,585	3,365	98,950	105,068	6,118
Citywide Program:					
Park and Recreation Programs					
Non-Personnel .....	19	3	22	137	115
<b>TOTAL PARKS, RECREATION CULTURE AND LEISURE .....</b>	<b>95,604</b>	<b>3,368</b>	<b>98,972</b>	<b>105,205</b>	<b>6,233</b>

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Actual		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 674	\$ -	\$ 674	\$ 999	\$ 325
-	-	-	-	-	405	52	457	1,028	571
-	-	-	-	-	1,079	52	1,131	2,027	896
-	-	-	-	-	651	-	651	651	-
-	-	-	17	17	338	1	339	356	17
-	-	-	17	17	989	1	990	1,007	17
-	-	-	-	-	5,346	-	5,346	5,808	462
294	8	302	974	672	6,889	643	7,532	9,114	1,582
294	8	302	974	672	12,235	643	12,878	14,922	2,044
-	-	-	-	-	8,901	-	8,901	9,193	292
267	1	268	278	10	7,739	525	8,264	8,542	278
267	1	268	278	10	16,640	525	17,165	17,735	570
-	-	-	-	-	11,778	-	11,778	12,520	742
596	107	703	850	147	14,981	888	15,869	16,315	446
596	107	703	850	147	26,759	888	27,647	28,835	1,188
-	-	-	-	-	1,178	-	1,178	1,455	277
180	17	197	207	10	1,868	744	2,612	2,862	250
180	17	197	207	10	3,046	744	3,790	4,317	527
-	-	-	-	-	2,750	-	2,750	2,752	2
58	438	496	565	69	1,263	478	1,741	2,117	376
58	438	496	565	69	4,013	478	4,491	4,869	378
-	-	-	-	-	17,546	-	17,546	17,837	291
381	9	390	523	133	15,054	614	15,668	16,933	1,265
381	9	390	523	133	32,600	614	33,214	34,770	1,556
1,776	580	2,356	3,414	1,058	97,361	3,945	101,306	108,482	7,176
-	-	-	-	-	19	3	22	137	115
1,776	580	2,356	3,414	1,058	97,380	3,948	101,328	108,619	7,291

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**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>TRANSPORTATION</b>					
Departmental:					
Parking Management					
Salaries and Wages .....	\$ 4,255	\$ -	\$ 4,255	\$ 4,256	\$ 1
Non-Personnel .....	3,175	119	3,294	3,297	3
Total Parking Management .....	7,430	119	7,549	7,553	4
Transportation Management					
Salaries and Wages .....	196	-	196	196	-
Non-Personnel .....	113	-	113	117	4
Total Transportation Management .....	309	-	309	313	4
Transportation Design					
Salaries and Wages .....	4,226	-	4,226	4,309	83
Non-Personnel .....	2,103	36	2,139	2,282	143
Total Transportation Design .....	6,329	36	6,365	6,591	226
Traffic Engineering					
Salaries and Wages .....	3,380	-	3,380	3,381	1
Non-Personnel .....	2,254	186	2,440	2,441	1
Total Traffic Engineering .....	5,634	186	5,820	5,822	2
Total Departmental .....	19,702	341	20,043	20,279	236
Citywide Program:					
Transportation					
Non-Personnel .....	359	70	429	429	-
<b>TOTAL TRANSPORTATION .....</b>	<b>20,061</b>	<b>411</b>	<b>20,472</b>	<b>20,708</b>	<b>236</b>
<b>SANITATION AND HEALTH</b>					
Departmental:					
Collection Services					
Salaries and Wages .....	7,237	-	7,237	7,238	1
Non-Personnel .....	24,637	312	24,949	25,549	600
Total Collection Services .....	31,874	312	32,186	32,787	601
Environmental Protection					
Salaries and Wages .....	264	-	264	315	51
Non-Personnel .....	274	-	274	302	28
Total Environmental Protection .....	538	-	538	617	79
Resource Management					
Salaries and Wages .....	220	-	220	227	7
Non-Personnel .....	103	-	103	111	8
Total Resource Management .....	323	-	323	338	15
Mt. Hope Cemetery					
Salaries and Wages .....	498	-	498	499	1
Non-Personnel .....	817	24	841	842	1
Total Mt. Hope Cemetery .....	1,315	24	1,339	1,341	2
Total Departmental .....	34,050	336	34,386	35,083	697

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total				Variance with Final Budget Positive (Negative)
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget			Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,255	\$ -	\$ 4,255	\$ 4,256	\$ 1	
147	161	308	308	-	3,322	280	3,602	3,605	3	
147	161	308	308	-	7,577	280	7,857	7,861	4	
-	-	-	-	-	196	-	196	196	-	
-	-	-	-	-	113	-	113	117	4	
-	-	-	-	-	309	-	309	313	4	
-	-	-	-	-	4,226	-	4,226	4,309	83	
3	5	8	8	-	2,106	41	2,147	2,290	143	
3	5	8	8	-	6,332	41	6,373	6,599	226	
-	-	-	-	-	3,380	-	3,380	3,381	1	
8	24	32	33	1	2,262	210	2,472	2,474	2	
8	24	32	33	1	5,642	210	5,852	5,855	3	
158	190	348	349	1	19,860	531	20,391	20,628	237	
-	-	-	-	-	359	70	429	429	-	
158	190	348	349	1	20,219	601	20,820	21,057	237	
-	-	-	-	-	7,237	-	7,237	7,238	1	
152	140	292	292	-	24,789	452	25,241	25,841	600	
152	140	292	292	-	32,026	452	32,478	33,079	601	
-	-	-	-	-	264	-	264	315	51	
-	-	-	-	-	274	-	274	302	28	
-	-	-	-	-	538	-	538	617	79	
-	-	-	-	-	220	-	220	227	7	
-	-	-	-	-	103	-	103	111	8	
-	-	-	-	-	323	-	323	338	15	
-	-	-	-	-	498	-	498	499	1	
34	2	36	41	5	851	26	877	883	6	
34	2	36	41	5	1,349	26	1,375	1,382	7	
186	142	328	333	5	34,236	478	34,714	35,416	702	

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**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Citywide Program:					
Animal Regulation					
Non-Personnel .....	\$ 4,754	\$ 119	\$ 4,873	\$ 4,873	\$ -
Health Services Furnished by County					
Non-Personnel .....	4	-	4	15	11
Refuse Container Fund					
Non-Personnel .....	116	-	116	116	-
Total Citywide Program .....	4,874	119	4,993	5,004	11
<b>TOTAL SANITATION AND HEALTH .....</b>	<b>38,924</b>	<b>455</b>	<b>39,379</b>	<b>40,087</b>	<b>708</b>
<b>NEIGHBORHOOD SERVICES:</b>					
Departmental:					
Community and Economic Development					
Salaries and Wages .....	5,167	-	5,167	5,197	30
Non-Personnel .....	7,029	259	7,288	7,819	531
Total Community and Economic Development .....	12,196	259	12,455	13,016	561
Development Services					
Non-Personnel .....	74	-	74	182	108
Total Development Services .....	74	-	74	182	108
Building Development Review					
Non-Personnel .....	-	-	-	-	-
Total Building Development Review .....	-	-	-	-	-
Neighborhood Code Compliance					
Salaries and Wages .....	3,742	-	3,742	3,789	47
Non-Personnel .....	2,231	44	2,275	2,335	60
Total Neighborhood Code Compliance .....	5,973	44	6,017	6,124	107
Planning					
Salaries and Wages .....	4,832	-	4,832	4,833	1
Non-Personnel .....	2,501	55	2,556	2,635	79
Total Planning .....	7,333	55	7,388	7,468	80
Total Departmental .....	25,576	358	25,934	26,790	856
Citywide Program:					
Community and Economic Development Special Projects					
Non-Personnel .....	-	-	-	11	11
Total Community and Economic Development Special Projects ..	-	-	-	11	11
Nuisance Abatement					
Non-Personnel .....	-	-	-	4	4
Total Citywide Program .....	-	-	-	15	15
<b>TOTAL NEIGHBORHOOD SERVICES .....</b>	<b>25,576</b>	<b>358</b>	<b>25,934</b>	<b>26,805</b>	<b>871</b>
<b>DEBT SERVICE:</b>					
Principal .....	2,318	-	2,318	2,318	-
Interest .....	2,646	-	2,646	2,646	-
<b>TOTAL DEBT SERVICE .....</b>	<b>4,964</b>	<b>-</b>	<b>4,964</b>	<b>4,964</b>	<b>-</b>
<b>TOTAL EXPENDITURES .....</b>	<b>738,399</b>	<b>7,614</b>	<b>746,013</b>	<b>760,227</b>	<b>14,214</b>

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Actual		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ 172	\$ 172	\$ 172	\$ -	\$ 4,754	\$ 291	\$ 5,045	\$ 5,045	\$ -
1	-	1	1	-	5	-	5	16	11
-	-	-	-	-	116	-	116	116	-
1	172	173	173	-	4,875	291	5,166	5,177	11
187	314	501	506	5	39,111	769	39,880	40,593	713
-	-	-	-	-	5,167	-	5,167	5,197	30
307	272	579	683	104	7,336	531	7,867	8,502	635
307	272	579	683	104	12,503	531	13,034	13,699	665
-	-	-	-	-	74	-	74	182	108
-	-	-	-	-	74	-	74	182	108
-	-	-	9	9	-	-	-	9	9
-	-	-	9	9	-	-	-	9	9
-	-	-	-	-	3,742	-	3,742	3,789	47
25	9	34	37	3	2,256	53	2,309	2,372	63
25	9	34	37	3	5,998	53	6,051	6,161	110
-	-	-	-	-	4,832	-	4,832	4,833	1
89	257	346	493	147	2,590	312	2,902	3,128	226
89	257	346	493	147	7,422	312	7,734	7,961	227
421	538	959	1,222	263	25,997	896	26,893	28,012	1,119
-	-	-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-	4	4
-	-	-	-	-	-	-	-	15	15
421	538	959	1,222	263	25,997	896	26,893	28,027	1,134
-	-	-	-	-	2,318	-	2,318	2,318	-
2,796	-	2,796	2,796	-	5,442	-	5,442	5,442	-
2,796	-	2,796	2,796	-	7,760	-	7,760	7,760	-
8,517	3,638	12,155	16,609	4,454	746,916	11,252	758,168	776,836	18,668

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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2004**  
(In Thousands)

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>TRANSFERS TO PROPRIETARY FUNDS</b>					
Internal Service Funds:					
City of San Diego:					
Central Garage and Machine Shop .....	\$ 382	\$ -	\$ 382	\$ 382	\$ -
Self Insurance .....	13,079	-	13,079	13,079	-
Miscellaneous Internal Service .....	246	-	246	246	-
Total Internal Service Funds .....	<u>13,707</u>	<u>-</u>	<u>13,707</u>	<u>13,707</u>	<u>-</u>
<b>TOTAL TRANSFERS TO PROPRIETARY FUNDS .....</b>	<b><u>13,707</u></b>	<b><u>-</u></b>	<b><u>13,707</u></b>	<b><u>13,707</u></b>	<b><u>-</u></b>
<b>TRANSFERS TO OTHER FUNDS</b>					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement and Operation.....	682	-	682	682	-
Other Special Revenue - Budgeted .....	1,573	-	1,573	1,573	-
Qualcomm Stadium Operations.....	6	-	6	6	-
Grants.....	114	-	114	114	-
Other Special Revenue - Unbudgeted .....	12,349	-	12,349	12,349	-
Total Special Revenue Funds .....	<u>14,724</u>	<u>-</u>	<u>14,724</u>	<u>14,724</u>	<u>-</u>
Capital Projects Funds:					
Redevelopment Agency.....					
	-	-	-	-	-
Capital Projects Funds:					
City of San Diego:					
Capital Outlay.....	159	-	159	159	-
Other Construction .....	535	-	535	535	-
Total Capital Projects Funds .....	<u>694</u>	<u>-</u>	<u>694</u>	<u>694</u>	<u>-</u>
<b>TOTAL TRANSFERS TO OTHER FUNDS .....</b>	<b><u>15,418</u></b>	<b><u>-</u></b>	<b><u>15,418</u></b>	<b><u>15,418</u></b>	<b><u>-</u></b>
<b>TOTAL EXPENDITURES AND TRANSFERS .....</b>	<b><u>\$ 767,524</u></b>	<b><u>\$ 7,614</u></b>	<b><u>\$ 775,138</u></b>	<b><u>\$ 789,352</u></b>	<b><u>\$ 14,214</u></b>

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget			Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 382	\$ -	\$ 382	\$ 382	\$ -
-	-	-	-	-	13,079	-	13,079	13,079	-
-	-	-	-	-	246	-	246	246	-
-	-	-	-	-	13,707	-	13,707	13,707	-
-	-	-	-	-	13,707	-	13,707	13,707	-
-	-	-	-	-	682	-	682	682	-
53	-	53	53	-	1,626	-	1,626	1,626	-
-	-	-	-	-	6	-	6	6	-
-	-	-	-	-	114	-	114	114	-
-	-	-	-	-	12,349	-	12,349	12,349	-
53	-	53	53	-	14,777	-	14,777	14,777	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	159	-	159	159	-
194	-	194	194	-	729	-	729	729	-
194	-	194	194	-	888	-	888	888	-
247	-	247	247	-	15,665	-	15,665	15,665	-
\$ 8,764	\$ 3,638	\$ 12,402	\$ 16,856	\$ 4,454	\$ 776,288	\$ 11,252	\$ 787,540	\$ 806,208	\$ 18,668

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NONMAJOR GOVERNMENTAL FUNDS

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**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2004  
(In Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Investments .....	\$ 396,617	\$ -	\$ 344,805	\$ 2,493	\$ 743,915
Receivables:					
Taxes - Net .....	10,649	34	3,060	-	13,743
Accounts, Net of Allowance for Uncollectibles (Special Revenue \$1,527) .....	6,415	-	248	15	6,678
Claims - Net .....	45	-	-	-	45
Special Assessments - Net .....	464	572	28	-	1,064
Notes .....	23,560	-	6,866	-	30,426
Accrued Interest .....	677	359	1,046	14	2,096
Grants .....	18,712	-	22,760	-	41,472
From Other Funds .....	1	731	51,226	-	51,958
From Other Agencies .....	813	-	659	-	1,472
Advances to Other Funds .....	2,322	-	804	-	3,126
Advances to Other Agencies .....	3,246	-	20	-	3,266
Land Held for Resale .....	12,691	-	23,870	-	36,561
Prepaid Items .....	1,569	906	-	-	2,475
Restricted Cash and Investments .....	-	97,233	-	10,582	107,815
<b>TOTAL ASSETS</b> .....	<b>\$ 477,781</b>	<b>\$ 99,835</b>	<b>\$ 455,392</b>	<b>\$ 13,104</b>	<b>\$ 1,046,112</b>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 19,345	\$ -	\$ 9,579	\$ -	\$ 28,924
Accrued Wages and Benefits .....	2,227	-	-	-	2,227
Other Accrued Liabilities .....	678	-	-	-	678
Due to Other Funds .....	51,066	-	13,618	-	64,684
Due to Component Unit .....	592	-	-	-	592
Due to Other Agencies .....	249	-	291	-	540
Deferred Revenue .....	17,796	328	24,226	-	42,350
Unearned Revenue .....	14,884	-	6,776	-	21,660
Advances from Other Funds .....	3,354	-	-	-	3,354
Sundry Trust Liabilities .....	108	-	4,382	-	4,490
Interfund Interest Payable .....	-	-	562	-	562
Interfund Loan Payable .....	-	-	2,386	-	2,386
<b>TOTAL LIABILITIES</b> .....	<b>110,299</b>	<b>328</b>	<b>61,820</b>	<b>-</b>	<b>172,447</b>
<b>FUND BALANCES:</b>					
Reserved for Land Held for Resale .....	12,691	-	22,543	-	35,234
Reserved for Encumbrances .....	43,186	1	82,946	-	126,133
Reserved for Advances .....	5,568	-	824	-	6,392
Reserved for Permanent Endowments .....	-	-	-	12,225	12,225
Reserved for Debt Service .....	128	97,856	-	-	97,984
Unreserved:					
Designated for Unrealized Gains .....	153	247	1	870	1,271
Designated for Debt Service .....	67,334	-	-	-	67,334
Designated for Subsequent Years' Expenditures .....	92,915	-	194,195	7	287,117
Undesignated .....	145,507	1,403	93,063	2	239,975
<b>TOTAL FUND BALANCES</b> .....	<b>367,482</b>	<b>99,507</b>	<b>393,572</b>	<b>13,104</b>	<b>873,665</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 477,781</b>	<b>\$ 99,835</b>	<b>\$ 455,392</b>	<b>\$ 13,104</b>	<b>\$ 1,046,112</b>

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2004**  
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Property Taxes .....	\$ 35,985	\$ 25,241	\$ 16,731	\$ -	\$ 77,957
Special Assessments .....	12,010	13,646	1,160	-	26,816
Sales Taxes .....	68,261	-	32,809	-	101,070
Transient Occupancy Taxes .....	53,679	-	-	-	53,679
Other Local Taxes .....	75,039	-	-	-	75,039
Licenses and Permits .....	1,520	-	5,373	-	6,893
Fines, Forfeitures and Penalties .....	2,038	-	-	-	2,038
Revenue from Use of Money and Property .....	27,391	1,283	5,846	990	35,510
Revenue from Federal Agencies .....	34,166	-	12,272	-	46,438
Revenue from Other Agencies .....	39,419	-	40,936	-	80,355
Revenue from Private Sources .....	28,770	-	33,123	250	62,143
Charges for Current Services .....	30,325	-	-	69	30,394
Other Revenue .....	1,625	-	5,967	-	7,592
<b>TOTAL REVENUES</b> .....	<b>410,228</b>	<b>40,170</b>	<b>154,217</b>	<b>1,309</b>	<b>605,924</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	39,068	791	24,102	-	63,961
Public Safety - Police .....	29,640	-	-	-	29,640
Public Safety - Fire and Life Safety .....	14,236	-	-	-	14,236
Parks, Recreation, Culture and Leisure .....	72,638	-	95	50	72,783
Transportation .....	97,114	-	286	-	97,400
Sanitation and Health .....	3,071	-	-	2	3,073
Neighborhood Services .....	43,272	-	34,936	-	78,208
Capital Projects .....	26,476	-	147,870	-	174,346
Debt Service:					
Principal Retirement .....	4,096	37,765	4,939	-	46,800
Interest .....	2,076	59,737	1,545	-	63,358
Arbitrage Rebate .....	-	421	-	-	421
<b>TOTAL EXPENDITURES</b> .....	<b>331,687</b>	<b>98,714</b>	<b>213,773</b>	<b>52</b>	<b>644,226</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES</b> .....	<b>78,541</b>	<b>(58,544)</b>	<b>(59,556)</b>	<b>1,257</b>	<b>(38,302)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	4,171	-	261	-	4,432
Transfers from Other Funds .....	100,147	63,064	44,390	-	207,601
Transfers to Proprietary Funds .....	(2,237)	-	(530)	-	(2,767)
Transfers to Other Funds .....	(172,172)	(18,463)	(38,823)	(472)	(229,930)
Transfers to Escrow Agent .....	-	(10,132)	-	-	(10,132)
Proceeds from Sales of Capital Assets .....	-	-	301	-	301
SANDAG Loans Issued .....	-	-	6,400	-	6,400
Section 108 Loans Issued .....	21,107	-	-	-	21,107
Tax Allocation Bonds Issued .....	37,180	-	-	-	37,180
Special Assessment Bonds Issued .....	25	11,727	17,493	-	29,245
Premium on Bonds Issued .....	-	-	2	-	2
Discount on Bonds Issued .....	(11)	-	(248)	-	(259)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(11,790)</b>	<b>46,196</b>	<b>29,246</b>	<b>(472)</b>	<b>63,180</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>66,751</b>	<b>(12,348)</b>	<b>(30,310)</b>	<b>785</b>	<b>24,878</b>
Fund Balances at Beginning of Year .....	300,731	111,855	423,882	12,319	848,787
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 367,482</b>	<b>\$ 99,507</b>	<b>\$ 393,572</b>	<b>\$ 13,104</b>	<b>\$ 873,665</b>

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

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## SPECIAL REVENUE FUNDS

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

### CITY OF SAN DIEGO

#### ACQUISITION, IMPROVEMENT AND OPERATIONS

This Fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees, and interest earnings derived there from.

#### ENVIRONMENTAL GROWTH

This Fund was established in accordance with Section 103.1a of the City Charter to receive 25 percent of all monies derived from the revenues accruing to the City from gas, electricity, and steam franchises. One third of the franchise monies and the interest derived there from are used exclusively for the purpose of preserving and enhancing the environment of the City of San Diego. Two thirds of the franchise monies and the interest derived there from are used as matching funds for open space acquisition and for debt service of bonds issued by the San Diego Open Space Facilities District No. 1.

#### POLICE DECENTRALIZATION

This Fund accounts for monies allocated for Police department decentralization expenditures for temporary facilities and to devise future capital improvement projects. Revenues are derived from sales tax allocations.

#### PUBLIC TRANSPORTATION

This Fund was established to account for funds set aside as reserves to be used for transportation-related purposes. Fund transfers and interest derived there from are the main sources of revenue.

#### QUALCOMM STADIUM OPERATIONS

This Fund accounts for the operations of the Stadium. The Stadium hosts various sporting events for its football tenants. Revenues are derived from rents, concessions, parking, and advertising.

#### SPECIAL GAS TAX STREET IMPROVEMENT

This Fund was established to account for the receipt of motor vehicle fuel taxes from the State under Sections 2106 and 2107 of the Streets and Highways Code. Expenditures are for the construction, improvement, maintenance, and operation of public streets and highways.

#### STREET DIVISION OPERATIONS

This Fund was established to account for the operations of Transportation's Street division. Revenues are derived from sales tax allocations and transfers from Gas Tax and TransNet, as well as services performed by the Streets Division. Expenditures are for maintenance and operation of City streets.

#### TRANSIENT OCCUPANCY TAX

This Fund was established to receive and expend transient occupancy taxes. Since 1964, a tax has been imposed on transients of hotel and motel rooms in the City of San Diego. Effective August 1994, the tax was increased from 9% to 10.5%.

#### UNDERGROUND SURCHARGE

This fund was established to account primarily for the capital improvement activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with San Diego Gas & Electric.

#### ZOOLOGICAL EXHIBITS

This Fund was established to collect monies from a fixed property tax levy authorized by Section 77a of the City Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City of San Diego.

#### OTHER SPECIAL REVENUE - BUDGETED

This Fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by departments such as Police, Development Services, and General Services. Revenues in this Fund are derived from service charges, revenues from other agencies, and fines.

#### GRANTS

This Fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

#### OTHER SPECIAL REVENUE FUND - UNBUDGETED

This Fund was established to account for revenues earmarked for a variety of special programs administered by such departments as Engineering and Capital Projects, Libraries, Park and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, contributions from other agencies and private sources, and interest earnings.

### **BLENDING COMPONENT UNITS**

#### CENTRE CITY DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Centre City Development Corporation ("CCDC"). CCDC is a non-profit corporation that administers certain redevelopment projects in downtown San Diego and provides redevelopment advisory services to the Redevelopment Agency (the "Agency") of the City of San Diego. CCDC is primarily funded by the Agency and by the City of San Diego.

#### PUBLIC FACILITIES FINANCING AUTHORITY

This Fund was established to account for the activities of the Public Facilities Financing Authority (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing, acquisition and construction of public capital facility improvements of the Agency or the City. The Authority's special revenue account is generally used to account for revenues from the Reassessment District Bond Fund and investment income used to pay for costs of issuance and administrative expenses related to debt redemption.

#### REDEVELOPMENT AGENCY

This Fund was established to account for the activities of the Redevelopment Agency of the City of San Diego (the "Agency"). The Agency was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The Agency's special revenue account is used to account for funds restricted for the benefit of low and moderate income housing. Funding is primarily from property tax increment revenues and the City of San Diego.

#### SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This Fund was established to account for revenues and expenditures of the San Diego Industrial Development Authority (the "Authority"). The Authority was formed in 1983 pursuant to the California Industrial Development Financing Act for the purpose of providing an alternative method of financing to participating parties for economic development purposes, through the sale and issuance of revenue bonds. Revenues are derived from fees collected from companies applying for industrial development bond financing. Expenditures are incurred for management and administrative services provided by the City of San Diego.

#### SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Southeastern Economic Development Corporation ("SEDC"). SEDC is a non-profit corporation that administers economic development projects within the community of Southeast San Diego and provides redevelopment advisory services to the Redevelopment Agency of the City of San Diego (the "Agency"). SEDC is primarily funded by the Agency and by the City of San Diego pursuant to operating agreements under which SEDC is reimbursed for eligible costs incurred in connection with such activities.

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
June 30, 2004  
(In Thousands)**

	<b>City of San Diego</b>	<b>Centre City Development Corporation</b>
<b>ASSETS</b>		
Cash and Investments .....	\$ 223,903	\$ 131
Receivables:		
Taxes - Net .....	7,776	-
Accounts, Net of Allowance for Uncollectibles (City of San Diego \$1,527) .....	6,415	-
Claims - Net .....	45	-
Special Assessments - Net .....	464	-
Notes .....	2,217	-
Accrued Interest .....	392	-
Grants .....	18,712	-
From Other Funds .....	1	-
From Other Agencies .....	-	637
Advances to Other Funds .....	2,322	-
Advances to Other Agencies .....	3,246	-
Land Held for Resale .....	-	-
Prepaid Items .....	1,567	2
<b>TOTAL ASSETS</b> .....	<b>\$ 267,060</b>	<b>\$ 770</b>
<b>LIABILITIES</b>		
Accounts Payable .....	\$ 18,998	\$ 65
Accrued Wages and Benefits .....	2,227	-
Other Accrued Liabilities .....	618	60
Due to Other Funds .....	12,726	-
Due to Component Unit .....	592	-
Due to Other Agencies .....	249	-
Deferred Revenue .....	15,611	-
Unearned Revenue .....	14,884	-
Advances from Other Funds .....	300	645
Sundry Trust Liabilities .....	-	-
<b>TOTAL LIABILITIES</b> .....	<b>66,205</b>	<b>770</b>
<b>FUND BALANCES:</b>		
Reserved for Land Held for Resale .....	-	-
Reserved for Encumbrances .....	25,451	-
Reserved for Advances .....	5,568	-
Reserved for Debt Service .....	128	-
Unreserved:		
Designated for Unrealized Gains .....	45	-
Designated for Debt Service .....	-	-
Designated for Subsequent Years' Expenditures .....	61,179	-
Undesignated .....	108,484	-
<b>TOTAL FUND BALANCES</b> .....	<b>200,855</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 267,060</b>	<b>\$ 770</b>

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Total
\$ 40	\$ 172,469	\$ 53	\$ 21	\$ 396,617
-	2,873	-	-	10,649
-	-	-	-	6,415
-	-	-	-	45
-	-	-	-	464
-	21,343	-	-	23,560
-	285	-	-	677
-	-	-	-	18,712
-	-	-	-	1
-	-	-	176	813
-	-	-	-	2,322
-	-	-	-	3,246
-	12,691	-	-	12,691
-	-	-	-	1,569
<u>\$ 40</u>	<u>\$ 209,661</u>	<u>\$ 53</u>	<u>\$ 197</u>	<u>\$ 477,781</u>
\$ -	\$ 239	\$ -	\$ 43	\$ 19,345
-	-	-	-	2,227
-	-	-	-	678
1	38,339	-	-	51,066
-	-	-	-	592
-	-	-	-	249
-	2,185	-	-	17,796
-	-	-	-	14,884
-	2,250	-	159	3,354
-	108	-	-	108
<u>1</u>	<u>43,121</u>	<u>-</u>	<u>202</u>	<u>110,299</u>
-	12,691	-	-	12,691
2	17,733	-	-	43,186
-	-	-	-	5,568
-	-	-	-	128
-	108	-	-	153
-	67,334	-	-	67,334
37	31,684	15	-	92,915
-	36,990	38	(5)	145,507
<u>39</u>	<u>166,540</u>	<u>53</u>	<u>(5)</u>	<u>367,482</u>
<u>\$ 40</u>	<u>\$ 209,661</u>	<u>\$ 53</u>	<u>\$ 197</u>	<u>\$ 477,781</u>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2004**  
**(In Thousands)**

	City of San Diego	Centre City Development Corporation
<b>REVENUES</b>		
Property Taxes .....	\$ 6,172	\$ -
Special Assessments .....	12,010	-
Sales Taxes .....	68,261	-
Transient Occupancy Taxes .....	53,679	-
Other Local Taxes .....	75,039	-
Licenses and Permits .....	1,520	-
Fines, Forfeitures and Penalties .....	2,038	-
Revenue from Use of Money and Property .....	25,452	-
Revenue from Federal Agencies .....	34,166	-
Revenue from Other Agencies .....	32,225	5,382
Revenue from Private Sources .....	28,636	-
Charges for Current Services .....	30,325	-
Other Revenue .....	1,416	11
<b>TOTAL REVENUES</b> .....	<b>370,939</b>	<b>5,393</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support .....	22,260	5,360
Public Safety - Police .....	29,640	-
Public Safety - Fire and Life Safety .....	14,236	-
Parks, Recreation, Culture and Leisure .....	72,638	-
Transportation .....	97,114	-
Sanitation and Health .....	3,071	-
Neighborhood Services .....	40,341	-
Capital Projects .....	26,391	33
Debt Service:		
Principal Retirement .....	4,096	-
Interest .....	2,076	-
<b>TOTAL EXPENDITURES</b> .....	<b>311,863</b>	<b>5,393</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>59,076</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds .....	4,171	-
Transfers from Other Funds .....	83,413	-
Transfers to Proprietary Funds .....	(2,237)	-
Transfers to Other Funds .....	(125,535)	-
Section 108 Loans Issued .....	21,107	-
Tax Allocation Bonds Issued .....	-	-
Special Assessment Bonds Issued .....	25	-
Discount on Bonds Issued .....	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(19,056)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>40,020</b>	<b>-</b>
Fund Balances at Beginning of Year .....	160,835	-
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 200,855</b>	<b>\$ -</b>

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Total
\$ -	\$ 29,813	\$ -	\$ -	\$ 35,985
-	-	-	-	12,010
-	-	-	-	68,261
-	-	-	-	53,679
-	-	-	-	75,039
-	-	-	-	1,520
-	-	-	-	2,038
1	1,937	1	-	27,391
-	-	-	-	34,166
-	-	-	1,812	39,419
-	134	-	-	28,770
-	-	-	-	30,325
-	198	-	-	1,625
<u>1</u>	<u>32,082</u>	<u>1</u>	<u>1,812</u>	<u>410,228</u>
342	9,330	-	1,776	39,068
-	-	-	-	29,640
-	-	-	-	14,236
-	-	-	-	72,638
-	-	-	-	97,114
-	-	-	-	3,071
-	2,931	-	-	43,272
-	-	-	52	26,476
-	-	-	-	4,096
-	-	-	-	2,076
<u>342</u>	<u>12,261</u>	<u>-</u>	<u>1,828</u>	<u>331,687</u>
(341)	19,821	1	(16)	78,541
-	-	-	-	4,171
350	16,384	-	-	100,147
-	-	-	-	(2,237)
-	(46,637)	-	-	(172,172)
-	-	-	-	21,107
-	37,180	-	-	37,180
-	-	-	-	25
-	(11)	-	-	(11)
<u>350</u>	<u>6,916</u>	<u>-</u>	<u>-</u>	<u>(11,790)</u>
9	26,737	1	(16)	66,751
<u>30</u>	<u>139,803</u>	<u>52</u>	<u>11</u>	<u>300,731</u>
<u>\$ 39</u>	<u>\$ 166,540</u>	<u>\$ 53</u>	<u>\$ (5)</u>	<u>\$ 367,482</u>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2004**  
**(In Thousands)**

	City of San Diego	
	Actual on Budgetary Basis	Final Budget
<b>REVENUES</b>		
Property Taxes .....	\$ 6,151	\$ 5,408
Special Assessments .....	11,990	12,137
Sales Taxes .....	66,408	66,885
Transient Occupance Taxes .....	53,679	52,726
Other Local Taxes .....	75,039	76,510
Licenses and Permits .....	1,203	1,408
Fines, Forfeitures and Penalties .....	1,383	1,165
Revenue from Use of Money and Property .....	17,010	17,714
Revenue from Federal Agencies .....	242	-
Revenue from Other Agencies .....	10,082	7,500
Revenue from Private Sources .....	291	188
Charges for Current Services .....	29,170	28,192
Other Revenue .....	342	1,505
Excess Revenue Appropriated .....	-	140
<b>TOTAL REVENUES</b> .....	<b>272,990</b>	<b>271,478</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support .....	12,813	13,737
Public Safety - Police .....	10,806	11,032
Public Safety - Fire and Life Safety .....	9,363	9,824
Parks, Recreation, Culture and Leisure .....	71,866	84,816
Transportation .....	78,212	79,936
Sanitation and Health .....	2,603	2,766
Neighborhood Services .....	6,053	6,862
Capital Projects .....	17,753	39,114
Debt Service:		
Principal Retirement .....	551	639
Interest .....	118	159
<b>TOTAL EXPENDITURES</b> .....	<b>210,138</b>	<b>248,885</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b> <b>OVER EXPENDITURES</b> .....	<b>62,852</b>	<b>22,593</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds .....	834	760
Transfers from Other Funds .....	56,594	52,830
Transfers to Proprietary Funds .....	(2,012)	(2,012)
Transfers to Other Funds .....	(106,487)	(110,930)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(51,071)</b>	<b>(59,352)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>11,781</b>	<b>(36,759)</b>
Fund Balances Undesignated at July 1, 2003 .....	57,482	57,482
Reserved for Encumbrances at July 1, 2003 .....	12,533	12,532
Reserved for Debt Service at July 1, 2003 .....	569	569
Reserved for Debt Service at June 30, 2004 .....	(128)	-
Designated for Subsequent Years' Expenditures at July 1, 2003 .....	22,906	22,906
Designated for Subsequent Years' Expenditures at June 30, 2004 .....	(22,205)	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2004</b> .....	<b>\$ 82,938</b>	<b>\$ 56,730</b>

Centre City Development Corporation		Southeastern Economic Development Corporation		Total		Variance with Final Budget Positive (Negative)
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	
\$ -	\$ -	\$ -	\$ -	\$ 6,151	\$ 5,408	\$ 743
-	-	-	-	11,990	12,137	(147)
-	-	-	-	66,408	66,885	(477)
-	-	-	-	53,679	52,726	953
-	-	-	-	75,039	76,510	(1,471)
-	-	-	-	1,203	1,408	(205)
-	-	-	-	1,383	1,165	218
-	-	-	-	17,010	17,714	(704)
-	-	-	-	242	-	242
5,382	5,640	1,812	1,943	17,276	15,083	2,193
-	-	-	-	291	188	103
-	-	-	-	29,170	28,192	978
11	20	-	-	353	1,525	(1,172)
-	-	-	-	-	140	(140)
<u>5,393</u>	<u>5,660</u>	<u>1,812</u>	<u>1,943</u>	<u>280,195</u>	<u>279,081</u>	<u>1,114</u>
5,393	5,660	1,691	1,853	19,897	21,250	1,353
-	-	-	-	10,806	11,032	226
-	-	-	-	9,363	9,824	461
-	-	-	-	71,866	84,816	12,950
-	-	-	-	78,212	79,936	1,724
-	-	-	-	2,603	2,766	163
-	-	-	-	6,053	6,862	809
-	-	137	90	17,890	39,204	21,314
-	-	-	-	551	639	88
-	-	-	-	118	159	41
<u>5,393</u>	<u>5,660</u>	<u>1,828</u>	<u>1,943</u>	<u>217,359</u>	<u>256,488</u>	<u>39,129</u>
-	-	(16)	-	62,836	22,593	40,243
-	-	-	-	834	760	74
-	-	-	-	56,594	52,830	3,764
-	-	-	-	(2,012)	(2,012)	-
-	-	-	-	(106,487)	(110,930)	4,443
-	-	-	-	(51,071)	(59,352)	8,281
-	-	(16)	-	11,765	(36,759)	48,524
-	-	11	11	57,493	57,493	-
-	-	-	-	12,533	12,532	1
-	-	-	-	569	569	-
-	-	-	-	(128)	-	(128)
-	-	-	-	22,906	22,906	-
-	-	-	-	(22,205)	-	(22,205)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ 11</u>	<u>\$ 82,933</u>	<u>\$ 56,741</u>	<u>\$ 26,192</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
June 30, 2004  
(In Thousands)**

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
<b>ASSETS</b>					
Cash and Investments .....	\$ 11,926	\$ 3,989	\$ 2,540	\$ 2,075	\$ 2,227
Receivables:					
Taxes - Net .....	-	2,608	-	-	-
Accounts, Net of Allowance for Uncollectibles (TOT \$720, Unbudgeted Other \$807) .....	571	-	-	-	247
Claims - Net .....	19	-	-	-	-
Special Assessments - Net .....	327	-	-	-	-
Notes .....	-	-	-	-	-
Accrued Interest .....	23	8	-	9	(2)
Grants .....	-	-	-	-	-
From Other Funds .....	-	-	-	-	-
Advances to Other Funds .....	-	-	-	-	-
Advances to Other Agencies .....	636	-	-	-	-
Prepaid Items .....	-	-	-	-	5
<b>TOTAL ASSETS</b> .....	<u>\$ 13,502</u>	<u>\$ 6,605</u>	<u>\$ 2,540</u>	<u>\$ 2,084</u>	<u>\$ 2,477</u>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 465	\$ 20	\$ 790	\$ -	\$ 240
Accrued Wages and Benefits .....	95	-	-	-	90
Other Accrued Liabilities .....	-	-	-	-	-
Due to Other Funds .....	-	-	-	-	-
Due to Component Unit .....	-	-	-	-	-
Due to Other Agencies .....	-	-	-	-	-
Deferred Revenue .....	805	-	-	-	272
Unearned Revenue .....	-	-	-	-	-
Advances from Other Funds .....	-	-	-	-	-
<b>TOTAL LIABILITIES</b> .....	<u>1,365</u>	<u>20</u>	<u>790</u>	<u>-</u>	<u>602</u>
<b>FUND BALANCES:</b>					
Reserved for Encumbrances .....	1,169	293	-	-	199
Reserved for Advances .....	636	-	-	-	-
Reserved for Debt Service .....	-	-	-	-	-
Unreserved:					
Designated for Unrealized Gains .....	-	-	-	-	-
Designated for Subsequent Years' Expenditures .....	461	223	-	-	44
Undesignated .....	9,871	6,069	1,750	2,084	1,632
<b>TOTAL FUND BALANCES</b> .....	<u>12,137</u>	<u>6,585</u>	<u>1,750</u>	<u>2,084</u>	<u>1,875</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<u>\$ 13,502</u>	<u>\$ 6,605</u>	<u>\$ 2,540</u>	<u>\$ 2,084</u>	<u>\$ 2,477</u>

Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted		Total
						Grants	Other Special Revenue	
\$ 1,554	\$ 5,236	\$ 50,609	\$ 25,910	\$ 3,345	\$ 11,787	\$ 126	\$ 102,579	\$ 223,903
-	-	4,920	-	244	-	-	4	7,776
2,281	440	171	-	-	1,867	-	838	6,415
2	24	-	-	-	-	-	-	45
-	-	-	-	-	-	-	137	464
-	-	-	-	-	-	-	2,217	2,217
18	2	93	70	-	19	13	139	392
-	-	-	-	-	-	18,712	-	18,712
-	-	-	-	-	-	-	1	1
-	72	-	-	-	-	-	2,250	2,322
-	-	2,329	-	-	-	201	80	3,246
-	-	1,167	-	-	130	-	265	1,567
<u>\$ 3,855</u>	<u>\$ 5,774</u>	<u>\$ 59,289</u>	<u>\$ 25,980</u>	<u>\$ 3,589</u>	<u>\$ 13,803</u>	<u>\$ 19,052</u>	<u>\$ 108,510</u>	<u>\$ 267,060</u>
\$ 1	\$ 418	\$ 2,449	\$ 9,740	\$ -	\$ 72	\$ 2,469	\$ 2,334	\$ 18,998
3	1,227	43	24	-	675	58	12	2,227
-	-	-	-	-	-	527	91	618
-	-	-	-	-	-	10,100	2,626	12,726
-	-	53	-	-	-	-	539	592
-	-	-	-	-	-	249	-	249
34	463	171	-	160	58	10,719	2,929	15,611
-	-	-	-	-	-	4,298	10,586	14,884
-	-	-	-	-	-	-	300	300
<u>38</u>	<u>2,108</u>	<u>2,716</u>	<u>9,764</u>	<u>160</u>	<u>805</u>	<u>28,420</u>	<u>19,417</u>	<u>66,205</u>
80	3,410	6,390	813	-	817	4	12,276	25,451
-	72	2,329	-	-	-	201	2,330	5,568
-	128	-	-	-	-	-	-	128
-	-	-	-	-	-	-	45	45
146	56	10,627	8,718	-	1,930	187	38,787	61,179
<u>3,591</u>	<u>-</u>	<u>37,227</u>	<u>6,685</u>	<u>3,429</u>	<u>10,251</u>	<u>(9,760)</u>	<u>35,655</u>	<u>108,484</u>
<u>3,817</u>	<u>3,666</u>	<u>56,573</u>	<u>16,216</u>	<u>3,429</u>	<u>12,998</u>	<u>(9,368)</u>	<u>89,093</u>	<u>200,855</u>
<u>\$ 3,855</u>	<u>\$ 5,774</u>	<u>\$ 59,289</u>	<u>\$ 25,980</u>	<u>\$ 3,589</u>	<u>\$ 13,803</u>	<u>\$ 19,052</u>	<u>\$ 108,510</u>	<u>\$ 267,060</u>

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2004**  
**(In Thousands)**

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
<b>REVENUES</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments .....	11,990	-	-	-	-
Sales Taxes .....	924	-	12,765	-	-
Transient Occupancy Taxes .....	-	-	-	-	-
Other Local Taxes .....	-	10,776	-	-	-
Licenses and Permits .....	1,201	-	-	-	-
Fines, Forfeitures and Penalties .....	-	-	-	-	-
Revenue from Use of Money and Property .....	45	(3)	70	31	15,446
Revenue from Federal Agencies .....	-	242	-	-	-
Revenue from Other Agencies .....	-	-	-	-	-
Revenue from Private Sources .....	52	-	-	-	-
Charges for Current Services .....	2,967	-	-	-	-
Other Revenue .....	216	-	-	-	-
<b>TOTAL REVENUES</b> .....	<b>17,395</b>	<b>11,015</b>	<b>12,835</b>	<b>31</b>	<b>15,446</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	1,641	-	-	-	-
Public Safety - Police .....	-	-	8,518	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	9,504	1,916	-	-	14,582
Transportation .....	-	-	-	24	-
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	6,081	-	-	-	-
Capital Projects .....	15	277	-	-	50
Debt Service:					
Principal Retirement .....	-	-	-	-	148
Interest .....	-	-	-	-	70
<b>TOTAL EXPENDITURES</b> .....	<b>17,241</b>	<b>2,193</b>	<b>8,518</b>	<b>24</b>	<b>14,850</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>154</b>	<b>8,822</b>	<b>4,317</b>	<b>7</b>	<b>596</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	-	-	-	-	-
Transfers from Other Funds .....	1,440	-	-	5,103	6,006
Transfers to Proprietary Funds .....	-	-	-	(1,512)	(500)
Transfers to Other Funds .....	(46)	(8,001)	(4,317)	(3,689)	(5,545)
Section 108 Loans Issued .....	-	-	-	-	-
Special Assessment Bonds Issued .....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>1,394</b>	<b>(8,001)</b>	<b>(4,317)</b>	<b>(98)</b>	<b>(39)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>1,548</b>	<b>821</b>	<b>-</b>	<b>(91)</b>	<b>557</b>
Fund Balances at Beginning of Year .....	10,589	5,764	1,750	2,175	1,318
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 12,137</b>	<b>\$ 6,585</b>	<b>\$ 1,750</b>	<b>\$ 2,084</b>	<b>\$ 1,875</b>

Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted		Total
						Grants	Other Special Revenue	
\$ -	\$ -	\$ -	\$ -	\$ 6,151	\$ -	\$ -	\$ 21	\$ 6,172
-	-	-	-	-	-	-	20	12,010
-	13,689	36,230	-	-	2,800	-	1,853	68,261
-	-	53,679	-	-	-	-	-	53,679
24,164	-	-	40,099	-	-	-	-	75,039
-	-	-	-	-	-	-	319	1,520
-	1	-	-	-	1,382	1	654	2,038
104	44	756	129	9	140	184	8,497	25,452
-	-	-	-	-	-	33,828	96	34,166
-	237	8,556	-	-	1,289	18,732	3,411	32,225
-	239	-	-	-	-	-	28,345	28,636
17	4,354	40	-	-	21,792	-	1,155	30,325
-	10	6	-	-	110	687	387	1,416
<u>24,285</u>	<u>18,574</u>	<u>99,267</u>	<u>40,228</u>	<u>6,160</u>	<u>27,513</u>	<u>53,432</u>	<u>44,758</u>	<u>370,939</u>
179	-	567	832	-	9,223	511	9,307	22,260
-	-	-	-	-	2,025	18,854	243	29,640
-	-	-	-	-	9,177	1,537	3,522	14,236
-	-	35,202	-	3,002	159	3,966	4,307	72,638
11	43,949	-	31,023	-	-	-	22,107	97,114
-	-	130	-	-	2,220	464	257	3,071
-	-	-	-	-	-	25,894	8,366	40,341
128	770	11,957	866	-	-	5,757	6,571	26,391
-	401	-	-	-	-	1,736	1,811	4,096
-	48	-	-	-	-	1,520	438	2,076
<u>318</u>	<u>45,168</u>	<u>47,856</u>	<u>32,721</u>	<u>3,002</u>	<u>22,804</u>	<u>60,239</u>	<u>56,929</u>	<u>311,863</u>
<u>23,967</u>	<u>(26,594)</u>	<u>51,411</u>	<u>7,507</u>	<u>3,158</u>	<u>4,709</u>	<u>(6,807)</u>	<u>(12,171)</u>	<u>59,076</u>
66	8	-	-	-	760	-	3,337	4,171
4	28,277	2,200	8,709	-	4,855	3,909	22,910	83,413
-	-	-	-	-	-	-	(225)	(2,237)
(21,906)	(183)	(54,640)	-	(9)	(8,151)	(1,480)	(17,568)	(125,535)
-	-	-	-	-	-	-	21,107	21,107
-	-	-	-	-	-	-	25	25
<u>(21,836)</u>	<u>28,102</u>	<u>(52,440)</u>	<u>8,709</u>	<u>(9)</u>	<u>(2,536)</u>	<u>2,429</u>	<u>29,586</u>	<u>(19,056)</u>
2,131	1,508	(1,029)	16,216	3,149	2,173	(4,378)	17,415	40,020
1,686	2,158	57,602	-	280	10,825	(4,990)	71,678	160,835
<u>\$ 3,817</u>	<u>\$ 3,666</u>	<u>\$ 56,573</u>	<u>\$ 16,216</u>	<u>\$ 3,429</u>	<u>\$ 12,998</u>	<u>\$ (9,368)</u>	<u>\$ 89,093</u>	<u>\$ 200,855</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
For the Year Ended June 30, 2004  
(In Thousands)**

	Acquisition, Improvement and Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments .....	11,990	-	11,990	12,137	(147)
Sales Taxes .....	924	-	924	923	1
Transient Occupancy Taxes .....	-	-	-	-	-
Other Local Taxes .....	-	-	-	-	-
Licenses and Permits .....	1,201	2	1,203	1,408	(205)
Fines, Forfeitures and Penalties .....	-	-	-	-	-
Revenue from Use of Money and Property .....	45	37	82	310	(228)
Revenue from Federal Agencies .....	-	-	-	-	-
Revenue from Other Agencies .....	-	-	-	-	-
Revenue from Private Sources .....	52	-	52	140	(88)
Charges for Current Services .....	2,967	-	2,967	2,650	317
Other Revenue .....	216	-	216	305	(89)
Excess Revenue Appropriated .....	-	-	-	-	-
<b>TOTAL REVENUES .....</b>	<b>17,395</b>	<b>39</b>	<b>17,434</b>	<b>17,873</b>	<b>(439)</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	1,641	83	1,724	2,187	463
Public Safety - Police .....	-	-	-	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	9,504	1,059	10,563	17,759	7,196
Transportation .....	-	-	-	-	-
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	6,081	(28)	6,053	6,862	809
Capital Projects .....	15	-	15	450	435
Debt Service:					
Principal Retirement .....	-	-	-	-	-
Interest .....	-	-	-	-	-
<b>TOTAL EXPENDITURES .....</b>	<b>17,241</b>	<b>1,114</b>	<b>18,355</b>	<b>27,258</b>	<b>8,903</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES .....</b>	<b>154</b>	<b>(1,075)</b>	<b>(921)</b>	<b>(9,385)</b>	<b>8,464</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	-	-	-	-	-
Transfers from Other Funds .....	1,440	-	1,440	3,125	(1,685)
Transfers to Proprietary Funds .....	-	-	-	-	-
Transfers to Other Funds .....	(46)	-	(46)	(68)	22
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>1,394</b>	<b>-</b>	<b>1,394</b>	<b>3,057</b>	<b>(1,663)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>\$ 1,548</b>	<b>\$ (1,075)</b>	<b>473</b>	<b>(6,328)</b>	<b>6,801</b>
Fund Balances Undesignated at July 1, 2003 .....			9,281	9,281	-
Reserved for Encumbrances at July 1, 2003 .....			913	913	-
Reserved for Debt Service at July 1, 2003 .....			-	-	-
Reserved for Debt Service at June 30, 2004 .....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2003 .....			15	15	-
Designated for Subsequent Years' Expenditures at June 30, 2004 .....			(461)	-	(461)
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2004 .....</b>			<b>\$ 10,221</b>	<b>\$ 3,881</b>	<b>\$ 6,340</b>

Environmental Growth					Police Decentralization				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	12,765	-	12,765	12,065	700
-	-	-	-	-	-	-	-	-	-
10,776	-	10,776	10,149	627	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(3)	14	11	106	(95)	70	-	70	-	70
242	-	242	-	242	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	700	(700)
-	-	-	-	-	-	-	-	-	-
<u>11,015</u>	<u>14</u>	<u>11,029</u>	<u>10,255</u>	<u>774</u>	<u>12,835</u>	<u>-</u>	<u>12,835</u>	<u>12,765</u>	<u>70</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,518	-	8,518	8,518	-
-	-	-	-	-	-	-	-	-	-
1,916	287	2,203	2,419	216	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
277	5	282	505	223	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>2,193</u>	<u>292</u>	<u>2,485</u>	<u>2,924</u>	<u>439</u>	<u>8,518</u>	<u>-</u>	<u>8,518</u>	<u>8,518</u>	<u>-</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
8,822	(278)	8,544	7,331	1,213	4,317	-	4,317	4,247	70
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(8,001)	-	(8,001)	(8,001)	-	(4,317)	-	(4,317)	(4,247)	(70)
(8,001)	-	(8,001)	(8,001)	-	(4,317)	-	(4,317)	(4,247)	(70)
<u>\$ 821</u>	<u>\$ (278)</u>	<u>543</u>	<u>(670)</u>	<u>1,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	5,464	5,464	-	-	-	1,750	1,750	-
-	-	126	126	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	159	159	-	-	-	-	-	-
-	-	(223)	-	(223)	-	-	-	-	-
-	-	<u>\$ 6,069</u>	<u>\$ 5,079</u>	<u>\$ 990</u>	-	-	<u>\$ 1,750</u>	<u>\$ 1,750</u>	<u>\$ -</u>

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**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2004**  
**(In Thousands)**

Public Transportation					
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments .....	-	-	-	-	-
Sales Taxes .....	-	-	-	-	-
Transient Occupancy Taxes .....	-	-	-	-	-
Other Local Taxes .....	-	-	-	-	-
Licenses and Permits .....	-	-	-	-	-
Fines, Forfeitures and Penalties .....	-	-	-	-	-
Revenue from Use of Money and Property .....	31	8	39	250	(211)
Revenue from Federal Agencies .....	-	-	-	-	-
Revenue from Other Agencies .....	-	-	-	-	-
Revenue from Private Sources .....	-	-	-	-	-
Charges for Current Services .....	-	-	-	-	-
Other Revenue .....	-	-	-	-	-
Excess Revenue Appropriated .....	-	-	-	-	-
<b>TOTAL REVENUES .....</b>	<b>31</b>	<b>8</b>	<b>39</b>	<b>250</b>	<b>(211)</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	-	-	-	-	-
Public Safety - Police .....	-	-	-	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	-	-	-	-	-
Transportation .....	24	-	24	60	36
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	-	-	-	-	-
Capital Projects .....	-	-	-	-	-
Debt Service:					
Principal Retirement .....	-	-	-	-	-
Interest .....	-	-	-	-	-
<b>TOTAL EXPENDITURES .....</b>	<b>24</b>	<b>-</b>	<b>24</b>	<b>60</b>	<b>36</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES .....</b>	<b>7</b>	<b>8</b>	<b>15</b>	<b>190</b>	<b>(175)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	-	-	-	-	-
Transfers from Other Funds .....	5,103	-	5,103	5,003	100
Transfers to Proprietary Funds .....	(1,512)	-	(1,512)	(1,512)	-
Transfers to Other Funds .....	(3,689)	-	(3,689)	(3,738)	49
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>(98)</b>	<b>-</b>	<b>(98)</b>	<b>(247)</b>	<b>149</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>\$ (91)</b>	<b>\$ 8</b>	<b>(83)</b>	<b>(57)</b>	<b>(26)</b>
Fund Balances Undesignated at July 1, 2003 .....			2,133	2,133	-
Reserved for Encumbrances at July 1, 2003 .....			34	33	1
Reserved for Debt Service at July 1, 2003 .....			-	-	-
Reserved for Debt Service at June 30, 2004 .....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2003 .....			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2004 .....			-	-	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2004 .....</b>			<b>\$ 2,084</b>	<b>\$ 2,109</b>	<b>\$ (25)</b>

Qualcomm Stadium Operations					Special Gas Tax Street Improvement				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	24,164	-	24,164	23,075	1,089
-	-	-	-	-	-	-	-	-	-
15,446	5	15,451	15,557	(106)	104	20	124	429	(305)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	17	-	17	-	17
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>15,446</u>	<u>5</u>	<u>15,451</u>	<u>15,557</u>	<u>(106)</u>	<u>24,285</u>	<u>20</u>	<u>24,305</u>	<u>23,504</u>	<u>801</u>
-	-	-	-	-	179	-	179	180	1
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
14,582	196	14,778	16,524	1,746	-	-	-	-	-
-	-	-	-	-	11	-	11	-	(11)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
50	-	50	69	19	128	80	208	358	150
148	2	150	153	3	-	-	-	-	-
<u>70</u>	<u>-</u>	<u>70</u>	<u>67</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,850</u>	<u>198</u>	<u>15,048</u>	<u>16,813</u>	<u>1,765</u>	<u>318</u>	<u>80</u>	<u>398</u>	<u>538</u>	<u>140</u>
596	(193)	403	(1,256)	1,659	23,967	(60)	23,907	22,966	941
-	-	-	-	-	66	-	66	-	66
6,006	-	6,006	6,000	6	4	-	4	-	4
(500)	-	(500)	(500)	-	-	-	-	-	-
<u>(5,545)</u>	<u>-</u>	<u>(5,545)</u>	<u>(5,556)</u>	<u>11</u>	<u>(21,906)</u>	<u>-</u>	<u>(21,906)</u>	<u>(23,325)</u>	<u>1,419</u>
<u>(39)</u>	<u>-</u>	<u>(39)</u>	<u>(56)</u>	<u>17</u>	<u>(21,836)</u>	<u>-</u>	<u>(21,836)</u>	<u>(23,325)</u>	<u>1,489</u>
<u>\$ 557</u>	<u>\$ (193)</u>	<u>364</u>	<u>(1,312)</u>	<u>1,676</u>	<u>\$ 2,131</u>	<u>\$ (60)</u>	<u>2,071</u>	<u>(359)</u>	<u>2,430</u>
		183	183	-			1,308	1,308	-
		1,104	1,104	-			172	172	-
		-	-	-			-	-	-
		-	-	-			-	-	-
		25	25	-			186	186	-
		(44)	-	(44)			(146)	-	(146)
		<u>\$ 1,632</u>	<u>\$ -</u>	<u>\$ 1,632</u>			<u>\$ 3,591</u>	<u>\$ 1,307</u>	<u>\$ 2,284</u>

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**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2004**  
**(In Thousands)**

	Street Division Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments .....	-	-	-	-	-
Sales Taxes .....	13,689	-	13,689	13,689	-
Transient Occupancy Taxes .....	-	-	-	-	-
Other Local Taxes .....	-	-	-	-	-
Licenses and Permits .....	-	-	-	-	-
Fines, Forfeitures and Penalties .....	1	-	1	-	1
Revenue from Use of Money and Property .....	44	2	46	9	37
Revenue from Federal Agencies .....	-	-	-	-	-
Revenue from Other Agencies .....	237	-	237	45	192
Revenue from Private Sources .....	239	-	239	48	191
Charges for Current Services .....	4,354	-	4,354	3,126	1,228
Other Revenue .....	10	-	10	-	10
Excess Revenue Appropriated .....	-	-	-	107	(107)
<b>TOTAL REVENUES .....</b>	<b>18,574</b>	<b>2</b>	<b>18,576</b>	<b>17,024</b>	<b>1,552</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	-	-	-	-	-
Public Safety - Police .....	-	-	-	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	-	-	-	-	-
Transportation .....	43,949	3,205	47,154	48,853	1,699
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	-	-	-	-	-
Capital Projects .....	770	205	975	1,811	836
Debt Service:					
Principal Retirement .....	401	-	401	486	85
Interest .....	48	-	48	92	44
<b>TOTAL EXPENDITURES .....</b>	<b>45,168</b>	<b>3,410</b>	<b>48,578</b>	<b>51,242</b>	<b>2,664</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES .....</b>	<b>(26,594)</b>	<b>(3,408)</b>	<b>(30,002)</b>	<b>(34,218)</b>	<b>4,216</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	8	-	8	-	8
Transfers from Other Funds .....	28,277	-	28,277	32,280	(4,003)
Transfers to Proprietary Funds .....	-	-	-	-	-
Transfers to Other Funds .....	(183)	-	(183)	(146)	(37)
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>28,102</b>	<b>-</b>	<b>28,102</b>	<b>32,134</b>	<b>(4,032)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>\$ 1,508</b>	<b>\$ (3,408)</b>	<b>(1,900)</b>	<b>(2,084)</b>	<b>184</b>
Fund Balances Undesignated at July 1, 2003 .....			-	-	-
Reserved for Encumbrances at July 1, 2003 .....			1,515	1,515	-
Reserved for Debt Service at July 1, 2003 .....			569	569	-
Reserved for Debt Service at June 30, 2004 .....			(128)	-	(128)
Designated for Subsequent Years' Expenditures at July 1, 2003 .....			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2004 .....			(56)	-	(56)
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2004 .....</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Transient Occupancy Tax					Underground Surcharge				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
36,230	-	36,230	37,408	(1,178)	-	-	-	-	-
53,679	-	53,679	52,726	953	-	-	-	-	-
-	-	-	-	-	40,099	-	40,099	43,286	(3,187)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
756	138	894	1,003	(109)	129	-	129	-	129
-	-	-	-	-	-	-	-	-	-
8,556	-	8,556	6,418	2,138	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
40	-	40	11	29	-	-	-	115	(115)
6	-	6	-	6	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>99,267</u>	<u>138</u>	<u>99,405</u>	<u>97,566</u>	<u>1,839</u>	<u>40,228</u>	<u>-</u>	<u>40,228</u>	<u>43,401</u>	<u>(3,173)</u>
567	40	607	664	57	832	99	931	1,322	391
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
35,202	5,958	41,160	42,306	1,146	-	-	-	-	-
-	-	-	-	-	31,023	-	31,023	31,023	-
130	35	165	166	1	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
11,957	2,686	14,643	24,606	9,963	866	714	1,580	11,315	9,735
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>47,856</u>	<u>8,719</u>	<u>56,575</u>	<u>67,742</u>	<u>11,167</u>	<u>32,721</u>	<u>813</u>	<u>33,534</u>	<u>43,660</u>	<u>10,126</u>
51,411	(8,581)	42,830	29,824	13,006	7,507	(813)	6,694	(259)	6,953
-	-	-	-	-	-	-	-	-	-
2,200	-	2,200	2,585	(385)	8,709	-	8,709	-	8,709
-	-	-	-	-	-	-	-	-	-
<u>(54,640)</u>	<u>-</u>	<u>(54,640)</u>	<u>(55,836)</u>	<u>1,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(52,440)</u>	<u>-</u>	<u>(52,440)</u>	<u>(53,251)</u>	<u>811</u>	<u>8,709</u>	<u>-</u>	<u>8,709</u>	<u>-</u>	<u>8,709</u>
<u>\$ (1,029)</u>	<u>\$ (8,581)</u>	<u>(9,610)</u>	<u>(23,427)</u>	<u>13,817</u>	<u>\$ 16,216</u>	<u>\$ (813)</u>	<u>15,403</u>	<u>(259)</u>	<u>15,662</u>
		30,887	30,887	-			-	-	-
		8,225	8,225	-			-	-	-
		-	-	-			-	-	-
		-	-	-			-	-	-
		18,351	18,351	-			-	-	-
		<u>(10,627)</u>	<u>-</u>	<u>(10,627)</u>			<u>(8,718)</u>	<u>-</u>	<u>(8,718)</u>
		<u>\$ 37,226</u>	<u>\$ 34,036</u>	<u>\$ 3,190</u>			<u>\$ 6,685</u>	<u>\$ (259)</u>	<u>\$ 6,944</u>

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**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
For the Year Ended June 30, 2004  
(In Thousands)**

	Zoological Exhibits				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property Taxes .....	\$ 6,151	\$ -	\$ 6,151	\$ 5,408	\$ 743
Special Assessments .....	-	-	-	-	-
Sales Taxes .....	-	-	-	-	-
Transient Occupancy Taxes .....	-	-	-	-	-
Other Local Taxes .....	-	-	-	-	-
Licenses and Permits .....	-	-	-	-	-
Fines, Forfeitures and Penalties .....	-	-	-	-	-
Revenue from Use of Money and Property .....	9	-	9	-	9
Revenue from Federal Agencies .....	-	-	-	-	-
Revenue from Other Agencies .....	-	-	-	-	-
Revenue from Private Sources .....	-	-	-	-	-
Charges for Current Services .....	-	-	-	-	-
Other Revenue .....	-	-	-	-	-
Excess Revenue Appropriated .....	-	-	-	-	-
<b>TOTAL REVENUES .....</b>	<b>6,160</b>	<b>-</b>	<b>6,160</b>	<b>5,408</b>	<b>752</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	-	-	-	-	-
Public Safety - Police .....	-	-	-	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	3,002	-	3,002	5,646	2,644
Transportation .....	-	-	-	-	-
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	-	-	-	-	-
Capital Projects .....	-	-	-	-	-
Debt Service:					
Principal Retirement .....	-	-	-	-	-
Interest .....	-	-	-	-	-
<b>TOTAL EXPENDITURES .....</b>	<b>3,002</b>	<b>-</b>	<b>3,002</b>	<b>5,646</b>	<b>2,644</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>					
	<b>3,158</b>	<b>-</b>	<b>3,158</b>	<b>(238)</b>	<b>3,396</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	-	-	-	-	-
Transfers from Other Funds .....	-	-	-	-	-
Transfers to Proprietary Funds .....	-	-	-	-	-
Transfers to Other Funds .....	(9)	-	(9)	-	(9)
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>(9)</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>(9)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>\$ 3,149</b>	<b>\$ -</b>	<b>3,149</b>	<b>(238)</b>	<b>3,387</b>
Fund Balances Undesignated at July 1, 2003 .....			-	-	-
Reserved for Encumbrances at July 1, 2003 .....			-	-	-
Reserved for Debt Service at July 1, 2003 .....			-	-	-
Reserved for Debt Service at June 30, 2004 .....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2003 .....			280	280	-
Designated for Subsequent Years' Expenditures at June 30, 2004 .....			-	-	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2004 .....</b>			<b>\$ 3,429</b>	<b>\$ 42</b>	<b>\$ 3,387</b>

Other Special Revenue					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,151	\$ -	\$ 6,151	\$ 5,408	\$ 743
-	-	-	-	-	11,990	-	11,990	12,137	(147)
2,800	-	2,800	2,800	-	66,408	-	66,408	66,885	(477)
-	-	-	-	-	53,679	-	53,679	52,726	953
-	-	-	-	-	75,039	-	75,039	76,510	(1,471)
-	-	-	-	-	1,201	2	1,203	1,408	(205)
1,382	-	1,382	1,165	217	1,383	-	1,383	1,165	218
140	15	155	50	105	16,771	239	17,010	17,714	(704)
-	-	-	-	-	242	-	242	-	242
1,289	-	1,289	1,037	252	10,082	-	10,082	7,500	2,582
-	-	-	-	-	291	-	291	188	103
21,792	-	21,792	22,290	(498)	29,170	-	29,170	28,192	978
110	-	110	500	(390)	342	-	342	1,505	(1,163)
-	-	-	33	(33)	-	-	-	140	(140)
<u>27,513</u>	<u>15</u>	<u>27,528</u>	<u>27,875</u>	<u>(347)</u>	<u>272,749</u>	<u>241</u>	<u>272,990</u>	<u>271,478</u>	<u>1,512</u>
9,223	149	9,372	9,384	12	12,442	371	12,813	13,737	924
2,025	263	2,288	2,514	226	10,543	263	10,806	11,032	226
9,177	186	9,363	9,824	461	9,177	186	9,363	9,824	461
159	1	160	162	2	64,365	7,501	71,866	84,816	12,950
-	-	-	-	-	75,007	3,205	78,212	79,936	1,724
2,220	218	2,438	2,600	162	2,350	253	2,603	2,766	163
-	-	-	-	-	6,081	(28)	6,053	6,862	809
-	-	-	-	-	14,063	3,690	17,753	39,114	21,361
-	-	-	-	-	549	2	551	639	88
-	-	-	-	-	118	-	118	159	41
<u>22,804</u>	<u>817</u>	<u>23,621</u>	<u>24,484</u>	<u>863</u>	<u>194,695</u>	<u>15,443</u>	<u>210,138</u>	<u>248,885</u>	<u>38,747</u>
<u>4,709</u>	<u>(802)</u>	<u>3,907</u>	<u>3,391</u>	<u>516</u>	<u>78,054</u>	<u>(15,202)</u>	<u>62,852</u>	<u>22,593</u>	<u>40,259</u>
760	-	760	760	-	834	-	834	760	74
4,855	-	4,855	3,837	1,018	56,594	-	56,594	52,830	3,764
-	-	-	-	-	(2,012)	-	(2,012)	(2,012)	-
<u>(8,151)</u>	<u>-</u>	<u>(8,151)</u>	<u>(10,013)</u>	<u>1,862</u>	<u>(106,487)</u>	<u>-</u>	<u>(106,487)</u>	<u>(110,930)</u>	<u>4,443</u>
<u>(2,536)</u>	<u>-</u>	<u>(2,536)</u>	<u>(5,416)</u>	<u>2,880</u>	<u>(51,071)</u>	<u>-</u>	<u>(51,071)</u>	<u>(59,352)</u>	<u>8,281</u>
<u>\$ 2,173</u>	<u>\$ (802)</u>	1,371	(2,025)	3,396	<u>\$ 26,983</u>	<u>\$ (15,202)</u>	11,781	(36,759)	48,540
		6,476	6,476	-			57,482	57,482	-
		444	444	-			12,533	12,532	1
		-	-	-			569	569	-
		-	-	-			(128)	-	(128)
		3,890	3,890	-			22,906	22,906	-
		<u>(1,930)</u>	<u>-</u>	<u>(1,930)</u>			<u>(22,205)</u>	<u>-</u>	<u>(22,205)</u>
		<u>\$ 10,251</u>	<u>\$ 8,785</u>	<u>\$ 1,466</u>			<u>\$ 82,938</u>	<u>\$ 56,730</u>	<u>\$ 26,208</u>

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**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
ENVIRONMENTAL GROWTH FUND  
COMBINING BALANCE SHEET  
JUNE 30, 2004  
( In Thousands )**

	<u>Two-Thirds Requirement</u>	<u>One-Third Requirement</u>	<u>Total</u>
<b>ASSETS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ 2,906	\$ 1,083	\$ 3,989
Receivables:			
Taxes - Net .....	1,739	869	2,608
Accrued Interest .....	4	4	8
<b>TOTAL ASSETS</b> .....	<u>\$ 4,649</u>	<u>\$ 1,956</u>	<u>\$ 6,605</u>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ -	\$ 20	\$ 20
<b>FUND EQUITY</b>			
Fund Balances:			
Reserved for Encumbrances .....	-	293	293
Unreserved:			
Designated for Subsequent Years' Expenditures .....	-	223	223
Undesignated .....	4,649	1,420	6,069
<b>TOTAL FUND EQUITY</b> .....	<u>4,649</u>	<u>1,936</u>	<u>6,585</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<u>\$ 4,649</u>	<u>\$ 1,956</u>	<u>\$ 6,605</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2004  
( In Thousands )**

	<u>Two-Thirds Requirement</u>	<u>One-Third Requirement</u>	<u>Total</u>
<b>REVENUES</b>			
Other Local Taxes .....	\$ 7,184	\$ 3,592	\$ 10,776
Revenue from Use of Money and Property .....	(9)	6	(3)
Revenue from Federal Agencies .....	-	242	242
<b>TOTAL REVENUES</b> .....	<u>7,175</u>	<u>3,840</u>	<u>11,015</u>
<b>EXPENDITURES</b>			
Current:			
Parks, Recreation, Culture and Leisure .....	-	1,916	1,916
Capital Projects .....	-	277	277
<b>TOTAL EXPENDITURES</b> .....	<u>-</u>	<u>2,193</u>	<u>2,193</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b> .....	<u>7,175</u>	<u>1,647</u>	<u>8,822</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Other Funds .....	(7,176)	(825)	(8,001)
<b>NET CHANGE IN FUND BALANCES</b> .....	<u>(1)</u>	<u>822</u>	<u>821</u>
Fund Balances at Beginning of Year .....	4,650	1,114	5,764
<b>FUND BALANCES AT END OF YEAR</b> .....	<u>\$ 4,649</u>	<u>\$ 1,936</u>	<u>\$ 6,585</u>

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
ENVIRONMENTAL GROWTH FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands )

	Two-Thirds Requirement				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Other Local Taxes .....	\$ 7,184	\$ -	\$ 7,184	\$ 6,748	\$ 436
Revenue from Use of Money and Property .....	(9)	12	3	53	(50)
Revenue from Federal Agencies .....	-	-	-	-	-
<b>TOTAL REVENUES</b> .....	<u>7,175</u>	<u>12</u>	<u>7,187</u>	<u>6,801</u>	<u>386</u>
<b>EXPENDITURES</b>					
Current:					
Parks, Recreation, Culture and Leisure .....	-	-	-	-	-
Capital Projects .....	-	-	-	-	-
<b>TOTAL EXPENDITURES</b> .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b> .....	<u>7,175</u>	<u>12</u>	<u>7,187</u>	<u>6,801</u>	<u>386</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to Other Funds .....	(7,176)	-	(7,176)	(7,176)	-
<b>NET CHANGE IN FUND BALANCES</b> .....	<u>\$ (1)</u>	<u>\$ 12</u>	11	(375)	386
Fund Balances Undesignated at July 1, 2003 .....			4,638	4,638	-
Reserved for Encumbrances at July 1, 2003 .....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2003 .....			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2004 .....			-	-	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2004</b> .....			<u>\$ 4,649</u>	<u>\$ 4,263</u>	<u>\$ 386</u>

One-Third Requirement					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ 3,592	\$ -	\$ 3,592	\$ 3,401	\$ 191	\$ 10,776	\$ -	\$ 10,776	\$ 10,149	\$ 627
6	2	8	53	(45)	(3)	14	11	106	(95)
242	-	242	-	242	242	-	242	-	242
3,840	2	3,842	3,454	388	11,015	14	11,029	10,255	774
1,916	287	2,203	2,419	216	1,916	287	2,203	2,419	216
277	5	282	505	223	277	5	282	505	223
2,193	292	2,485	2,924	439	2,193	292	2,485	2,924	439
1,647	(290)	1,357	530	827	8,822	(278)	8,544	7,331	1,213
(825)	-	(825)	(825)	-	(8,001)	-	(8,001)	(8,001)	-
<u>\$ 822</u>	<u>\$ (290)</u>	532	(295)	827	<u>\$ 821</u>	<u>\$ (278)</u>	543	(670)	1,213
		826	826	-			5,464	5,464	-
		126	126	-			126	126	-
		159	159	-			159	159	-
		(223)	-	(223)			(223)	-	(223)
		<u>\$ 1,420</u>	<u>\$ 816</u>	<u>\$ 604</u>			<u>\$ 6,069</u>	<u>\$ 5,079</u>	<u>\$ 990</u>

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NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE

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## DEBT SERVICE FUNDS

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

### CITY OF SAN DIEGO

#### PUBLIC SAFETY COMMUNICATIONS PROJECT

This fund was established to account for the payment of principal and interest on general obligation bonds issued in 1991. These bonds are serviced by property taxes.

#### OTHER SPECIAL ASSESSMENTS

This fund was established to account for the payment of principal and interest for bonds issued under the Improvement Bond Act of 1915 and the Mello-Roos Community Facilities District Act of 1982. These bonds are serviced by assessments and special taxes levied on property owners within each assessment area.

### BLENDED COMPONENT UNITS

#### CITY OF SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY

This fund was established to account for the debt service activities of the City of San Diego Metropolitan Transit Development Board Authority (the "Authority"). The Authority was created to acquire and construct mass public transit guideways, systems and related facilities. The Authority's debt service fund is used to account for the payment of long-term debt principal and interest. This fund is serviced by investment income, lease payments from the City of San Diego, and proceeds from lease revenue bonds and certificates of participation.

#### CONVENTION CENTER EXPANSION FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Convention Center Expansion Financing Authority (the "Authority"). The Authority, created by the City of San Diego and the San Diego Unified Port District, facilitates the financing, acquisition and construction of an expansion to the existing convention center. The Authority's debt service fund is used to account for the payment of long-term debt principal and interest.

#### PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Public Facilities Financing Authority (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing, acquisition and construction of public capital facility improvements of the Agency or the City. The Authority's debt service fund is used to account for the payment of long-term debt principal and interest.

#### REDEVELOPMENT AGENCY

This fund was established to account for the debt service activities of the Redevelopment Agency of the City of San Diego (the "Agency"). The Agency was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. This fund is serviced by property tax increments, sale of real estate, and investment income.

#### SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the debt service activities of the San Diego Facilities and Equipment Leasing Corporation (the "Corporation"). The Corporation was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. The City makes lease payments from annual appropriations payable out of any source of legally available funds.

#### SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1

This fund was established for the purpose of acquiring open space properties to implement the Open Space element of the City of San Diego General Plan. This fund was established to account for financial resources accumulated for the payment of long-term debt principal and interest. This fund is serviced by City contributions and investment income.

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING BALANCE SHEET  
June 30, 2004  
( In Thousands )**

	<u>City of San Diego</u>	<u>City of San Diego/MTDB Authority</u>
<b>ASSETS</b>		
Receivables:		
Taxes - Net .....	\$ 34	\$ -
Special Assessments - Net .....	572	-
Accrued Interest .....	23	-
From Other Funds .....	-	-
Prepaid Items .....	-	-
Restricted Cash and Investments .....	25,584	10,637
<b>TOTAL ASSETS .....</b>	<b>\$ 26,213</b>	<b>\$ 10,637</b>
<b>LIABILITIES</b>		
Deferred Revenue .....	\$ 328	\$ -
<b>TOTAL LIABILITIES .....</b>	<b>328</b>	<b>-</b>
<b>FUND BALANCES:</b>		
Reserved for Encumbrances .....	1	-
Reserved for Debt Service .....	24,481	10,637
Unreserved:		
Designated for Unrealized Gains .....	-	-
Undesignated .....	1,403	-
<b>TOTAL FUND BALANCES .....</b>	<b>25,885</b>	<b>10,637</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 26,213</b>	<b>\$ 10,637</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2004  
( In Thousands )**

<b>REVENUES</b>		
Property Taxes .....	\$ 2,332	\$ -
Special Assessments .....	13,646	-
Revenue from Use of Money and Property .....	352	182
<b>TOTAL REVENUES .....</b>	<b>16,330</b>	<b>182</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support .....	7	57
Debt Service:		
Principal Retirement .....	3,500	6,790
Interest .....	7,516	1,908
Arbitrage Rebate .....	-	421
<b>TOTAL EXPENDITURES .....</b>	<b>11,023</b>	<b>9,176</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>	<b>5,307</b>	<b>(8,994)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Other Funds .....	1,536	8,636
Transfers to Other Funds .....	(4,930)	-
Transfers to Escrow Agent .....	(10,132)	-
Special Assessment Bonds Issued .....	11,727	-
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>(1,799)</b>	<b>8,636</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>3,508</b>	<b>(358)</b>
Fund Balances at Beginning of Year .....	22,377	10,995
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 25,885</b>	<b>\$ 10,637</b>

Convention Center Expansion Financing Authority	Public Facilities Financing Authority	Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	San Diego Open Space Park Facilities District #1	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34
-	-	-	-	-	572
-	244	84	-	8	359
-	-	731	-	-	731
-	-	3	-	903	906
81	22,194	37,798	1	938	97,233
<u>\$ 81</u>	<u>\$ 22,438</u>	<u>\$ 38,616</u>	<u>\$ 1</u>	<u>\$ 1,849</u>	<u>\$ 99,835</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 328
-	-	-	-	-	328
-	-	-	-	-	1
81	22,348	38,459	1	1,849	97,856
-	90	157	-	-	247
-	-	-	-	-	1,403
81	22,438	38,616	1	1,849	99,507
<u>\$ 81</u>	<u>\$ 22,438</u>	<u>\$ 38,616</u>	<u>\$ 1</u>	<u>\$ 1,849</u>	<u>\$ 99,835</u>
\$ -	\$ -	\$ 22,909	\$ -	\$ -	\$ 25,241
-	-	-	-	-	13,646
3	385	275	1	85	1,283
3	385	23,184	1	85	40,170
390	7	329	-	1	791
4,330	3,685	11,270	3,100	5,090	37,765
9,369	20,004	16,706	2,148	2,086	59,737
-	-	-	-	-	421
14,089	23,696	28,305	5,248	7,177	98,714
(14,086)	(23,311)	(5,121)	(5,247)	(7,092)	(58,544)
13,696	15,600	11,173	5,247	7,176	63,064
-	(9,119)	(4,414)	-	-	(18,463)
-	-	-	-	-	(10,132)
-	-	-	-	-	11,727
13,696	6,481	6,759	5,247	7,176	46,196
(390)	(16,830)	1,638	-	84	(12,348)
471	39,268	36,978	1	1,765	111,855
<u>\$ 81</u>	<u>\$ 22,438</u>	<u>\$ 38,616</u>	<u>\$ 1</u>	<u>\$ 1,849</u>	<u>\$ 99,507</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING BALANCE SHEET  
June 30, 2004  
( In Thousands )**

	Budgeted	Unbudgeted	
	Public Safety Communications Project	Other Special Assessments	Total
<b>ASSETS</b>			
Receivables:			
Taxes - Net .....	\$ 34	\$ -	\$ 34
Special Assessments - Net .....	-	572	572
Accrued Interest .....	2	21	23
Restricted Cash and Investments .....	2,116	23,468	25,584
<b>TOTAL ASSETS</b> .....	<b>\$ 2,152</b>	<b>\$ 24,061</b>	<b>\$ 26,213</b>
<b>LIABILITIES</b>			
Deferred Revenue .....	-	328	328
<b>TOTAL LIABILITIES</b> .....	<b>-</b>	<b>328</b>	<b>328</b>
<b>FUND BALANCES:</b>			
Reserved for Encumbrances.....	-	1	1
Reserved for Debt Service .....	2,152	22,329	24,481
Unreserved:			
Undesignated.....	-	1,403	1,403
<b>TOTAL FUND BALANCES</b> .....	<b>2,152</b>	<b>23,733</b>	<b>25,885</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 2,152</b>	<b>\$ 24,061</b>	<b>\$ 26,213</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2004  
(In Thousands)**

<b>REVENUES</b>			
Property Taxes .....	\$ 2,332	\$ -	\$ 2,332
Special Assessments .....	-	13,646	13,646
Revenue from Use of Money and Property .....	(9)	361	352
<b>TOTAL REVENUES</b> .....	<b>2,323</b>	<b>14,007</b>	<b>16,330</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	1	6	7
Debt Service:			
Principal Retirement .....	1,300	2,200	3,500
Interest .....	1,048	6,468	7,516
<b>TOTAL EXPENDITURES</b> .....	<b>2,349</b>	<b>8,674</b>	<b>11,023</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>(26)</b>	<b>5,333</b>	<b>5,307</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds .....	-	1,536	1,536
Transfers to Other Funds .....	-	(4,930)	(4,930)
Transfers to Escrow Agent .....	-	(10,132)	(10,132)
Special Assessment Bonds Issued .....	-	11,727	11,727
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>-</b>	<b>(1,799)</b>	<b>(1,799)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(26)</b>	<b>3,534</b>	<b>3,508</b>
Fund Balances at Beginning of Year .....	2,178	20,199	22,377
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 2,152</b>	<b>\$ 23,733</b>	<b>\$ 25,885</b>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2004  
(In Thousands)**

	<u>Public Safety Communications Project</u>				
	<u>Actual</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>
<b>REVENUES</b>					
Property Taxes .....	\$ 2,332	\$ -	\$ 2,332	\$ 2,291	\$ 41
Revenue from Use of Money and Property .....	(9)	8	(1)	40	(41)
<b>TOTAL REVENUES .....</b>	<u>2,323</u>	<u>8</u>	<u>2,331</u>	<u>2,331</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	1	-	1	-	(1)
Debt Service:					
Principal Retirement .....	1,300	-	1,300	1,300	-
Interest .....	1,048	-	1,048	1,049	1
<b>TOTAL EXPENDITURES .....</b>	<u>2,349</u>	<u>-</u>	<u>2,349</u>	<u>2,349</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>	<u>(26)</u>	<u>8</u>	<u>(18)</u>	<u>(18)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES .....</b>	<u>\$ (26)</u>	<u>\$ 8</u>	<u>(18)</u>	<u>(18)</u>	<u>-</u>
Reserved for Debt Service at July 1, 2003 .....			2,170	2,170	-
Reserved for Debt Service at June 30, 2004 .....			(2,152)	(2,152)	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2004 .....</b>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

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## CAPITAL PROJECTS FUNDS

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

### CITY OF SAN DIEGO

#### UNDERGROUND SURCHARGE

This fund was established to account primarily for the capital improvement activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with San Diego Gas & Electric.

#### CAPITAL OUTLAY

This fund was established per Section 77 of the City Charter to account for the acquisition, construction and completion of permanent public improvements and real property. Capital outlay fund revenues are derived from the sale of City-owned real property supplemented by sales tax revenue.

#### PARK & RECREATION DISTRICTS

This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City of San Diego Municipal Code. Fee assessments are only to be used for park purposes within a Community Park Service District to purchase land, facilities, or reimburse those who have donated more than their proportionate responsibilities.

#### FACILITIES BENEFIT ASSESSMENTS

This fund was established to account for building permit fees collected at the time of permit issuance and is mandated by the City Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

#### IMPACT FEES

This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

#### SPECIAL ASSESSMENT/SPECIAL TAX BONDS

This fund was established to account for Special Assessment Districts, under various sections of State law, and issues limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

#### TRANSNET

This fund was established to account for transportation improvements funded by a local sales tax approved by voters in the County of San Diego. Funds are to help relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

#### OTHER CONSTRUCTION

This fund was established to account for a variety of capital projects such as park and street improvements and construction of public facilities in new development areas. Revenues in this fund are derived from such sources as contributions from developers, grants from Federal, State and other governmental agencies, special assessments, special taxes, fees, and interest derived there from.

**BLENDED COMPONENT UNITS****PUBLIC FACILITIES FINANCING AUTHORITY**

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing and construction of public capital improvements of the City or the Agency. Revenues are derived from the issuance of bonds and interest earnings on investments.

**REDEVELOPMENT AGENCY**

This fund was established to account for the capital improvement activities of the Redevelopment Agency of the City of San Diego (the "Agency"). The Agency was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. Funds are derived from the City of San Diego, from the issuance of bonds for specific redevelopment projects, sale of real estate and investment income.

**SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION**

This fund was established to account for the capital improvement activities of the San Diego Facilities and Equipment Leasing Corporation (the "Corporation"). The Corporation was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. This fund accounts for proceeds from the issuance of Certificates of Participation used to finance construction projects in Balboa and Mission Bay parks.

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**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING BALANCE SHEET**  
**June 30, 2004**  
**( In Thousands )**

	<u>City of San Diego</u>	<u>Public Facilities Financing Authority</u>
<b>ASSETS</b>		
Cash and Investments .....	\$ 277,720	\$ 27,028
Receivables:		
Accounts - Net .....	248	-
Special Assesments Net.....	28	-
Taxes Net.....	3,060	-
Notes .....	-	-
Accrued Interest .....	854	115
Grants .....	22,760	-
From Other Funds .....	13,618	-
From Other Agencies .....	659	-
Advances to Other Funds .....	-	-
Advances to Other Agencies .....	-	-
Land Held for Resale.....	1,327	-
	<u>320,274</u>	<u>27,143</u>
<b>TOTAL ASSETS .....</b>	<b>\$ 320,274</b>	<b>\$ 27,143</b>
<b>LIABILITIES</b>		
Accounts Payable .....	\$ 3,607	\$ 428
Due to Other Funds .....	13,618	-
Due to Other Agencies .....	291	-
Deferred Revenue .....	19,607	-
Unearned Revenue .....	6,776	-
Sundry Trust Liabilities.....	-	-
Interfund Interest Payable .....	562	-
Interfund Loan Payable .....	2,386	-
	<u>46,847</u>	<u>428</u>
<b>TOTAL LIABILITIES .....</b>	<b>46,847</b>	<b>428</b>
<b>FUND BALANCES:</b>		
Reserved for Land Held for Resale.....	-	-
Reserved for Encumbrances .....	45,791	12,361
Reserved for Advances and Deposits .....	-	-
Unreserved:		
Designated for Unrealized Gains .....	-	-
Designated for Subsequent Years' Expenditures .....	145,038	13,255
Undesignated .....	82,598	1,099
	<u>273,427</u>	<u>26,715</u>
<b>TOTAL FUND BALANCES .....</b>	<b>273,427</b>	<b>26,715</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 320,274</b>	<b>\$ 27,143</b>

<u>Redevelopment Agency</u>	<u>San Diego Facilities and Equipment Leasing Corporation</u>	<u>Total</u>
\$ 40,051	\$ 6	\$ 344,805
-	-	248
		28
		3,060
6,866	-	6,866
77	-	1,046
-	-	22,760
37,608	-	51,226
-	-	659
804	-	804
20	-	20
<u>22,543</u>	<u>-</u>	<u>23,870</u>
<u>\$ 107,969</u>	<u>\$ 6</u>	<u>\$ 455,392</u>
\$ 5,544	\$ -	\$ 9,579
-	-	13,618
-	-	291
4,619	-	24,226
-	-	6,776
4,382	-	4,382
-	-	562
<u>-</u>	<u>-</u>	<u>2,386</u>
<u>14,545</u>	<u>-</u>	<u>61,820</u>
22,543	-	22,543
24,794	-	82,946
824	-	824
1	-	1
35,896	6	194,195
<u>9,366</u>	<u>-</u>	<u>93,063</u>
<u>93,424</u>	<u>6</u>	<u>393,572</u>
<u>\$ 107,969</u>	<u>\$ 6</u>	<u>\$ 455,392</u>

**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2004**  
**( In Thousands )**

	<b>City of San Diego</b>	<b>Public Facilities Financing Authority</b>
<b>REVENUES</b>		
Property Taxes .....	\$ -	\$ -
Special Assessments.....	1,160	-
Sales Taxes .....	32,809	-
Licenses and Permits .....	5,373	-
Revenue from Use of Money and Property .....	2,788	598
Revenue from Federal Agencies .....	12,272	-
Revenue from Other Agencies .....	40,936	-
Revenue from Private Sources .....	27,201	-
Other Revenue .....	945	-
	<u>123,484</u>	<u>598</u>
<b>TOTAL REVENUES .....</b>	<b>123,484</b>	<b>598</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support .....	5,247	-
Parks, Recreation, Culture and Leisure .....	95	-
Transportation .....	286	-
Neighborhood Services .....	269	-
Capital Projects .....	107,361	38,235
Debt Service:		
Principal Retirement .....	4,439	-
Interest .....	873	-
	<u>118,570</u>	<u>38,235</u>
<b>TOTAL EXPENDITURES .....</b>	<b>118,570</b>	<b>38,235</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>		
	<u>4,914</u>	<u>(37,637)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds .....	261	-
Transfers from Other Funds .....	2,564	9,638
Transfers to Proprietary Funds .....	(530)	-
Transfers to Other Funds .....	(24,966)	(1,780)
Proceeds from Sales of Capital Assets.....	301	-
SANDAG Loans Issued .....	6,400	-
Special Assessment Bonds Issued .....	17,493	-
Premium on Bonds Issued .....	2	-
Discount on Bonds Issued .....	(248)	-
	<u>1,277</u>	<u>7,858</u>
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>1,277</b>	<b>7,858</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>6,191</b>	<b>(29,779)</b>
Fund Balances at Beginning of Year .....	<u>267,236</u>	<u>56,494</u>
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 273,427</b>	<b>\$ 26,715</b>

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
\$ 16,731	\$ -	\$ 16,731
-	-	1,160
-	-	32,809
-	-	5,373
2,459	1	5,846
-	-	12,272
-	-	40,936
5,922	-	33,123
<u>5,022</u>	<u>-</u>	<u>5,967</u>
<u>30,134</u>	<u>1</u>	<u>154,217</u>
18,684	171	24,102
-	-	95
-	-	286
34,667	-	34,936
2,274	-	147,870
500	-	4,939
<u>672</u>	<u>-</u>	<u>1,545</u>
<u>56,797</u>	<u>171</u>	<u>213,773</u>
<u>(26,663)</u>	<u>(170)</u>	<u>(59,556)</u>
-	-	261
32,188	-	44,390
-	-	(530)
(12,046)	(31)	(38,823)
-	-	301
-	-	6,400
-	-	17,493
-	-	2
<u>-</u>	<u>-</u>	<u>(248)</u>
<u>20,142</u>	<u>(31)</u>	<u>29,246</u>
(6,521)	(201)	(30,310)
<u>99,945</u>	<u>207</u>	<u>423,882</u>
<u>\$ 93,424</u>	<u>\$ 6</u>	<u>\$ 393,572</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING BALANCE SHEET  
June 30, 2004  
( In Thousands )**

	Budgeted		Unbudgeted		
	Underground Surcharge	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments	Impact Fees
<b>ASSETS</b>					
Cash and Investments .....	\$ -	\$ 2,022	\$ 7,386	\$ 170,419	\$ 25,809
Receivables:					
Accounts - Net .....	-	243	-	-	-
Special Assesments Net.....	-	-	-	-	-
Taxes Net.....	-	-	-	-	-
Accrued Interest .....	-	191	19	458	60
Grants .....	-	22,458	-	-	-
From Other Funds .....	-	-	-	1,418	-
From Other Agencies .....	-	-	-	-	-
Land Held for Resale .....	-	1,327	-	-	-
<b>TOTAL ASSETS .....</b>	<b>\$ -</b>	<b>\$ 26,241</b>	<b>\$ 7,405</b>	<b>\$ 172,295</b>	<b>\$ 25,869</b>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ -	\$ 844	\$ 1	\$ 1,648	\$ 17
Due to Other Funds .....	-	12,468	-	-	-
Due to Other Agencies .....	-	191	-	-	-
Deferred Revenue .....	-	19,295	1	-	-
Unearned Revenue .....	-	4,712	-	-	-
Interfund Interest Payable .....	-	562	-	-	-
Interfund Loan Payable .....	-	2,386	-	-	-
<b>TOTAL LIABILITIES .....</b>	<b>-</b>	<b>40,458</b>	<b>2</b>	<b>1,648</b>	<b>17</b>
<b>FUND BALANCES:</b>					
Reserved for Encumbrances .....	-	2,655	184	32,119	1,154
Unreserved:					
Designated for Subsequent Years' Expenditures .....	-	2,352	2,993	101,756	8,785
Undesignated .....	-	(19,224)	4,226	36,772	15,913
<b>TOTAL FUND BALANCES .....</b>	<b>-</b>	<b>(14,217)</b>	<b>7,403</b>	<b>170,647</b>	<b>25,852</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ -</b>	<b>\$ 26,241</b>	<b>\$ 7,405</b>	<b>\$ 172,295</b>	<b>\$ 25,869</b>

Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
\$ 24,049	\$ 3,332	\$ 44,703	\$ 277,720
-	5	-	248
28	-	-	28
-	3,060	-	3,060
21	34	71	854
-	-	302	22,760
-	12,200	-	13,618
-	659	-	659
-	-	-	1,327
<u>\$ 24,098</u>	<u>\$ 19,290</u>	<u>\$ 45,076</u>	<u>\$ 320,274</u>
\$ -	\$ 707	\$ 390	\$ 3,607
-	-	1,150	13,618
-	-	100	291
5	4	302	19,607
-	844	1,220	6,776
-	-	-	562
-	-	-	2,386
<u>5</u>	<u>1,555</u>	<u>3,162</u>	<u>46,847</u>
236	5,537	3,906	45,791
63	12,198	16,891	145,038
<u>23,794</u>	<u>-</u>	<u>21,117</u>	<u>82,598</u>
<u>24,093</u>	<u>17,735</u>	<u>41,914</u>	<u>273,427</u>
<u>\$ 24,098</u>	<u>\$ 19,290</u>	<u>\$ 45,076</u>	<u>\$ 320,274</u>

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 For the Year Ended June 30, 2004  
 ( In Thousands )

	Budgeted	Unbudgeted			
	Underground Surcharge	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments	Impact Fees
<b>REVENUES</b>					
Special Assessments .....	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes .....	-	381	-	-	-
Licenses and Permits .....	-	-	5	-	5,339
Revenue from Use of Money and Property .....	-	197	58	1,508	156
Revenue from Federal Agencies .....	-	12,574	-	-	-
Revenue from Other Agencies .....	-	20,859	-	-	-
Revenue from Private Sources .....	-	-	120	25,515	-
Other Revenue .....	-	943	-	-	-
<b>TOTAL REVENUES</b> .....	-	34,954	183	27,023	5,495
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	-	1,341	-	1,320	356
Parks, Recreation, Culture and Leisure .....	-	39	-	-	-
Transportation .....	-	-	-	-	-
Neighborhood Services .....	-	-	-	-	-
Capital Projects .....	-	35,703	370	26,665	1,760
Debt Service:					
Principal Retirement .....	-	-	-	-	-
Interest .....	-	-	-	-	-
<b>TOTAL EXPENDITURES</b> .....	-	37,083	370	27,985	2,116
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES</b> .....	-	(2,129)	(187)	(962)	3,379
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	-	-	-	-	-
Transfers from Other Funds .....	-	631	-	-	-
Transfers to Proprietary Funds .....	-	-	-	-	-
Transfers to Other Funds .....	(8,709)	(700)	-	(432)	-
Proceeds from the Sale of Capital Assets .....	-	301	-	-	-
SANDAG Loans Issued .....	-	-	-	-	-
Special Assessment Bonds Issued .....	-	-	-	-	-
Premium on Bonds Issued .....	-	-	-	-	-
Discount on Bonds Issued .....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	(8,709)	232	-	(432)	-
<b>NET CHANGE IN FUND BALANCES</b> .....	(8,709)	(1,897)	(187)	(1,394)	3,379
Fund Balances at Beginning of Year .....	8,709	(12,320)	7,590	172,041	22,473
<b>FUND BALANCES AT END OF YEAR</b> .....	\$ -	\$ (14,217)	\$ 7,403	\$ 170,647	\$ 25,852

Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
\$ 1,160	\$ -	\$ -	\$ 1,160
-	32,428	-	32,809
-	-	28	5,373
131	85	653	2,788
-	-	(302)	12,272
-	-	20,077	40,936
325	-	1,242	27,201
-	2	-	945
<u>1,616</u>	<u>32,515</u>	<u>21,698</u>	<u>123,484</u>
1,577	249	404	5,247
-	-	56	95
-	-	286	286
-	230	39	269
7,711	13,334	21,818	107,361
-	4,439	-	4,439
-	873	-	873
<u>9,288</u>	<u>19,125</u>	<u>22,603</u>	<u>118,570</u>
<u>(7,672)</u>	<u>13,390</u>	<u>(905)</u>	<u>4,914</u>
-	-	261	261
468	432	1,033	2,564
-	(530)	-	(530)
(665)	(14,079)	(381)	(24,966)
-	-	-	301
-	6,400	-	6,400
17,493	-	-	17,493
2	-	-	2
<u>(248)</u>	<u>-</u>	<u>-</u>	<u>(248)</u>
<u>17,050</u>	<u>(7,777)</u>	<u>913</u>	<u>1,277</u>
9,378	5,613	8	6,191
<u>14,715</u>	<u>12,122</u>	<u>41,906</u>	<u>267,236</u>
<u>\$ 24,093</u>	<u>\$ 17,735</u>	<u>\$ 41,914</u>	<u>\$ 273,427</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
For the Year Ended June 30, 2004  
(In Thousands)**

	<u>Underground Surcharge</u>				
	<u>Actual</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>
<b>REVENUES</b>					
Revenue from Use of Money and Property .....	\$ -	\$ 32	\$ 32	\$ -	\$ 32
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to Other Funds .....	(8,709)	-	(8,709)	(8,709)	-
<b>NET CHANGE IN FUND BALANCES .....</b>	<u>\$ (8,709)</u>	<u>\$ 32</u>	(8,677)	(8,709)	32
Fund Balances Undesignated at July 1, 2003 .....			4949	4949	-
Reserved for Encumbrances at July 1, 2003 .....			118	118	-
Designated for Subsequent Years Expenditures at June 30, 2003 .....			3,610	3,610	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2004 .....</b>			<u>\$ -</u>	<u>\$ (32)</u>	<u>\$ 32</u>

NONMAJOR GOVERNMENTAL FUNDS - PERMANENT

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## PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

### CARMEL VALLEY SEWER MAINTENANCE

This fund was established to fund the City's share of maintenance costs for a private sewer system in the Carmel Valley community. The original contribution was received from a developer and interest earnings derived there from will finance a fifty-year maintenance period.

### CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

### EFFIE SERGEANT

This fund was established to account for a donation to benefit the North Park Branch Library. Investment earnings are used to finance library services and programs.

### 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.

### LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

### MONTEZUMA ROAD MEDIAN MAINTENANCE

This fund was established to account for an endowment from San Diego State University. Investment earnings derived there from are used to finance the maintenance of medians along Montezuma Road.

### SOUTHCREST PARK ESTATES II

This fund was established to finance the City's landscape maintenance costs for the Southcrest Park Estates II, a residential development within the Southcrest Redevelopment project area. The original contribution was received from a developer, and investment earnings derived there from will finance the permanent maintenance costs.

### SYCAMORE ESTATES

This fund was established to account for an endowment agreement between the City and Sycamore Estates, LLC. Investment earnings from the endowment shall be used exclusively for the long-term maintenance of conserved property within Sycamore Estates.

### ZOOLOGICAL SOCIETY – MISSION TRAILS

This fund was established to account for the Fortuna Mountain Conservation Bank endowment. Investment earnings derived from the endowment shall be used to fund the permanent management of the Fortuna Mountain Conservation Bank within Mission Trails Regional Park.

**CITY OF SAN DIEGO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT  
June 30, 2004  
(In Thousands)**

	<b>Carmel Valley Sewer Maintenance</b>	<b>Cemetery Perpetuity</b>	<b>Effie Sergeant</b>
<b>ASSETS</b>			
Cash and Investments .....	\$ 5	\$ 591	\$ 184
Receivables:			
Accounts - Net .....	-	15	-
Accrued Interest .....	1	12	-
Restricted Cash and Investments .....	35	8,675	285
<b>TOTAL ASSETS</b> .....	<b>\$ 41</b>	<b>\$ 9,293</b>	<b>\$ 469</b>
<b>FUND BALANCES:</b>			
Reserved for Permanent Endowments .....	\$ 41	\$ 8,702	\$ 433
Unreserved:			
Designated for Unrealized Gains .....	-	591	36
Designated for Subsequent Years' Expenditures .....	-	-	-
Undesignated .....	-	-	-
<b>TOTAL FUND BALANCES</b> .....	<b>\$ 41</b>	<b>\$ 9,293</b>	<b>\$ 469</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2004  
(In Thousands)**

<b>REVENUES</b>			
Revenue from Use of Money and Property .....	\$ 1	\$ 492	\$ 67
Revenue from Private Sources .....	-	-	-
Charges for Current Services .....	-	69	-
<b>TOTAL REVENUES</b> .....	<b>1</b>	<b>561</b>	<b>67</b>
<b>EXPENDITURES</b>			
Current:			
Parks, Recreation, Culture and Leisure .....	-	-	40
Sanitation and Health .....	2	-	-
<b>TOTAL EXPENDITURES</b> .....	<b>2</b>	<b>-</b>	<b>40</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>(1)</b>	<b>561</b>	<b>27</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Other Funds .....	-	(366)	-
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(1)</b>	<b>195</b>	<b>27</b>
Fund Balances at Beginning of Year .....	42	9,098	442
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 41</b>	<b>\$ 9,293</b>	<b>\$ 469</b>

Gladys Edna Peters	Los Penasquitos Canyon	Montezuma Road Median Maintenance	Southcrest Park Estates II	Sycamore Estates	Zoological Society - Mission Trails	Total
\$ 138	\$ 1,566	\$ 8	\$ 1	\$ -	\$ -	\$ 2,493
-	-	-	-	-	-	15
-	-	1	-	-	-	14
200	958	100	10	250	69	10,582
<u>\$ 338</u>	<u>\$ 2,524</u>	<u>\$ 109</u>	<u>\$ 11</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 13,104</u>
\$ 321	\$ 2,298	\$ 100	\$ 11	\$ 250	\$ 69	\$ 12,225
17	226	-	-	-	-	870
-	-	7	-	-	-	7
-	-	2	-	-	-	2
<u>\$ 338</u>	<u>\$ 2,524</u>	<u>\$ 109</u>	<u>\$ 11</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 13,104</u>
\$ 48	\$ 382	\$ 1	\$ -	\$ -	\$ (1)	\$ 990
-	-	-	-	250	-	250
-	-	-	-	-	-	69
48	382	1	-	250	(1)	1,309
6	4	-	-	-	-	50
-	-	-	-	-	-	2
6	4	-	-	-	-	52
42	378	1	-	250	(1)	1,257
-	(106)	-	-	-	-	(472)
42	272	1	-	250	(1)	785
296	2,252	108	11	-	70	12,319
<u>\$ 338</u>	<u>\$ 2,524</u>	<u>\$ 109</u>	<u>\$ 11</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 13,104</u>

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NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE

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## ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

### CITY OF SAN DIEGO

#### AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports--Montgomery and Brown Fields. Airports fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments and aid from other governmental agencies.

#### CITY STORE

This fund was established to account for activities of the City's entrepreneurial program. This program operates retail store outlets for the purpose of selling surplus city materials and other items promoting the City of San Diego.

#### DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

#### ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, collection, energy conservation, resource management, and other environmental programs.

#### GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines and Balboa golf courses. Revenues are derived from green fees and leases.

#### RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2004**  
**( In Thousands )**

	<u>Airports</u>	<u>City Store</u>
<b>ASSETS</b>		
Cash and Investments .....	\$ 6,479	\$ 75
Receivables:		
Accounts - Net .....	527	-
Accrued Interest .....	16	-
Grants .....	427	-
From Other Funds .....	-	-
Inventories .....	-	90
Prepaid Expenses .....	2	-
Restricted Cash and Investments .....	-	-
Advances to Other Funds .....	-	-
Capital Assets - Non-Depreciable .....	3,007	-
Capital Assets - Depreciable .....	<u>7,675</u>	<u>10</u>
<b>TOTAL ASSETS</b> .....	<u>18,133</u>	<u>175</u>
<b>LIABILITIES</b>		
Accounts Payable .....	73	24
Accrued Wages and Benefits .....	61	-
Interest Accrued on Long-Term Debt .....	-	-
Long Term Debt Due Within One Year .....	37	-
Due to Other Funds .....	-	-
Due to Other Agencies .....	-	-
Unearned Revenue .....	-	-
Contract Deposits .....	-	-
Deposits/Advances from Others .....	-	-
Estimated Landfill Closure and Postclosure Care .....	-	-
Compensated Absences .....	51	-
Liability Claims .....	3,570	-
Capital Lease Obligations .....	-	-
Net Pension Obligation .....	<u>181</u>	<u>-</u>
<b>TOTAL LIABILITIES</b> .....	<u>3,973</u>	<u>24</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt .....	10,682	10
Restricted for Closure/Postclosure maintenance .....	-	-
Unrestricted .....	<u>3,478</u>	<u>141</u>
<b>TOTAL NET ASSETS</b> .....	<u>\$ 14,160</u>	<u>\$ 151</u>

<u>Development Services</u>	<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 14,964	\$ 32,791	\$ 11,005	\$ 9,135	\$ 74,449
12	1,634	143	67	2,383
47	154	24	32	273
13	-	-	121	561
2,626	69	-	-	2,695
-	-	-	-	90
3	-	1	-	6
-	26,668	-	-	26,668
106	38	-	-	144
-	24,831	646	-	28,484
<u>2,238</u>	<u>47,171</u>	<u>8,133</u>	<u>6,784</u>	<u>72,011</u>
<u>20,009</u>	<u>133,356</u>	<u>19,952</u>	<u>16,139</u>	<u>207,764</u>
199	946	109	641	1,992
2,582	834	208	565	4,250
-	-	-	8	8
1,328	653	137	1,644	3,799
69	-	-	-	69
-	-	-	10	10
3,491	17	-	348	3,856
-	95	-	33	128
-	64	-	-	64
-	12,679	-	-	12,679
1,826	765	190	313	3,145
-	-	-	-	3,570
-	-	-	3,494	3,494
<u>5,296</u>	<u>1,774</u>	<u>476</u>	<u>1,138</u>	<u>8,865</u>
<u>14,791</u>	<u>17,827</u>	<u>1,120</u>	<u>8,194</u>	<u>45,929</u>
2,169	71,905	8,779	1,873	95,418
-	26,735	-	-	26,735
<u>3,049</u>	<u>16,889</u>	<u>10,053</u>	<u>6,072</u>	<u>39,682</u>
<u>\$ 5,218</u>	<u>\$ 115,529</u>	<u>\$ 18,832</u>	<u>\$ 7,945</u>	<u>\$ 161,835</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For the Year Ended June 30, 2004**  
**(In Thousands)**

	<u>Airports</u>	<u>City Store</u>
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ -	\$ 852
Usage Fees .....	3,731	-
Other .....	96	-
<b>TOTAL OPERATING REVENUES</b> .....	<u>3,827</u>	<u>852</u>
<b>OPERATING EXPENSES</b>		
Maintenance and Operations .....	5,643	409
Cost of Materials Issued .....	-	347
Administration .....	764	101
Depreciation .....	483	1
<b>TOTAL OPERATING EXPENSES</b> .....	<u>6,890</u>	<u>858</u>
<b>OPERATING INCOME (LOSS)</b> .....	<u>(3,063)</u>	<u>(6)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	41	1
Federal Grant Assistance .....	11	-
Other Agency Grant Assistance .....	1	-
Gain (Loss) on Sale/Retirement of Capital Assets .....	(474)	-
Debt Service Interest Expense .....	-	-
Other .....	-	15
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....	<u>(421)</u>	<u>16</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<u>(3,484)</u>	<u>10</u>
Capital Contributions .....	787	-
Transfers In .....	-	-
Transfers from Governmental Funds.....	-	-
Transfers Out .....	(22)	-
Transfers to Governmental Funds .....	(11)	-
<b>CHANGE IN NET ASSETS</b> .....	<u>(2,730)</u>	<u>10</u>
Net Assets at Beginning of Year .....	<u>16,890</u>	<u>141</u>
<b>NET ASSETS AT END OF YEAR</b> .....	<u>\$ 14,160</u>	<u>\$ 151</u>

<u>Development Services</u>	<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 58,291	\$ 910	\$ 10,658	\$ 2,901	\$ 73,612
-	37,275	1,109	9,730	51,845
<u>121</u>	<u>192</u>	<u>144</u>	<u>3,538</u>	<u>4,091</u>
<u>58,412</u>	<u>38,377</u>	<u>11,911</u>	<u>16,169</u>	<u>129,548</u>
44,581	27,804	6,235	16,462	101,134
-	-	-	-	347
7,024	4,854	579	1,988	15,310
<u>440</u>	<u>6,095</u>	<u>647</u>	<u>1,084</u>	<u>8,750</u>
<u>52,045</u>	<u>38,753</u>	<u>7,461</u>	<u>19,534</u>	<u>125,541</u>
<u>6,367</u>	<u>(376)</u>	<u>4,450</u>	<u>(3,365)</u>	<u>4,007</u>
(161)	340	50	107	378
6	16	-	127	160
-	79	-	-	80
(57)	(1,567)	-	8	(2,090)
(9)	(10)	-	(226)	(245)
<u>-</u>	<u>1,884</u>	<u>-</u>	<u>49</u>	<u>1,948</u>
<u>(221)</u>	<u>742</u>	<u>50</u>	<u>65</u>	<u>231</u>
6,146	366	4,500	(3,300)	4,238
-	-	-	-	787
32	105	15	10	162
1,549	586	-	99	2,234
(27)	(35)	(1)	(252)	(337)
<u>(531)</u>	<u>(197)</u>	<u>(1,713)</u>	<u>(40)</u>	<u>(2,492)</u>
7,169	825	2,801	(3,483)	4,592
<u>(1,951)</u>	<u>114,704</u>	<u>16,031</u>	<u>11,428</u>	<u>157,243</u>
<u>\$ 5,218</u>	<u>\$ 115,529</u>	<u>\$ 18,832</u>	<u>\$ 7,945</u>	<u>\$ 161,835</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2004  
( In Thousands )**

	<u>Airports</u>	<u>City Store</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ 3,782	\$ 867
Payments to Suppliers .....	(1,615)	(862)
Payments to Employees .....	(1,199)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<u>968</u>	<u>5</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In .....	-	-
Transfers from Governmental Funds .....	-	-
Transfers Out .....	(22)	-
Transfers to Governmental Funds .....	(11)	-
Operating Grants Received .....	259	-
Due from Other Funds .....	-	-
Due to Other Funds .....	-	-
Proceeds from Advances and Deposits .....	-	-
Payments for Advances and Deposits .....	-	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<u>226</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Capital Contributions .....	787	-
Acquisition of Capital Assets .....	(931)	-
Principal Payments on Capital Leases .....	-	-
Interest Paid on Long-Term Debt .....	-	-
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<u>(144)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received on Investments .....	39	1
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<u>39</u>	<u>1</u>
Net Increase (Decrease) in Cash and Cash Equivalents .....	1,089	6
Cash and Cash Equivalents at Beginning of Year .....	5,390	69
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<u>\$ 6,479</u>	<u>\$ 75</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss) .....	\$ (3,063)	\$ (6)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation .....	483	1
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net .....	(46)	-
Claims - Net .....	-	-
From Other Funds .....	-	-
(Increase) Decrease in Inventories .....	-	1
(Increase) Decrease in Prepaid Expenses .....	(2)	5
Increase (Decrease) in Accounts Payable .....	(16)	(11)
Increase (Decrease) in Accrued Wages and Benefits .....	(2)	-
Increase (Decrease) in Other Accrued Liabilities .....	-	-
Increase (Decrease) in Liability Claims .....	3,570	-
Increase (Decrease) in Due to Other Funds .....	-	-
Increase (Decrease) in Due to Other Agencies .....	-	-
Increase (Decrease) in Deferred Revenue .....	-	-
Increase (Decrease) in Contract Deposits .....	-	-
Increase (Decrease) in Net Pension Obligation .....	44	-
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care .....	-	-
Other Nonoperating Revenue (Expenses) .....	-	15
Total Adjustments .....	<u>4,031</u>	<u>11</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<u>\$ 968</u>	<u>\$ 5</u>

Development Services	Environmental Services	Golf Course	Recycling	Total
\$ 58,120	\$ 40,004	\$ 11,810	\$ 18,601	\$ 133,184
(11,402)	(18,687)	(2,788)	(9,123)	(44,477)
<u>(37,345)</u>	<u>(12,801)</u>	<u>(3,807)</u>	<u>(8,509)</u>	<u>(63,661)</u>
9,373	8,516	5,215	969	25,046
32	105	15	10	162
1,549	586	-	99	2,234
(27)	(35)	(1)	(252)	(337)
(531)	(197)	(1,713)	(40)	(2,492)
6	95	-	6	366
(1,022)	131	-	-	(891)
(131)	-	-	-	(131)
-	15	-	-	15
<u>(106)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106)</u>
(230)	700	(1,699)	(177)	(1,180)
-	-	-	-	787
-	(6,287)	(577)	-	(7,795)
-	(92)	-	(1,365)	(1,457)
<u>(9)</u>	<u>(10)</u>	<u>-</u>	<u>(218)</u>	<u>(237)</u>
(9)	(6,389)	(577)	(1,583)	(8,702)
(165)	331	47	105	358
(165)	331	47	105	358
8,969	3,158	2,986	(686)	15,522
5,995	56,301	8,019	9,821	85,595
<u>\$ 14,964</u>	<u>\$ 59,459</u>	<u>\$ 11,005</u>	<u>\$ 9,135</u>	<u>\$ 101,117</u>
\$ 6,367	\$ (376)	\$ 4,450	\$ (3,365)	\$ 4,007
440	6,095	647	1,084	8,750
(7)	(188)	(100)	2,309	1,968
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1
(3)	-	1	-	1
107	(471)	66	537	212
1,330	166	30	(21)	1,503
-	-	-	-	-
-	-	-	-	3,570
-	-	-	-	-
-	-	(1)	(3)	(4)
(285)	17	-	88	(180)
-	(86)	-	(14)	(100)
1,424	470	122	305	2,365
-	1,005	-	-	1,005
<u>-</u>	<u>1,884</u>	<u>-</u>	<u>49</u>	<u>1,948</u>
3,006	8,892	765	4,334	21,039
<u>\$ 9,373</u>	<u>\$ 8,516</u>	<u>\$ 5,215</u>	<u>\$ 969</u>	<u>\$ 25,046</u>

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## INTERNAL SERVICE FUNDS

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## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

### CITY OF SAN DIEGO

#### CENTRAL GARAGE AND MACHINE SHOP

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment (excluding fire and police vehicles).

#### CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

#### PRINT SHOP

This fund was established to provide printing and reproduction services to all City departments.

#### SELF INSURANCE

This fund was established to account for self insurance activities, including worker's compensation and long-term disability programs for employees. Revenues are derived from rates charged to departments as a percentage of payroll. This fund also accounts for the public liability reserve, which was established for the purpose of paying claims in excess of annual appropriations.

#### SPECIAL ENGINEERING

This fund was established to provide project planning, design, engineering systems management and support, and construction management and inspection services for water and wastewater capital improvements.

#### MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, administration and operation of various employee related programs such as unused compensatory time, unused sick leave and unemployment insurance, and citywide training. Revenues are derived from rates or fees charged to the departments for specific services rendered.

### BLENDED COMPONENT UNIT

#### SAN DIEGO DATA PROCESSING CORPORATION

This fund accounts for the operations of the San Diego Data Processing Corporation, Inc. ("SDDPC"). SDDPC was formed for the purpose of providing data processing services to public agencies, primarily the City of San Diego, which is the sole member of the Corporation. The Corporation also provides telecommunication services to the City. Rates are charged for the various services provided as per operating agreements and are subject to change each year.

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
June 30, 2004  
( In Thousands )**

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
<b>ASSETS</b>		
Cash and Investments .....	\$ 42,295	\$ 2,149
Receivables:		
Accounts - Net .....	81	465
Claims - Net .....	7	-
Contributions .....	-	-
Accrued Interest .....	-	-
Inventories .....	-	2,578
Prepaid Expenses .....	447	-
Advances to Other Funds .....	35	-
Capital Assets - Non-Depreciable .....	-	-
Capital Assets - Depreciable .....	71,960	174
<b>TOTAL ASSETS</b> .....	<u>114,825</u>	<u>5,366</u>
<b>LIABILITIES</b>		
Accounts Payable .....	894	1,323
Accrued Wages and Benefits .....	689	75
Interest Accrued on Long-Term Debt .....	169	-
Long-Term Debt Due Within One Year .....	6,410	26
Unearned Revenue .....	-	-
Compensated Absences .....	543	36
Liability Claims .....	-	-
Capital Lease Obligations .....	9,952	-
Net Pension Obligation .....	1,523	183
<b>TOTAL LIABILITIES</b> .....	<u>20,180</u>	<u>1,643</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt .....	55,986	174
Unrestricted .....	38,659	3,549
<b>TOTAL NET ASSETS</b> .....	<u>\$ 94,645</u>	<u>\$ 3,723</u>

<u>Print Shop</u>	<u>Self Insurance</u>	<u>Special Engineering</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 799	\$ 23,033	\$ 4,719	\$ 7,840	\$ 1,407	\$ 82,242
27	557	-	16	2,192	3,338
-	33	-	-	-	40
-	-	-	359	-	359
-	-	3	14	-	17
-	-	-	-	40	2,618
-	-	-	-	1,186	1,633
-	-	34	24	-	93
-	-	-	-	1,984	1,984
<u>1,002</u>	<u>-</u>	<u>595</u>	<u>-</u>	<u>13,510</u>	<u>87,241</u>
<u>1,828</u>	<u>23,623</u>	<u>5,351</u>	<u>8,253</u>	<u>20,319</u>	<u>179,565</u>
356	1,344	115	197	4,879	9,108
93	89	1,055	1,847	1,023	4,871
-	-	-	-	-	169
58	42,423	482	1,757	476	51,632
-	-	-	-	64	64
81	13	663	2,460	669	4,465
-	160,500	-	-	-	160,500
-	-	-	-	-	9,952
<u>251</u>	<u>-</u>	<u>2,213</u>	<u>827</u>	<u>-</u>	<u>4,997</u>
<u>839</u>	<u>204,369</u>	<u>4,528</u>	<u>7,088</u>	<u>7,111</u>	<u>245,758</u>
1,002	-	595	-	15,494	73,251
<u>(13)</u>	<u>(180,746)</u>	<u>228</u>	<u>1,165</u>	<u>(2,286)</u>	<u>(139,444)</u>
<u>\$ 989</u>	<u>\$ (180,746)</u>	<u>\$ 823</u>	<u>\$ 1,165</u>	<u>\$ 13,208</u>	<u>\$ (66,193)</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For the Year Ended June 30, 2004**  
**( In Thousands )**

	<u>City of San Diego</u>	
	<u>Central Garage and Machine Shop</u>	<u>Central Stores</u>
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ 1,992	\$ 26,338
Usage Fees .....	40,785	-
Other .....	520	119
<b>TOTAL OPERATING REVENUES .....</b>	<b>43,297</b>	<b>26,457</b>
<b>OPERATING EXPENSES</b>		
Benefit and Claim Expenses .....	-	-
Maintenance and Operations .....	24,900	1,480
Cost of Materials Issued .....	-	25,212
Administration .....	1,355	156
Depreciation .....	13,211	31
<b>TOTAL OPERATING EXPENSES .....</b>	<b>39,466</b>	<b>26,879</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>3,831</b>	<b>(422)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	675	13
Gain (Loss) on Sale/Retirement of Capital Assets .....	470	(13)
Debt Service Interest Expense .....	(839)	-
Other .....	170	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES) .....</b>	<b>476</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS .....</b>	<b>4,307</b>	<b>(422)</b>
Transfers In .....	621	-
Transfers from Governmental Funds .....	382	-
Transfers Out .....	(388)	-
Transfers to Governmental Funds .....	(723)	(53)
<b>CHANGE IN NET ASSETS .....</b>	<b>4,199</b>	<b>(475)</b>
Net Assets at Beginning of Year .....	90,446	4,198
<b>NET ASSETS AT END OF YEAR .....</b>	<b>\$ 94,645</b>	<b>\$ 3,723</b>

<u>Print Shop</u>	<u>Self Insurance</u>	<u>Special Engineering</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 4,745	\$ 32,455	\$ 25,140	\$ 19,216	\$ 51,113	\$ 160,999
-	-	-	-	-	40,785
2	344	-	15	1,124	2,124
<u>4,747</u>	<u>32,799</u>	<u>25,140</u>	<u>19,231</u>	<u>52,237</u>	<u>203,908</u>
-	87,875	-	11,950	-	99,825
4,892	-	15,433	-	-	46,705
-	-	-	-	-	25,212
374	-	9,363	7,846	45,006	64,100
190	-	363	7	5,403	19,205
<u>5,456</u>	<u>87,875</u>	<u>25,159</u>	<u>19,803</u>	<u>50,409</u>	<u>255,047</u>
<u>(709)</u>	<u>(55,076)</u>	<u>(19)</u>	<u>(572)</u>	<u>1,828</u>	<u>(51,139)</u>
11	219	(23)	92	-	987
10	-	(68)	-	-	399
-	-	-	-	-	(839)
-	1,338	4	-	-	1,512
<u>21</u>	<u>1,557</u>	<u>(87)</u>	<u>92</u>	<u>-</u>	<u>2,059</u>
(688)	(53,519)	(106)	(480)	1,828	(49,080)
-	250	37	152	-	1,060
-	13,579	-	279	-	14,240
-	-	(1)	-	(301)	(690)
(24)	(444)	(77)	(225)	(198)	(1,744)
<u>(712)</u>	<u>(40,134)</u>	<u>(147)</u>	<u>(274)</u>	<u>1,329</u>	<u>(36,214)</u>
<u>1,701</u>	<u>(140,612)</u>	<u>970</u>	<u>1,439</u>	<u>11,879</u>	<u>(29,979)</u>
<u>\$ 989</u>	<u>\$ (180,746)</u>	<u>\$ 823</u>	<u>\$ 1,165</u>	<u>\$ 13,208</u>	<u>\$ (66,193)</u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2004  
( In Thousands )**

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ 44,068	\$ 27,138
Payments to Suppliers .....	(14,160)	(24,934)
Payments to Employees .....	(11,262)	(1,550)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>18,646</b>	<b>654</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In .....	621	-
Transfers from Governmental Funds .....	382	-
Transfers Out .....	(388)	-
Transfers to Governmental Funds .....	(723)	(53)
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>(108)</b>	<b>(53)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets .....	(6,684)	-
Proceeds from the Sale of Capital Assets .....	826	-
Principal Payments on Capital Leases .....	(7,021)	-
Interest Paid on Long-Term Debt .....	(838)	-
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(13,717)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received on Investments .....	675	13
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>675</b>	<b>13</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	5,496	614
Cash and Cash Equivalents at Beginning of Year .....	36,799	1,535
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 42,295</b>	<b>\$ 2,149</b>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</b>		
Operating Income (Loss) .....	\$ 3,831	\$ (422)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation .....	13,211	31
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net .....	606	681
Claims - Net .....	(5)	-
(Increase) Decrease in Inventories .....	-	81
(Increase) Decrease in Prepaid Expenses .....	149	1
Increase (Decrease) in Accounts Payable .....	197	218
Increase (Decrease) in Accrued Wages and Benefits .....	95	15
Increase (Decrease) in Unearned Revenue .....	-	-
Increase (Decrease) in Liability Claims .....	-	-
Increase (Decrease) in Net Pension Obligation .....	392	49
Other Nonoperating Revenue (Expenses) .....	170	-
<b>Total Adjustments .....</b>	<b>14,815</b>	<b>1,076</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ 18,646</b>	<b>\$ 654</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Capital Leases .....	\$ 604	\$ -

<u>Print Shop</u>	<u>Self Insurance</u>	<u>Special Engineering</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 4,882	\$ 33,350	\$ 25,144	\$ 19,191	\$ 51,496	\$ 205,269
(3,302)	(8,817)	(7,927)	(1,940)	(16,767)	(77,847)
<u>(1,780)</u>	<u>(28,753)</u>	<u>(15,929)</u>	<u>(17,635)</u>	<u>(29,236)</u>	<u>(106,145)</u>
<u>(200)</u>	<u>(4,220)</u>	<u>1,288</u>	<u>(384)</u>	<u>5,493</u>	<u>21,277</u>
-	250	37	152	-	1,060
-	13,579	-	279	-	14,240
-	-	(1)	-	(301)	(690)
<u>(24)</u>	<u>(444)</u>	<u>(77)</u>	<u>(225)</u>	<u>(198)</u>	<u>(1,744)</u>
<u>(24)</u>	<u>13,385</u>	<u>(41)</u>	<u>206</u>	<u>(499)</u>	<u>12,866</u>
(1)	-	(30)	-	(4,441)	(11,156)
-	-	-	-	1	827
-	-	-	-	-	(7,021)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(838)</u>
<u>(1)</u>	<u>-</u>	<u>(30)</u>	<u>-</u>	<u>(4,440)</u>	<u>(18,188)</u>
<u>11</u>	<u>219</u>	<u>(20)</u>	<u>91</u>	<u>-</u>	<u>989</u>
<u>11</u>	<u>219</u>	<u>(20)</u>	<u>91</u>	<u>-</u>	<u>989</u>
(214)	9,384	1,197	(87)	554	16,944
<u>1,013</u>	<u>13,649</u>	<u>3,522</u>	<u>7,927</u>	<u>853</u>	<u>65,298</u>
<u>\$ 799</u>	<u>\$ 23,033</u>	<u>\$ 4,719</u>	<u>\$ 7,840</u>	<u>\$ 1,407</u>	<u>\$ 82,242</u>
\$ (709)	\$ (55,076)	\$ (19)	\$ (572)	\$ 1,828	\$ (51,139)
190	-	363	7	5,403	19,205
135	(152)	-	(40)	(553)	677
-	(31)	-	-	-	(36)
-	-	-	-	628	709
19	-	-	37	(254)	(48)
128	908	52	33	(1,312)	224
(26)	(32)	272	(45)	(60)	219
-	-	-	-	(187)	(187)
-	48,825	-	-	-	48,825
63	-	616	196	-	1,316
<u>-</u>	<u>1,338</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>1,512</u>
<u>509</u>	<u>50,856</u>	<u>1,307</u>	<u>188</u>	<u>3,665</u>	<u>72,416</u>
<u>\$ (200)</u>	<u>\$ (4,220)</u>	<u>\$ 1,288</u>	<u>\$ (384)</u>	<u>\$ 5,493</u>	<u>\$ 21,277</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 604

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## FIDUCIARY FUNDS

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## FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

#### CITY EMPLOYEES' RETIREMENT SYSTEM

The City Employees' Retirement System ("CERS") fund is under the control of the Retirement Board of Administration. It is a defined benefit plan, whereby funds are accumulated from contributions from both the City and employees, plus earnings from fund investments. Disbursements are made for retirements, disability and death benefit payments, and refunds.

#### RETIREE HEALTH INSURANCE 401(h) FUND

Retiree Health Insurance 401(h) fund is a separate reserve account within the CERS fund solely for providing retiree health benefits. It is established and maintained by the Retirement Board of Administration to reflect the amounts the City contributes to pay retiree health benefits. Amounts credited to this account are invested with other CERS fund assets.

#### SUPPLEMENTAL PENSION SAVINGS PLAN

The Supplemental Pension Savings Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

#### 401(k) PLAN

The City's 401(k) Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

### AGENCY FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds, including federal and state income taxes withheld from employees, parking citation revenues, and employee benefit plans.

**FIDUCIARY FUNDS  
PENSION AND EMPLOYEE SAVINGS TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2004  
(In Thousands)**

	City of San Diego			Total
	City Employees' Retirement System	Supplemental Pension Savings Plan	401(k) Plan	
<b>ASSETS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ 3,643	\$ -	\$ 430	\$ 4,073
Cash with Custodian/Fiscal Agent .....	340,209	-	-	340,209
Investments at Fair Value:				
Short Term Investments .....	214,401	-	-	214,401
Domestic Fixed Income Securities (Bonds) .....	468,962	-	-	468,962
International Fixed Income Securities (Bonds) .....	148,759	-	-	148,759
Domestic Equity Securities (Stocks) .....	1,296,360	-	-	1,296,360
International Equity Securities (Stocks) .....	531,527	-	-	531,527
Mortgages .....	17	-	-	17
Real Estate Equity and Real Estate Securities .....	277,669	-	-	277,669
Defined Contribution Investments (Mutual Funds of \$467,201 and Collective Funds of \$81,810).....	-	403,249	145,762	549,011
Receivables:				
Contributions .....	32,346	2,655	-	35,001
Accrued Interest .....	10,889	-	-	10,889
Loans .....	-	18,059	6,119	24,178
Securities Sold .....	44,965	-	-	44,965
Prepaid Expenses .....	3	-	-	3
Securities Lending Collateral .....	319,748	-	-	319,748
Capital Assets - Depreciable .....	191	-	-	191
<b>TOTAL ASSETS</b> .....	<b>3,689,689</b>	<b>423,963</b>	<b>152,311</b>	<b>4,265,963</b>
<b>LIABILITIES</b>				
Accounts Payable .....	5,189	-	-	5,189
Accrued Wages and Benefits .....	639	-	-	639
Net Pension Obligation .....	601	-	-	601
DROP Liabilities .....	185,108	-	-	185,108
Securities Lending Obligations.....	319,748	-	-	319,748
Securities Purchased.....	85,658	-	-	85,658
<b>TOTAL LIABILITIES</b> .....	<b>596,943</b>	<b>-</b>	<b>-</b>	<b>596,943</b>
<b>NET ASSETS</b>				
Held in Trust for Pension Benefits and Other Purposes .....	3,083,662	423,963	152,311	3,659,936
Held in Trust for Postemployment Healthcare Benefits .....	9,084	-	-	9,084
<b>TOTAL NET ASSETS</b> .....	<b>\$ 3,092,746</b>	<b>\$ 423,963</b>	<b>\$ 152,311</b>	<b>\$ 3,669,020</b>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
For the Year Ended June 30, 2004  
(In Thousands)**

<b>ADDITIONS</b>				
Employer Contributions .....	\$ 121,813	\$ 24,160	\$ -	\$ 145,973
Employee Contributions .....	92,627	23,948	25,015	141,590
Earnings on Investments:				
Investment Income .....	551,177	39,531	15,148	605,856
Investment Expense .....	(14,859)	-	-	(14,859)
Net Investment Income .....	536,318	39,531	15,148	590,997
Securities Lending:				
Gross Earnings .....	3,410	-	-	3,410
Borrower Rebates .....	(2,168)	-	-	(2,168)
Administrative Expenses (Lending Agent) .....	(364)	-	-	(364)
Net Securities Lending Income .....	878	-	-	878
<b>TOTAL OPERATING ADDITIONS</b> .....	<b>751,636</b>	<b>87,639</b>	<b>40,163</b>	<b>879,438</b>
<b>DEDUCTIONS</b>				
DROP Interest Expense .....	12,735	-	-	12,735
Benefit and Claim Payments .....	176,598	60,017	17,575	254,190
Administration .....	11,581	-	-	11,581
Depreciation .....	76	-	-	76
<b>TOTAL OPERATING DEDUCTIONS</b> .....	<b>200,990</b>	<b>60,017</b>	<b>17,575</b>	<b>278,582</b>
<b>CHANGE IN NET ASSETS</b> .....	<b>550,646</b>	<b>27,622</b>	<b>22,588</b>	<b>600,856</b>
Net Assets at Beginning of Year .....	2,542,100	396,341	129,723	3,068,164
<b>NET ASSETS AT END OF YEAR</b> .....	<b>\$ 3,092,746</b>	<b>\$ 423,963</b>	<b>\$ 152,311</b>	<b>\$ 3,669,020</b>

**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2004  
(In Thousands)**

	<u>Employee Benefits</u>	<u>Other Miscellaneous Agency</u>	<u>Total</u>
<b>ASSETS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ 7,283	\$ 12,963	\$ 20,246
Receivables:			
Accounts - Net .....	58	2	60
Accrued Interest .....	3	2	5
Restricted Cash and Investments .....	-	17,271	17,271
<b>TOTAL ASSETS</b> .....	<u>\$ 7,344</u>	<u>\$ 30,238</u>	<u>\$ 37,582</u>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 275	\$ 466	\$ 741
Advances from Other Funds .....	2,085	-	2,085
Due to Component Unit .....	-	371	371
Deposits/Advances from Others .....	-	9,823	9,823
Sundry Trust Liabilities .....	4,984	19,578	24,562
<b>TOTAL LIABILITIES</b> .....	<u>\$ 7,344</u>	<u>\$ 30,238</u>	<u>\$ 37,582</u>

**FIDUCIARY FUNDS**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Year Ended June 30, 2004**  
**(In Thousands)**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Employee Benefits</b>				
<b>ASSETS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ 7,428	\$ 77,501	\$ 77,646	\$ 7,283
Receivables:				
Accounts - Net .....	51	539	532	58
Accrued Interest .....	2	38	37	3
<b>TOTAL ASSETS .....</b>	<b>\$ 7,481</b>	<b>\$ 78,078</b>	<b>\$ 78,215</b>	<b>\$ 7,344</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 253	\$ 14,833	\$ 14,811	\$ 275
Advances from Other Funds .....	1,979	106	-	2,085
Sundry Trust Liabilities .....	5,249	83,711	83,976	4,984
<b>TOTAL LIABILITIES .....</b>	<b>\$ 7,481</b>	<b>\$ 98,650</b>	<b>\$ 98,787</b>	<b>\$ 7,344</b>
<b>Other Miscellaneous Agency</b>				
<b>ASSETS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ 21,263	\$ 648,943	\$ 657,243	\$ 12,963
Receivables:				
Accounts - Net .....	286	7	291	2
Accrued Interest .....	-	16	14	2
Restricted Cash and Investments .....	11,976	6,869	1,574	17,271
<b>TOTAL ASSETS .....</b>	<b>\$ 33,525</b>	<b>\$ 655,835</b>	<b>\$ 659,122</b>	<b>\$ 30,238</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 9,355	\$ 118,742	\$ 127,631	\$ 466
Due to Component Unit .....	-	682	311	371
Deposits/Advances from Others .....	9,215	3,784	3,176	9,823
Sundry Trust Liabilities .....	14,955	422,553	417,930	19,578
<b>TOTAL LIABILITIES .....</b>	<b>\$ 33,525</b>	<b>\$ 545,761</b>	<b>\$ 549,048</b>	<b>\$ 30,238</b>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ 28,691	\$ 726,444	\$ 734,889	\$ 20,246
Receivables:				
Accounts - Net .....	337	546	823	60
Accrued Interest .....	2	54	51	5
Restricted Cash and Investments .....	11,976	6,869	1,574	17,271
<b>TOTAL ASSETS .....</b>	<b>\$ 41,006</b>	<b>\$ 733,913</b>	<b>\$ 737,337</b>	<b>\$ 37,582</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 9,608	\$ 133,575	\$ 142,442	\$ 741
Due to Component Unit .....	-	682	311	371
Advances from Other Funds .....	1,979	106	-	2,085
Deposits/Advances from Others .....	9,215	3,784	3,176	9,823
Sundry Trust Liabilities .....	20,204	506,264	501,906	24,562
<b>TOTAL LIABILITIES .....</b>	<b>\$ 41,006</b>	<b>\$ 644,411</b>	<b>\$ 647,835</b>	<b>\$ 37,582</b>

STATISTICAL SECTION [NOT AUDITED]

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Table 1

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	General Government and Support	Public Safety	Public Safety - Police	Public Safety - Fire and Life Safety	Parks, Recreation, Culture, and Leisure
1995	\$ 90,224	\$ 255,100	\$ -	\$ -	\$ 96,559
1996	83,791	275,678	-	-	103,943
1997	71,379	298,982	-	-	105,222
1998	73,424	317,858	-	-	111,834
1999	77,906	362,367	-	-	123,818
2000	83,351	396,009	-	-	132,656
2001	95,992	406,590	-	-	147,859
2002 *	189,128	-	288,809	131,974	174,485
2003	193,980	-	301,839	141,967	177,584
2004	198,826	-	313,387	152,073	170,163

\* Expenditure functions were reclassified in 2002:

"General Government and Support" includes Engineering & Capital Projects and other support functions previously classified as Public Works. "Other now includes Transportation, Neighborhood Services, and Sanitation and Health.

Table 2

**GENERAL GOVERNMENTAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	Property Taxes	Special Assessments	Sales Taxes	Other Local Taxes	Licenses and Permits
1995	\$ 139,719	\$ 17,196	\$ 139,714	\$ 119,703	\$ 30,878
1996	137,997	20,367	114,218	150,684	29,806
1997	139,404	23,142	132,628	156,684	26,553
1998	150,409	17,573	174,615	155,587	30,735
1999	160,658	19,630	179,037	161,928	34,854
2000	179,048	18,457	198,622	171,141	30,381
2001	201,801	18,775	221,724	193,177	34,803
2002	223,100	22,491	221,383	202,364	25,194
2003	248,276	25,748	223,023	203,493	29,268
2004	279,090	26,816	238,430	253,225	30,592

Both tables include General, Special Revenue, Debt Service, Capital Projects, and Permanent funds.

Table 1

Public Works	Community Development, Transportation and Social Services	Other	Debt Service	Capital Projects	Total
\$ 104,392	\$ 18,832	\$ 1,989	\$ 64,261	\$ 215,378	\$ 846,735
106,864	25,248	2,517	84,514	326,797	1,009,352
110,961	34,347	12,959	92,160	381,991	1,108,001
124,580	28,667	2,838	123,528	289,299	1,072,028
136,474	28,542	12,891	130,187	440,153	1,312,338
152,444	37,599	2,274	170,647	413,216	1,388,196
152,558	49,914	5,425	179,563	473,373	1,511,274
-	-	200,684	88,971	208,083	1,282,134
-	-	225,734	115,074	229,496	1,385,674
-	-	264,008	118,339	174,346	1,391,142

Table 2

Fines and Forfeitures	Revenue from Use of Money and Property	Revenue from Agencies and Private Sources	Charges for Current Services	Other	Total
\$ 18,443	\$ 66,402	\$ 144,409	\$ 73,887	\$ 18,114	\$ 768,465
17,498	77,748	169,220	76,787	9,968	804,293
18,370	77,189	187,705	78,324	18,046	858,045
17,953	82,234	207,817	76,432	23,640	936,995
25,541	103,211	267,069	85,498	10,544	1,047,970
31,141	121,268	357,058	95,000	15,462	1,217,578
32,902	109,067	340,799	101,781	11,544	1,266,373
25,854	97,213	355,157	110,418	10,074	1,293,248
26,679	86,789	275,620	123,461	10,594	1,252,951
33,870	63,268	267,195	129,350	10,462	1,332,298

**ASSESSED VALUATION OF ALL TAXABLE PROPERTY - EXCLUDING REDEVELOPMENT AREAS**  
**100% OF FULL VALUE IN THOUSANDS OF DOLLARS (UNAUDITED)**  
**Fiscal Years 1995 to 2004**

	2004	2003	2002
<b><u>GROSS</u></b>			
Secured - Locally Assessed .....	\$ 114,984,353	\$ 105,438,590	\$ 96,470,488
Utilities - State Assessed .....	132,419	164,303	64,164
Total Secured Valuation .....	115,116,772	105,602,893	96,534,652
Unsecured - Locally Assessed .....	6,842,254	7,230,861	6,959,602
Total Gross Valuation .....	<u>\$ 121,959,026</u>	<u>\$ 112,833,754</u>	<u>\$ 103,494,254</u>
<b><u>EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)</u></b>			
Secured - Locally Assessed .....	\$ 3,664,513	\$ 3,419,708	\$ 2,920,273
Unsecured - Locally Assessed .....	606,690	586,538	269,491
Total Exemptions .....	<u>\$ 4,271,203</u>	<u>\$ 4,006,246</u>	<u>\$ 3,189,764</u>
<b><u>NET ASSESSED VALUATION FOR TAX RATE</u></b>			
Secured - Locally Assessed .....	\$ 111,319,840	\$ 102,018,882	\$ 93,550,215
Utilities - State Assessed .....	132,419	164,303	64,164
Net Secured .....	111,452,259	102,183,185	93,614,379
Unsecured - Locally Assessed .....	6,235,564	6,644,323	6,690,111
Net Assessed Valuation for Tax Rate .....	<u>\$ 117,687,823</u>	<u>\$ 108,827,508</u>	<u>\$ 100,304,490</u>
Percentage Increase (Decrease) Over Base Year .....	8.142%	8.497%	8.407%
<b><u>STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS</u></b>			
Secured - Locally Assessed .....	\$ 1,413,595	\$ 1,403,496	\$ 1,384,958
Unsecured - Locally Assessed .....	5,856	5,793	2,347
Total Homeowners' Exemptions .....	<u>\$ 1,419,451</u>	<u>\$ 1,409,289</u>	<u>\$ 1,387,305</u>
<b><u>NET ASSESSED VALUATION AFTER ALL EXEMPTIONS</u></b>			
Secured - Locally Assessed .....	\$ 109,906,245	\$ 100,615,386	\$ 92,165,257
Utilities - State Assessed .....	132,419	164,303	64,164
Net Secured .....	110,038,664	100,779,689	92,229,421
Unsecured - Locally Assessed .....	6,229,708	6,638,530	6,687,764
Net Assessed Valuation .....	<u>\$ 116,268,372</u>	<u>\$ 107,418,219</u>	<u>\$ 98,917,185</u>

\* Effective July 1, 1988, Assembly Bill 454, Chapter 921 eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Table 3

2001	2000	1999	1998	1997	1996	1995
\$ 89,204,182	\$ 82,140,464	\$ 75,735,993	\$ 68,569,476	\$ 63,490,451	\$ 61,816,965	\$ 61,723,445
<u>55,135</u>	<u>54,775</u>	<u>52,758</u>	<u>79,133</u>	<u>72,137</u>	<u>76,937</u>	<u>70,315</u>
89,259,317	82,195,239	75,788,751	68,648,609	63,562,588	61,893,902	61,793,760
<u>6,838,926</u>	<u>6,347,101</u>	<u>5,852,822</u>	<u>5,337,916</u>	<u>4,988,950</u>	<u>4,353,543</u>	<u>4,303,198</u>
<u>\$ 96,098,243</u>	<u>\$ 88,542,340</u>	<u>\$ 81,641,573</u>	<u>\$ 73,986,525</u>	<u>\$ 68,551,538</u>	<u>\$ 66,247,445</u>	<u>\$ 66,096,958</u>
\$ 2,979,594	\$ 2,718,748	\$ 2,661,739	\$ 2,681,423	\$ 2,526,872	\$ 2,261,774	\$ 2,297,545
<u>592,594</u>	<u>530,732</u>	<u>325,881</u>	<u>313,391</u>	<u>383,881</u>	<u>93,400</u>	<u>191,962</u>
<u>\$ 3,572,188</u>	<u>\$ 3,249,480</u>	<u>\$ 2,987,620</u>	<u>\$ 2,994,814</u>	<u>\$ 2,910,753</u>	<u>\$ 2,355,174</u>	<u>\$ 2,489,507</u>
\$ 86,224,588	\$ 79,421,716	\$ 73,074,254	\$ 65,888,053	\$ 60,963,579	\$ 59,555,191	\$ 59,425,900
<u>55,135</u>	<u>54,775</u>	<u>52,758</u>	<u>79,133</u>	<u>72,137</u>	<u>76,937</u>	<u>70,315</u>
86,279,723	79,476,491	73,127,012	65,967,186	61,035,716	59,632,128	59,496,215
<u>6,246,332</u>	<u>5,816,369</u>	<u>5,526,941</u>	<u>5,024,525</u>	<u>4,605,069</u>	<u>4,260,143</u>	<u>4,111,236</u>
<u>\$ 92,526,055</u>	<u>\$ 85,292,860</u>	<u>\$ 78,653,953</u>	<u>\$ 70,991,711</u>	<u>\$ 65,640,785</u>	<u>\$ 63,892,271</u>	<u>\$ 63,607,451</u>
8.480%	8.441%	10.793%	8.152%	2.737%	0.448%	1.138%
\$ 1,381,021	\$ 1,354,076	\$ 1,338,820	\$ 1,276,862	\$ 1,277,934	\$ 1,261,478	\$ 1,260,398
<u>2,215</u>	<u>2,491</u>	<u>2,491</u>	<u>2,211</u>	<u>2,106</u>	<u>1,863</u>	<u>1,475</u>
<u>\$ 1,383,236</u>	<u>\$ 1,356,567</u>	<u>\$ 1,341,311</u>	<u>\$ 1,279,073</u>	<u>\$ 1,280,040</u>	<u>\$ 1,263,341</u>	<u>\$ 1,261,873</u>
\$ 84,843,567	\$ 78,067,640	\$ 71,735,434	\$ 64,611,191	\$ 59,685,645	\$ 58,293,713	\$ 58,165,502
<u>55,135</u>	<u>54,775</u>	<u>52,758</u>	<u>79,133</u>	<u>72,137</u>	<u>76,937</u>	<u>70,315</u>
84,898,702	78,122,415	71,788,192	64,690,324	59,757,782	58,370,650	58,235,817
<u>6,244,117</u>	<u>5,813,878</u>	<u>5,524,450</u>	<u>5,022,314</u>	<u>4,602,963</u>	<u>4,258,280</u>	<u>4,109,761</u>
<u>\$ 91,142,819</u>	<u>\$ 83,936,293</u>	<u>\$ 77,312,642</u>	<u>\$ 69,712,638</u>	<u>\$ 64,360,745</u>	<u>\$ 62,628,930</u>	<u>\$ 62,345,578</u>

Table 4

**ASSESSED VALUATION OF ALL TAXABLE PROPERTY - REDEVELOPMENT AREAS ONLY  
100% OF FULL VALUE IN THOUSANDS (UNAUDITED)  
Fiscal Years 1995 to 2005**

	2004-05	2003-04	2002-03
<b>GROSS</b>			
Secured - Locally Assessed .....	\$9,543,879	\$9,648,576	\$8,273,576
Utilities - State Assessed .....	14,166	14,030	14,248
 Total Secured Valuation .....	9,558,045	9,662,606	8,287,824
 Unsecured - Locally Assessed .....	483,522	593,738	526,423
 Total Gross Valuation .....	<u>\$10,041,567</u>	<u>\$10,256,344</u>	<u>\$8,814,247</u>
 <b>EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)</b>			
Secured - Locally Assessed .....	\$452,062	\$402,900	\$398,524
Unsecured - Locally Assessed .....	30,463	31,801	14,345
 Total Exemptions .....	<u>\$482,525</u>	<u>\$434,701</u>	<u>\$412,869</u>
 <b>NET ASSESSED VALUATION FOR TAX RATE</b>			
Secured - Locally Assessed .....	\$9,091,817	\$9,245,676	\$7,875,052
Utilities - State Assessed .....	14,166	14,030	14,248
 Net Secured .....	9,105,983	9,259,706	7,889,300
 Unsecured - Locally Assessed .....	453,059	561,937	512,078
 Net Assessed Valuation for Tax Rate .....	<u>\$9,559,042</u>	<u>\$9,821,643</u>	<u>\$8,401,378</u>
 Percentage Increase (Decrease) Over Base Year .....	-2.674%	16.905%	11.272%
 <b>STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS</b>			
Secured - Locally Assessed .....	\$48,933	\$45,754	\$44,073
Unsecured - Locally Assessed .....	-	-	-
 Total Homeowners' Exemptions .....	<u>\$48,933</u>	<u>\$45,754</u>	<u>\$44,073</u>
 <b>NET ASSESSED VALUATION AFTER ALL EXEMPTIONS</b>			
Secured - Locally Assessed .....	\$9,042,884	\$9,199,922	\$7,830,979
Utilities - State Assessed .....	14,166	14,030	14,248
 Net Secured .....	9,057,050	9,213,952	7,845,227
 Unsecured - Locally Assessed .....	453,059	561,937	512,078
 Net Assessed Valuation .....	<u>\$9,510,109</u>	<u>\$9,775,889</u>	<u>\$8,357,305</u>

\* Effective July 1, 1988 Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Table 4

2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96
\$7,412,026	\$6,622,511	\$6,049,675	\$4,419,599	\$4,134,677	\$4,025,263	\$4,135,274
<u>8,874</u>	<u>15,384</u>	<u>15,096</u>	<u>6,522</u>	<u>4,761</u>	<u>4,738</u>	<u>5,062</u>
7,420,900	6,637,895	6,064,771	4,426,121	4,139,438	4,030,001	4,140,336
<u>482,155</u>	<u>466,314</u>	<u>435,459</u>	<u>283,966</u>	<u>210,919</u>	<u>207,457</u>	<u>209,922</u>
<u>\$7,903,055</u>	<u>\$7,104,209</u>	<u>\$6,500,230</u>	<u>\$4,710,087</u>	<u>\$4,350,357</u>	<u>\$4,237,458</u>	<u>\$4,350,258</u>
\$314,511	\$330,932	\$288,034	\$252,455	\$209,544	\$183,474	\$178,509
<u>38,228</u>	<u>30,508</u>	<u>17,663</u>	<u>9,660</u>	<u>2,182</u>	<u>812</u>	<u>2,049</u>
<u>\$352,739</u>	<u>\$361,440</u>	<u>\$305,697</u>	<u>\$262,115</u>	<u>\$211,726</u>	<u>\$184,286</u>	<u>\$180,558</u>
\$7,097,515	\$6,291,579	\$5,761,641	\$4,167,144	\$3,925,133	\$3,841,789	\$3,956,765
<u>8,874</u>	<u>15,384</u>	<u>15,096</u>	<u>6,522</u>	<u>4,761</u>	<u>4,738</u>	<u>5,062</u>
7,106,389	6,306,963	5,776,737	4,173,666	3,929,894	3,846,527	3,961,827
<u>443,927</u>	<u>435,806</u>	<u>417,796</u>	<u>274,306</u>	<u>208,737</u>	<u>206,645</u>	<u>207,873</u>
<u>\$7,550,316</u>	<u>\$6,742,769</u>	<u>\$6,194,533</u>	<u>\$4,447,972</u>	<u>\$4,138,631</u>	<u>\$4,053,172</u>	<u>\$4,169,700</u>
11.976%	8.850%	39.266%	7.474%	2.108%	-2.795%	-5.571%
\$41,421	\$41,420	\$41,066	\$31,658	\$31,086	\$29,752	\$29,560
<u>212</u>	<u>212</u>	<u>-</u>	<u>-</u>	<u>95</u>	<u>95</u>	<u>49</u>
<u>\$41,633</u>	<u>\$41,632</u>	<u>\$41,066</u>	<u>\$31,658</u>	<u>\$31,181</u>	<u>\$29,847</u>	<u>\$29,609</u>
\$7,056,094	\$6,250,159	\$5,720,575	\$4,135,486	\$3,894,047	\$3,812,037	\$3,927,205
<u>8,874</u>	<u>15,172</u>	<u>15,096</u>	<u>6,522</u>	<u>4,761</u>	<u>4,738</u>	<u>5,062</u>
7,064,968	6,265,331	5,735,671	4,142,008	3,898,808	3,816,775	3,932,267
<u>443,715</u>	<u>435,806</u>	<u>417,796</u>	<u>274,306</u>	<u>208,642</u>	<u>206,550</u>	<u>207,824</u>
<u>\$7,508,683</u>	<u>\$6,701,137</u>	<u>\$6,153,467</u>	<u>\$4,416,314</u>	<u>\$4,107,450</u>	<u>\$4,023,325</u>	<u>\$4,140,091</u>

**Table 5**

**TAX RATES PER \$100 OF ASSESSED VALUATION  
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year Ended June 30	Zoological Exhibits Fund	Bond Interest & Redemption Fund	Total City	Schools	One Percent Property Tax Allocation (A)	Grand Total (B)
1995	0.005	0.0033	0.0083	0.1002	1.00	1.1085
1996	0.005	0.0033	0.0083	0.1002	1.00	1.1085
1997	0.005	0.0034	0.0084	0.0993	1.00	1.1077
1998	0.005	0.0034	0.0084	0.0993	1.00	1.1077
1999	0.005	0.0029	0.0079	0.0963	1.00	1.1042
2000	0.005	0.0026	0.0076	0.0958	1.00	1.1034
2001	0.005	0.0024	0.0074	0.0958	1.00	1.1032
2002	0.005	0.0023	0.0073	0.0958	1.00	1.1031
2003	0.005	0.0021	0.0071	0.0958	1.00	1.1029
2004	0.005	0.0018	0.0068	0.0000	1.00	1.0068

- (A) Under existing provisions of the California Constitution, the maximum ad valorem property tax rate which may be imposed on real property may not exceed \$4.00 except to pay the interest and redemption charges on any indebtedness approved by the voters prior to July 1, 1978. The City shares this tax rate in proportion to other local agencies based on an average of property tax received in the three fiscal years prior to 1978-79.
- (B) Effective January 1, 1981, a change in state law required the County Assessor to assess all taxable property at 100% full value as opposed to the prior practice of assessing property at 25% of full value. As a result, taxing agencies were required to fix tax rates based on full value instead of the prior practice of fixing tax rates based on 25% of full value.

**Table 6**

**SCHEDULE OF LEGAL DEBT MARGIN (UNAUDITED)  
June 30, 2004  
(In Thousands)**

	General Obligation Bonds*		
	For Water Purposes	For Other Purposes	Total
Assessed Valuation: July 1, 2004 - \$ 117,687,823 **			
Debt Limits***	\$17,653,173	\$11,768,782	\$29,421,955
Outstanding General Obligation Bonds	-	14,390	14,390
Less: Cash Reserve for Matured and Unpaid Bonds	-	-	-
Outstanding General Obligation Bonds Applicable to Debt Limit	-	14,390	14,390
<b>LEGAL DEBT MARGIN</b>	<b>\$17,653,173</b>	<b>\$11,754,392</b>	<b>\$29,407,565</b>
Percentage of Outstanding Debt to Legal Debt Margin	0.00%	0.12%	0.05%

\* All City of San Diego General Obligation Bonds are serially numbered and redeemable from special tax levy.

\*\* From Table 3 - Assessed Valuation of all Taxable Property - Excluding Redevelopment Areas

\*\*\* Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation, for a total debt limit for all municipal improvements equal to 25% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation.

Table 7

**LEVIES AND TAXES RECEIVED BY CITY - SECURED PROPERTY  
LAST TEN FISCAL YEARS (UNAUDITED)  
(In Thousands)**

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percentage of Current Tax Collected	Delinquent Tax Collections	Total Tax Collected	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes *	Ratio of Delinquent Taxes to Total Tax Levy
1994	\$ 109,881	\$ 105,911	96.39 %	\$ 4,827	\$ 110,738	100.78 %	\$ 10,968	9.98 %
1995	109,754	104,295	95.03	3,897	108,192	98.58	9,920	9.04
1996	111,281	108,137	97.17	2,376	110,513	99.31	9,203	8.27
1997	111,719	108,676	97.28	1,887	110,563	98.97	8,523	7.63
1998	116,912	114,311	97.78	3,118	117,429	100.44	7,639	6.53
1999	127,846	124,267	97.20	2,656	126,923	99.28	6,593	5.16
2000	141,963	137,859	97.11	2,366	140,225	98.78	6,736	4.74
2001	155,060	150,900	97.32	2,506	153,406	98.93	6,346	4.09
2002	167,077	163,357	97.77	2,089	165,446	99.02	5,641	3.38
2003	181,687	175,943	96.84	2,398	178,341	98.16	6,061	3.34
2004	199,630	191,224	95.79	3,175	194,399	97.38	6,866	3.44

\* Estimated

Table 8

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS (UNAUDITED)  
(In Thousands)**

Fiscal Year Ended June 30	Estimated Population	Assessed Valuation *	Gross Bonded Debt **	Debt Service Monies Available *	Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (%)	Net Bonded Debt Per Capita
1995	1,202,200	\$ 62,891,891	\$ 91,970	\$ 3,780	-	\$ 88,190	0.140	\$ 0.07
1996	1,197,676	63,607,451	89,090	3,861	-	85,229	0.134	0.07
1997	1,197,077	63,892,271	82,625	2,142	-	80,483	0.126	0.07
1998	1,224,848	65,640,785	78,600	2,515	-	76,085	0.116	0.06
1999	1,254,281	78,653,953	74,255	2,723	-	71,532	0.091	0.06
2000	1,277,168	85,292,860	68,700	2,941	-	65,759	0.077	0.05
2001	1,250,700	92,526,055	63,595	3,266	-	60,329	0.065	0.05
2002	1,255,742	100,304,490	58,095	3,576	-	54,519	0.054	0.04
2003	1,275,112	108,827,508	52,165	3,932	-	48,233	0.044	0.04
2004	1,294,000	117,687,823	45,755	4,001	-	41,754	0.035	0.03

\* Excludes Redevelopment.

\*\* Represents all General Obligation Debt.

Table 9

**REVENUE BOND COVERAGE - WATER BONDS  
LAST TEN FISCAL YEARS (UNAUDITED)  
(IN THOUSANDS)**

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Less: Interest Earnings on Reserve Fund - Parity Obligations	Adjusted Net System Revenue	Adjusted Debt Service Requirements - Parity Obligations					Adjusted Debt Service Coverage - Parity Obligations
						Principal	Interest	Total	Less: Parity Interest Earnings	Adjusted Debt Service	
1999	\$ 210,490	\$ 195,407	\$ 15,083	\$ (884)	\$ 14,199	\$ -	\$ 9,365	\$ 9,365	\$ (884)	\$ 8,481	1.67
2000	255,736	213,358	42,378	-	42,378	-	18,730	18,730	-	18,730	2.26
2001	255,974	214,056	41,918	(54)	41,864	-	18,730	18,730	(54)	18,676	2.24
2002	261,333	222,104	39,229	(3,444)	35,785	6,780	18,594	25,374	(3,444)	21,930	1.63
2003	256,968	226,058	30,910	(1,305)	29,605	7,055	16,308	23,363	(1,305)	22,058	1.34
2004	267,649	232,193	35,456	(1,296)	34,160	7,345	14,010	21,355	(1,296)	20,059	1.70

Note: The Water Utility had no bonded debt for years 1994 through 1998.

Table 10

**REVENUE BOND COVERAGE - SEWER BONDS  
LAST TEN FISCAL YEARS (UNAUDITED)  
(IN THOUSANDS)**

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Total Debt Service Requirements			Debt Service Coverage
				Principal	Interest	Total	
1995	\$ 228,496	\$ 112,232	\$ 116,264	\$ 4,360	\$ 11,960	\$ 16,320	7.12
1996	246,937	134,845	112,092	4,500	19,929	24,429	4.59
1997	310,352	188,704	121,648	4,660	32,781	37,441	3.25
1998	279,463	162,404	117,059	14,865	41,672	56,537	2.07
1999	256,163	138,880	117,283	15,430	41,108	56,538	2.07
2000	291,238	137,007	154,231	18,300	58,755	77,055	2.00
2001	283,228	168,853	114,375	22,150	54,905	77,055	1.48
2002	310,392	170,022	140,370	23,045	54,009	77,054	1.82
2003	334,551	241,822	92,729	24,000	53,046	77,046	1.20
2004	295,881	196,823	99,058	25,030	52,020	77,050	1.29

Table 11

**SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)**  
**June 30, 2004**  
**( In Thousands )**

Jurisdiction	Debt Outstanding June 30, 2004	Percentage Applicable to City of San Diego	Amount Applicable to City of San Diego
City of San Diego .....	\$ 14,390 *	100.0%	\$ 14,390
City of San Diego Certificates of Participation .....	47,355 *	100.0%	47,355
City of San Diego 1915 Act Bonds .....	14,755	100.0%	14,755
City of San Diego Mello-Roos Bonds .....	125,885	100.0%	125,885
City of San Diego Redevelopment Agency Tax Allocation Bonds .....	308,576 *	100.0%	308,576
City of San Diego Redevelopment Agency Parking Revenue Bonds .....	31,880 *	100.0%	31,880
City of San Diego Metropolitan Transit Development Board (MTDB) .....	36,785 *	100.0%	36,785
Convention Center Expansion Authority .....	192,480 *	100.0%	192,480
Metropolitan Water District .....	447,475	8.9%	39,825
North City West School Community Facilities District .....	90,253	100.0%	90,253
Poway Unified School Community Facilities District #1 .....	135,670	100.0%	135,670
Poway Unified School Community Improvement District No. 2002-1 .....	75,000	68.5%	51,375
Public Facilities Financing Authority .....	257,220 *	100.0%	257,220
San Diego Community College District .....	93,685	99.9%	93,591
San Diego Community College District General Fund Obligations .....	-	0.0%	-
San Diego County General Fund Obligations .....	431,715	47.2%	203,769
San Diego County Pension Obligations .....	1,268,878	47.2%	598,910
San Diego County Water Authority .....	-	0.0%	-
San Diego Open Space Park Facilities District # 1 .....	31,385	100.0%	31,385
San Diego Unified School District .....	1,114,968	99.9%	1,113,853
Other School and Community College Districts .....	43,141	various	43,141
Other Special Districts .....	57,164	various	57,164
Other High School and School Districts .....	46,504	various	46,504
Otay Municipal Water District Certificates of Participation .....	25,380	7.1%	1,802
<b>TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT .....</b>			<b>\$3,536,568 **</b>
Less:			
100% Self-Supporting			
Otay Mesa Water District .....			\$ 1,796
Grossmont Union High School District COP's .....			-
San Diego Open Space Park Facilities District #1 .....			31,385
<b>TOTAL BONDED DEBT SUPPORTED BY OTHER THAN PROPERTY TAX .....</b>			<b>33,181</b>
<b>NET DIRECT AND OVERLAPPING BONDED DEBT .....</b>			<b>\$3,503,387</b>

2002-03 Assessed Valuation (100% of Full Value):

\$118,649,151 (including the redevelopment tax allocation increment of \$9,821,643)

Ratios to Assessed Valuation

* City of San Diego Gross Direct Debt (\$888,686) .....	0.75%
City of San Diego Net Direct Debt (excludes Redevelopment Agency) (\$548,230) .....	0.46%
City of San Diego and Open Space District Gross Direct Debt (\$920,071) .....	0.78%
City of San Diego and Open Space District Net Direct Debt (\$579,615) .....	0.49%
<b>TOTAL GROSS DEBT .....</b>	<b>2.98%</b>
<b>TOTAL NET DEBT .....</b>	<b>2.95%</b>

\*\* Excludes revenue and tax anticipation notes.

Sources: Responsible Agencies  
 California Municipal Statistics, Inc.

Table 12

**RATIO OF ANNUAL DEBT SERVICE  
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to General Expenditures
1995	\$ 24,888	\$ 39,373	\$ 64,261	\$ 846,735	7.59%
1996	35,496	49,018	84,514	1,009,352	8.37%
1997	29,311	62,849	92,160	1,108,001	8.32%
1998	42,512	81,016	123,528	1,072,028	11.52%
1999	38,310	84,507	122,817	1,312,338	9.36%
2000	41,727	120,891	162,618	1,388,196	11.71%
2001	52,758	119,094	171,852	1,511,274	11.37%
2002	33,958	45,946	79,904	1,282,134	6.23%
2003	40,559	59,795	100,354	1,385,674	7.24%
2004	37,765	59,737	97,502	1,409,070	6.92%

Table 13

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Amount Due (%)	Total Outstanding Assessments
1995	\$ 11,478	\$ 9,565	83.33	\$ 118,350
1996	12,564	11,692	93.06	125,650
1997	12,394	11,515	92.91	120,900
1998	11,929	11,359	95.22	113,105
1999	10,843	10,576	97.54	110,835
2000	11,041	10,783	97.66	108,180
2001	9,353	9,143	97.75	164,101
2002	10,145	10,024	98.81	158,772
2003	13,197	13,061	98.97	153,414
2004	14,530	14,360	98.83	168,724

Table 14

**DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year Ended June 30	Estimated Population (1)	Public School Enrollment (K-12) (2)	Continuing Education Enrollment* (2)	Civilian Labor Force (3)	Unemployment Rate (3)
1995	1,197,676	174,735	168,509	1,222,458	6.8%
1996	1,183,102	156,461	161,105	1,227,952	6.0%
1997	1,197,077	173,344	159,673	1,243,258	4.8%
1998	1,224,848	179,197	164,438	1,289,383	3.8%
1999	1,254,281	182,590	173,002	1,334,167	3.5%
2000	1,277,168	187,462	173,209	1,373,017	3.2%
2001	1,250,700	184,842	186,461	1,417,767	2.3%
2002	1,255,742	186,232	193,548	1,448,125	3.7%
2003	1,275,112	189,910	189,452	1,480,933	4.4%
2004	1,294,000	187,607	178,010	1,480,417	5.0%

\*Composed of College, Community College and Adult Schools (Includes part-time).

## Sources:

- (1) Table 8
- (2) Table 17
- (3) Employment Development Department

Table 15

**PRINCIPAL TAXPAYERS IN CITY OF SAN DIEGO (UNAUDITED)  
June 30, 2004  
( In Thousands )**

Taxpayers	Type of Business	Assessed Valuation	Percentage of Net Assessed Valuation (1)	Approximate Tax Paid
San Diego Family Housing LLC	Real Estate	\$ 985,543	0.85%	\$8,278
Kilroy Realty LP	Real Estate	660,848	0.57%	7,144
Qualcomm Inc	Electronics	512,483	0.44%	5,749
Manchester Resorts	Hotel	443,514	0.38%	4,800
Fashion Valley Mall LLC	Shopping Center	419,626	0.36%	4,694
Sea World Inc	Entertainment	349,404	0.30%	3,909
Pacific Gateway LTD	Developer/Property Manager	260,093	0.22%	2,909
ERP Operating LTD Partnership	Developer/Property Manager	249,646	0.21%	2,844
Fenton HG	Developer/Property Manager	230,687	0.20%	2,802
Irvine Apartment Communities	Real Estate	<u>236,257</u>	<u>0.20%</u>	2,740
		<u>\$4,348,101</u>	<u>3.73%</u>	

(1) Total Net Assessed Valuation of \$116,268,372 per Table 3

Note: This table excludes public utilities, including San Diego Gas & Electric Company, Pacific Bell and American Telephone and Telegraph (AT&T), because valuations within the City of San Diego cannot be readily determined.

Source: County of San Diego Assessor's Office.

Table 16

**COMPARISON OF CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUES  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	Construction (1)			Property Values (2)			Deposits (3)			
	Residential Construction Permits	Non- Residential Construction Permits	Total Valuation	Commercial/ Industrial	Residential	Other	Commercial Banks	Savings & Loans	Credit Unions	Total
1995	\$ 4,887	\$ 4,624	\$ 815,471	\$ 14,975,973	\$ 44,197,890	\$ 2,300,779	\$ 9,684,057	\$ 3,088,156	\$ 2,544,261	\$ 15,316,474
1996	5,243	4,551	846,982	14,804,114	44,513,532	2,278,247	9,306,278	2,847,576	3,545,202	15,699,056
1997	5,907	4,813	1,020,330	15,306,561	45,589,632	2,414,340	10,595,219	3,370,761	3,724,548	17,690,528
1998	7,545	5,804	1,466,646	17,318,763	48,341,937	2,151,401	N/A	N/A	N/A	N/A
1999	7,080	5,186	1,640,853	19,850,778	53,121,440	2,788,667	N/A	N/A	N/A	N/A
2000	6,603	5,766	2,146,478	21,853,386	57,932,679	3,040,634	N/A	N/A	N/A	N/A
2001*	8,227	3,517	1,875,072	24,084,993	63,663,266	3,155,499	N/A	N/A	N/A	N/A
2002	9,840	2,615	2,099,748	26,157,468	69,834,055	3,421,104	N/A	N/A	N/A	N/A
2003	9,997	2,591	1,907,029	28,135,314	78,128,254	3,548,325	N/A	N/A	N/A	N/A
2004	9,255	2,543	1,949,373	30,431,509	87,269,304	3,759,894	N/A	N/A	N/A	N/A

N/A = Not available.

\* Beginning in FY 2001, Development Services Department implemented a change in permit classifications.

Source:

- (1) City of San Diego Development Services Department
- (2) County of San Diego, Office of Assessor
- (3) Sheshunoff Bank, California/Hawaii

TABLE 17

MISCELLANEOUS STATISTICAL DATA (UNAUDITED)  
JUNE 30, 2004

GEOGRAPHICAL LOCATION	Southern Coast of California contiguous to the Mexican Border		
ALTITUDE OF CITY	Sea Level to 1,591 Feet		
AREA OF CITY (SQUARE MILES)	Land -	330	
	Water -	73	
	Total -	403	
DATE OF INCORPORATION	March 27, 1850		
POPULATION	<u>(Official U. S. Census)</u>	<u>Increase</u>	
	1900 -	17,700	
	1910 -	39,578	124%
	1920 -	74,361	88%
	1930 -	147,995	99%
	1940 -	203,341	37%
	1950 -	334,387	64%
	1960 -	573,244	71%
	1970 -	697,027	22%
	1980 -	875,504	26%
	1990 -	1,110,549	27%
	2000 -	1,223,400	10%
		Estimate at January 1, 2004 - 1,294,000	
	Population per Square Mile (Land) - 3,864		
FORM OF GOVERNMENT	Council / Manager		
CITY CHARTER ADOPTED	April 7, 1931		
FISCAL YEAR BEGINS	July 1		
TOTAL NUMBER OF CITY EMPLOYEES	Salaried -	10,682	
	Hourly -	1,610	
	Limited -	N/A	
	Total -	12,292	
RAINFALL:			
2003-2004 SEASON	5.18 Inches		
AVERAGE SEASONAL RAINFALL DURING LAST 20 YEARS	10.03 Inches		
AVERAGE TEMPERATURE, 2003-2004	Daytime -	70.1 F	
	Nighttime -	59.0 F	
	Mean -	64.6 F	
AVERAGE ANNUAL TEMPERATURE OF FORTY YEAR PERIOD, 1963-2003	64.1 F		
RECREATION:			
PARKS, SQUARES, AND RECREATION CENTERS	Number -	444	
	Acres -	38,890	
SPECIAL FACILITIES	Municipal Golf Courses:		
	City Operated:		
	18-Hole Courses	4	
	9-Hole Courses	1	
	Pitch and Putt Courses	0	
	Leased:		
	18-Hole Courses	2	
	Par 3 Course	1	
	Pitch and Putt Courses	2	
	Municipal Swimming Pools	13	
	Municipal Tennis Courts	25	
	Ocean Fishing Piers	2	

**MISCELLANEOUS STATISTICAL DATA (UNAUDITED)**  
**JUNE 30, 2004**

TABLE 17 (Cont'd.)

FIRE PROTECTION	Number of Stations - 45 Number of Employees - 1,277 (includes EMS)
POLICE PROTECTION	Number of Stations - 10 Number of Employees - 2,773 (includes hourly)
MILES OF ASPHALT, CONCRETE, AND DIRT STREETS AND ALLEYS	2,985
MILES OF SEWERS	3,028
SEWER SERVICE LATERALS	270,365
MUNICIPAL WATER PLANT	Number of Water Meters in Service - 270,022 Average Daily Consumption - 208.7 Million Gallons Average Daily Consumption per Capita - 161.28 Miles of Water Distribution Mains - 3,317.24 Number of Fire Hydrants - 24,428
MUNICIPAL AIRPORTS	Number - 2 Number of Acres - 1,448 Length of Main Runways - 7,999 Feet and 4,577 Feet
UNIFIED PORT DISTRICT:	
WHARVES	Number - 4 Length - 14,095 (Lineal Feet or Berthing) Number of Craft in Port (Excluding Military) - 600 Commercial Tonnage Handled through the Port during the Year - 2,421,217 metric tons
TIDELANDS	Number of Acres - 5,360
AIRPORTS	Number - 0 Number of Acres - 0 Length of Main Runways - 0 Feet
EDUCATION:	
COLLEGES	Number 6 Number of Teachers 7,612 (Includes Part-Time) Number of Students 93,635 (Includes Part-Time)
COMMUNITY COLLEGES AND ADULT SCHOOLS	Number 10 Number of Teachers 2,402 (Includes Part-Time) Number of Students 84,375 (Includes Part-Time)
HIGH SCHOOLS	Number 25 Number of Teachers 3,109 Number of Students 41,135
JUNIOR HIGH SCHOOLS / MIDDLE SCHOOLS	Number 28 Number of Teachers 1,584 Number of Students 32,952
ELEMENTARY SCHOOLS	Number 165 Number of Teachers 5,660 Number of Students 113,520

Source: Various Agencies

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