City of San Diego
State of California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

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CITY OF SAN DIEGO
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Prepared Under the Supervision of
Gregory Levin, CPA
Comptroller

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Introductory Section

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JERRY SANDERS
MAYOR

October 17, 2008

Citizens and Interested Parties,

The City of San Diego has faced significant financial challenges over the last several years and has made a determined effort to improve its overall financial condition, as well as the quality of its financial disclosures, including its financial statements, its internal controls and its disclosure controls and procedures. The City continues to operate under a cease and desist order ("Order") with the Securities and Exchange Commission as a result of the Commission finding in 2006 that the City had misstated or omitted material information in connection with five bond offerings in 2002 and 2003, and contemporaneous continuing disclosure filings and rating agency presentations, all related to the pension system and retiree health care. City financial disclosures have been improved through the work of the Disclosure Practices Working Group and improvements to the financial reporting processes employed by City financial management.

A few of the City's achievements since the Order include (1) the release within the last eighteen months of audited financial statements for fiscal years 2003-2007; (2) the implementation of an annual five-year financial outlook as a prudent planning tool; (3) the strengthening of the City's General Fund reserves; (4) increased funding of the City's pension system; (5) renegotiating a new pension plan for non-public safety employees hired on or after July 1, 2009; (6) participation in a California Public Employees' Retirement System (CALPERs) trust for pre-funding of post-retirement healthcare benefits for retired City employees and (7) rating upgrades from the national rating agencies, including, in the case of one agency, the reinstatement of the City's credit rating.

The City continues to work through the consequences of many years of financial mismanagement. The City's pension deficit, while significantly smaller than it was just three years ago, is still sizeable at approximately $1.184 billion (as of June 30, 2007). This deficit is the product of a number of factors, including improvements in benefits to members without corresponding funding, and previously selling service credits at less than the cost to the pension system. In addition, the City has a postemployment healthcare actuarial accrued liability of approximately $1.028 billion (as of June 30, 2007).

City management and the City's Independent Budget Analyst have identified structural budget deficits for the foreseeable future. These deficits, coupled with the deteriorating national economy, have affected the City's revenues, placing strain on the City's ability to fund all of its spending priorities. Areas of funding priorities include deferred maintenance, retiree healthcare costs, self insurance claims, and various state and federal regulatory requirements.

At the present time, the City is experiencing, as are other state and local governments across the country, extraordinary conditions in both the equity and debt markets and revised negative economic forecasts for the local, national and world economies. The City is

responding to a possible prolonged economic downturn by revising downward its General Fund revenue projections that were utilized in developing the fiscal year 2009 budget. The City is reviewing preliminary first quarter data and is forecasting a General Fund budget deficit of approximately $43 million for fiscal year 2009. This deficit is primarily the result of reduced revenues in the areas of sales tax, property tax, transient occupancy tax, franchise fees, and interest earnings, as well as higher expenditures in booking fees and property tax administrative fees paid to the County. It also reflects approximately $8 million of projected expenditures in excess of the adopted budget. The $43 million represents roughly 3% of the General Fund. Management intends to propose a revised fiscal year 2009 budget to City Council in November that will present reductions in discretionary spending to offset the expected decline in revenues and maintain a balanced budget in fiscal year 2009.

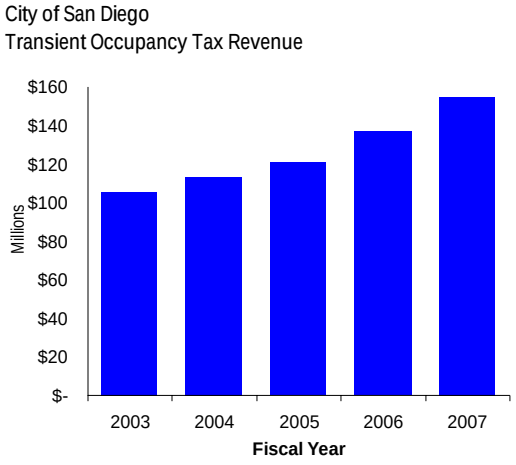
Unlike many municipal and state issuers, San Diego has no variable rate or auction rate debt outstanding. The City does not foresee the need to issue additional debt or revenue anticipation notes to meet any General Fund liquidity needs in fiscal year 2009. The City treasury holds approximately $2 billion that is invested primarily in US Treasuries and agencies, and consistent with the City's investment policy, has sufficient liquidity to meet all currently foreseeable cash demands. The General Fund reserves are approximately $75 million, which includes $55 million set aside in an Emergency Reserve Fund that can be accessed by a majority vote of City Council.

Readers of these financial statements should pay particular attention to Notes 12, 13, 18, and 22, concerning Pension Plans, Other Post Employment Benefits, Contingencies, and Subsequent Events, respectively. These notes address certain issues underlying the City's ongoing financial difficulties, including the under funding of the City's pension system and the November 2006 settlement with the Securities and Exchange Commission for violations of federal securities laws that stemmed from inadequate disclosures of pension liabilities, as well as various investigative reports regarding those matters. The notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2007.

Our Underlying Fundamentals

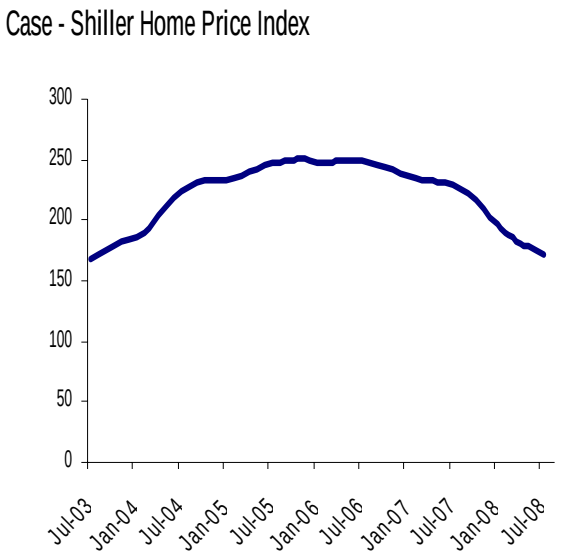
The City has a diversified economy, with the principal employers being government, high-tech industries, particularly biotech and telecommunications, and the tourism industry. The City's economic base is also anchored by higher education and major scientific research institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Computer Center.

The hospitality industry remains strong and the City projects continued growth in hotel taxes ("Transient Occupancy Tax" or "TOT"). The City's TOT is currently 10.5% and is allocated according to the Municipal Code. As such, the General Fund receives 52% of these revenues to be used for general governmental purposes, and the TOT fund receives the remaining 48% for the purpose of promoting the City as a tourism destination. The General Fund portion of TOT represents approximately 8% of General Fund revenue. In 2007, a total of 31.6 million visitors spent approximately $7.9 billion in San



Diego, resulting in a 10.7% increase in transient occupancy tax revenue over calendar year 2006. The fiscal year 2009 TOT budget is $173 million, which represents an approximate 6% growth rate over the fiscal year 2008 budget of $162.6 million.

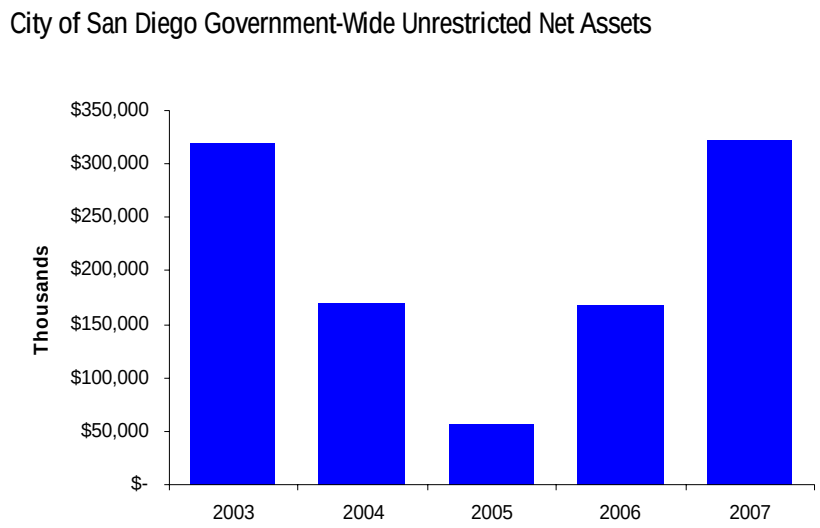
The median home price in San Diego increased by 125% from calendar years 2000 to 2005, which also increased City property tax revenues. However, the San Diego market has been one of the hardest hit during the recent national decline in home prices. The Case-Shiller Home Price Index for July 2008 shows the County of San Diego (County) median home price is down 31.2% from its peak in November 2005. There have been 9,275 foreclosures so far in the first half of calendar 2008 (through June). Annualized, this would be approximately double the 8,417 foreclosures in the County during calendar 2007, which was a significant increase when compared to 2,065 foreclosures in 2006 and 559 in 2005. The total number of housing units through June 2008 is 1,140,349; which means foreclosures represent approximately .81% of the total units. In 2007, the total number of housing units was 1,131,749, representing a .74% foreclosure rate. The impact of the deteriorating housing market is widespread, affecting the construction sector, consumer spending on retail goods and automobiles, home improvement purchases and furnishings. The City has reduced property tax growth projections from 6% to 5.75% in the fiscal year 2009 Annual Budget to account for these economic conditions, resulting in a budget of $411.1 million. Similarly, the City's projected growth in sales tax revenue has been reduced from 1.25% to .75%, which is projected to be $222.1 million.



As of August 2008, the unemployment rate for the City was 6.4%, and was 6.4%, 7.6% and 6.1% for the County, State of California (State), and nation, respectively. For the period from 2003 to 2007, the City and County have experienced an unemployment rate less than or equal to the national average. For example, for calendar year ended December 31, 2007, the unemployment rates for the City, County and nation were all 4.6%. However, a large decrease in County and City school jobs, approximately 8,000, has caused an increase locally, as compared to the nation.

Our Financial Health

The City's total government-wide revenues, which are generated through a combination of governmental and business-type activities, have increased over the past five years by approximately 28%. This increase was primarily driven by the consistent growth of general revenues such as property taxes and transient occupancy taxes. Over the last five years, the City's expenditures have grown approximately 18%. These expenditures were for providing public services, as well as addressing the significant fiscal challenges of the City, including funding of the City's pension system, post-employment healthcare benefits, and deferred maintenance.



Government-wide revenues have consistently exceeded expenditures over the past five years and this has had a positive impact on the City's Total Net Assets, which have increased by approximately $676 million since fiscal year 2003. Total Net Assets (assets minus liabilities) are presented in three separate components: (1) Net Assets Invested in Capital Assets, net of Related Debt, (2) Restricted Net Assets, and (3) Unrestricted Net Assets. The increase has been almost entirely in the Invested in Capital Assets category; however, because the City has not been able to access the public bond markets, a large part of our capital improvements have been funded from cash. This has resulted in a deficit in our Governmental Activities' Unrestricted Net Assets. The City has been able to improve the Governmental Activities' Unrestricted Net Asset balances in fiscal year 2007, primarily due to expenditure savings in the General Fund and increased property tax revenues.

Public safety is a primary government responsibility and the provision of public safety services is the largest component of governmental expenses. During 2007, approximately 37% of total governmental activities expenses were for Public Safety. Spending on the remaining functions is as follows: General Government and Support expenses were 17%; Transportation expenses were 17%; Parks, Recreation, Culture and Leisure were 15%; Neighborhood Services expenses were 6%; Debt Service Interest expense was 5%; and lastly, Sanitation and Health expenses represented 3% of total governmental activities expenses in fiscal year 2007.

Pension Funding Progress (Thousands)

Actuarial Valuation Date	UAAL	Funded Ratio
6/30/2005	$ 1,452,937	67.30%
6/30/2006	1,000,768	79.90%
6/30/2007	1,184,242	78.80%

The City's unfunded pension liability remains a significant obligation of the City. This liability resulted from the under funding of the pension system, diversion of pension fund investment earnings to pay for contingent benefits and retiree healthcare, and poor investment returns, particularly between 2000 and 2003. At its highest level, the unfunded pension liability was projected at $1.453 billion in fiscal year 2005. The City has aggressively confronted this deficit, fully funding the City's annual required contribution ("ARC") beginning in fiscal year 2006, as well as making significant additional payments in excess of the ARC into the pension fund. The June 30, 2007 valuation estimated the unfunded pension liability to be approximately $1.184 billion and the City's net pension obligation has been reduced to $195 million from a high of $290 million (fiscal year 2005) on a government-wide basis.

Presently, the global financial markets have experienced significant declines. The effects of the market declines have been wide ranging and impact even the most diversified investment portfolios. The San Diego City Employee Retirement System (SDCERS) investment portfolio is no exception. Upon request of the City, SDCERS has recently

reported that as of September 30, 2008 the portfolio had an estimated approximate asset value of $4.32 billion (unaudited). SDCERS has not yet completed its routine quarterly reporting process and this report did not include the most recent data on real estate valuations which are delayed by one fiscal quarter. Additionally, SDCERS indicates that plan sponsor contributions and benefit payments result in significant cash flows into and out of the fund. SDCERS indicates that making comparison to June 30, 2007 or June 30, 2008 asset valuations may not accurately reflect the performance of the portfolio. However, for the benefit of the reader, SDCERS reported an actuarial valuation of assets of $4.41 billion for fiscal year ended June 30, 2007. SDCERS Financial Statements for Fiscal Year ended June 30, 2008 have not been completed yet; however, the June 30, 2008 unaudited investment report reported a total portfolio asset valuation of approximately $4.69 billion.

SDCERS employs a long-term investment strategy. The City's Annual Required Contribution is determined using an asset smoothing technique that spreads the effects of market trends over a period of 4 years. As of the issuance of this report, the extent of the impact of the current market downturn on the City's Annual Required Contribution for fiscal year 2010 and 2011 is unknown.

The City has ceased past practices that resulted in the current pension deficit, and SDCERS is in the process of incorporating more conservative actuarial assumptions and methodology changes into the pension plan. Governance of the pension system has been overhauled and the system has settled all outstanding issues with the Internal Revenue Services regarding retirement system practices that did not comply with the Internal Revenue Code.

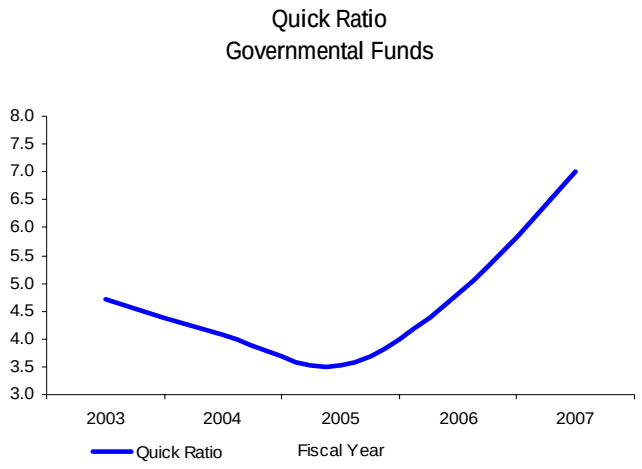
In fiscal year 2008, Governmental Accounting Standards Board Statement 45 ("GASB 45"), went into effect requiring all municipal governments to report on Other Post Employment Benefits (retiree healthcare costs) in a manner similar to reporting on pension benefits. The City's actuarial valuation for retiree healthcare costs estimated an unfunded actuarial accrued liability of $1.03 billion as of June 30, 2007, which is the basis for the fiscal year 2009 budget. The City is participating in a trust administered by CalPERS to begin advance-funding this liability and, to date, has contributed $54 million to the CalPERS trust. The City is not currently fully funding the ARC for retiree healthcare, which is estimated to be $104 million for fiscal year 2009, the amount budgeted in fiscal year 2009 is $50 million.

Retiree Healthcare Liabilities (Thousands)

Valuation fiscal year ended 6/30/2007	Full Funding Method (7.75% Earnings Assumption)	UAAL Partial Funding (blended 6.69% rate)
Actuarial Accrued Liability	$ 819,900	$ 1,027,918
Annual Required Contribution	$ 87,597	$ 104,475

Governmental Funds (Tax Supported Operations)

The City established a Reserve Policy in November 2007 to improve the condition of the City's cash reserves. Due to higher than expected revenue and curbed expenditures, the City's liquidity position has improved since 2003. The City's liquid assets (cash + investments + receivables), relative to its current liabilities (governmental quick ratio) have improved from a ratio of 4.81 in 2006 to 7.00 at the end of fiscal year 2007.



The City's General Fund finished fiscal year 2007 with unrestricted cash and investments of approximately $97 million. In fiscal year 2008, the City established an emergency reserve fund and set aside $55 million from the General Fund to protect the City against natural disasters or unforeseen events. The General Fund Reserve Policy set a funding goal of 6% of General Fund revenue by the end of fiscal year 2008. Unaudited financials for June 30, 2008 report a General Fund reserve of 6.6% of General Fund revenue, resulting in a total reserve balance of $72.5 million. This amount is comprised of $55 million in the emergency reserve, and $17.5 million in unrestricted General Fund reserves. The emergency reserve can only be accessed for qualifying emergencies as declared by the Mayor and/or City Council and ultimately approved by at least a 2/3 vote of the City Council. The reserves are currently cash funded within the City Treasury's pooled cash portfolio. The goal is to establish General Fund reserves at 8% of revenues by fiscal year 2012.

Strong revenue growth and constrained spending have resulted in an increasing fund balance over the last five years. However, deteriorating regional economic conditions, a continued commitment to addressing structural budget deficit reform, and revenue shortfalls for fiscal year 2008 resulted in an estimated reduction of our General Fund Unreserved, Undesignated Fund Balance of approximately $20 million (not including the $55 million transfer to the emergency reserve fund) for the fiscal year ended June 30, 2008. The reduction in Unreserved, Undesignated Fund Balance for fiscal year 2008 was partially related to expenses incurred as a result of recent natural disasters, including landslides and wildfires. Considered in total, the unaudited financial statements for fiscal year 2008 report a reduction in General Fund equity of approximately $63 million, which is primarily the result of the $55 million transfer to the emergency reserve fund mentioned above.

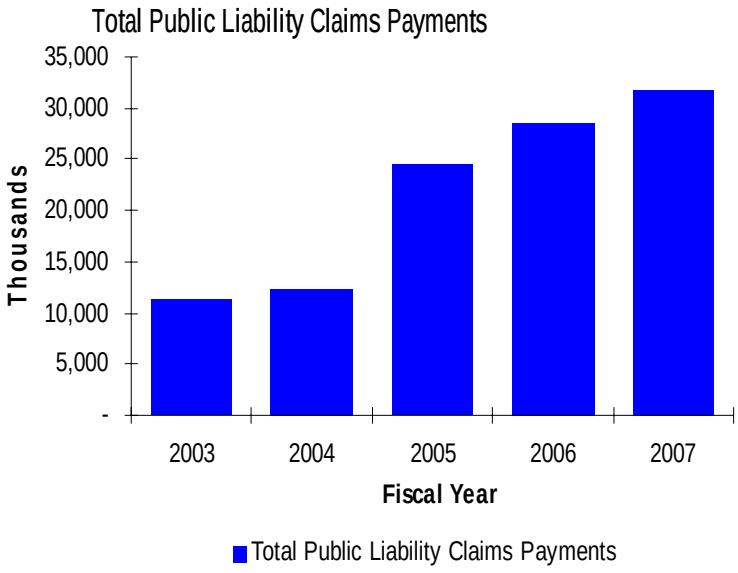
The Fiscal Year 2009 Budget reflects a reduction of personnel expense growth by eliminating budgeted positions and reducing program expenditures. We intend to address the City's budgetary pressures by reducing spending on current services, while mitigating service level reductions when possible. However, the slowing growth of the local economy will test our ability to continue balancing the budget and may require tough decisions. Certain service level reductions may be unavoidable absent increased revenues or significant efficiency gains.

During fiscal year 2007, total liabilities of the City's governmental activities increased by $112 million. This is largely the result of the decision to extend, beyond the end of the fiscal year, the holding of assets and the associated liability for repayment of Tax Revenue Anticipation Notes. Overall, our annual interest costs for governmental activities were approximately $85 million in fiscal year 2007, which represents approximately 5% of our total governmental activities revenue (including transfers).

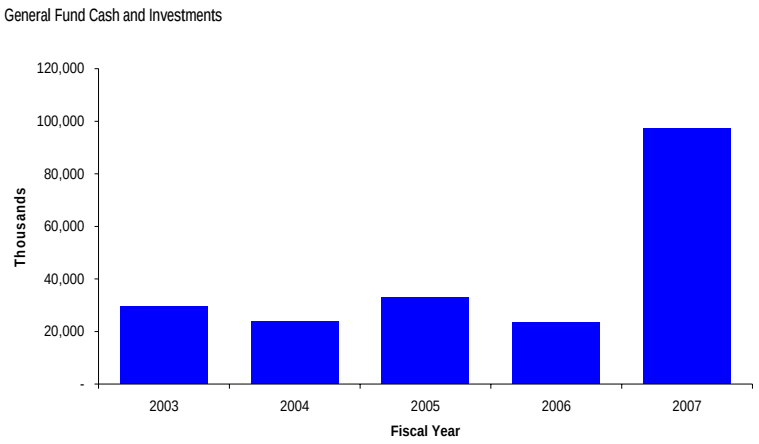
The City's capital assets are essential to providing services to our residents and maintaining the quality of our environment. In recent years, the primary source of capital asset increases has been developer contributions, rather than City funded capital improvements. During 2007, our governmental activities infrastructure balances declined by approximately $41 million. The decline resulted primarily from a write down of $40 million in capital asset balances due to internal control weaknesses in operating departments. Specifically, the write down is associated with the administration of the City's Facilities Benefit Assessment Credit program, which is an unusual method of financing infrastructure. The program allows for the City's share of the cost of capital assets jointly financed by the City and private developers to be funded by offering credits to developers for future permit fees. This write down did not result in a restatement of the fiscal year 2006 capital asset balances as it is not material when compared to the total governmental assets of approximately $5.8 billion in fiscal year 2006.

The City's deferred maintenance backlog is estimated to be approximately $800 to $900 million, according to the most recent Five Year Financial Outlook. This includes the cost of repairs of City streets, sidewalks, and facilities that have been deferred because the City does not have necessary funding resources. An assessment of facilities maintenance needs is still ongoing and the results may increase this estimate. That assessment is scheduled to be completed by December 2008.

The City's Public Liability Fund has a deficit of approximately $30 million as of June 30, 2007. This fund has seen significantly higher claims since fiscal year 2005, largely as a result of the legal claims and investigations stemming from the pension fund underpayment and related financial disclosure issues. The Workers' Compensation Fund has a deficit of $138 million as of June 30, 2007. This is primarily the result of increased healthcare costs. Per the City Reserve Policy, the City intends to establish dedicated cash reserves in both funds equal to 50% of the outstanding claims in each fund. This is expected to be achieved by no later than fiscal year 2014.

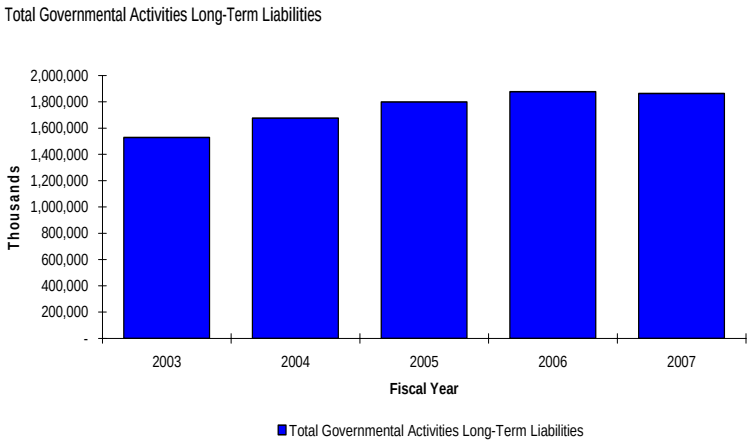


Governmental Activities Key Indicators



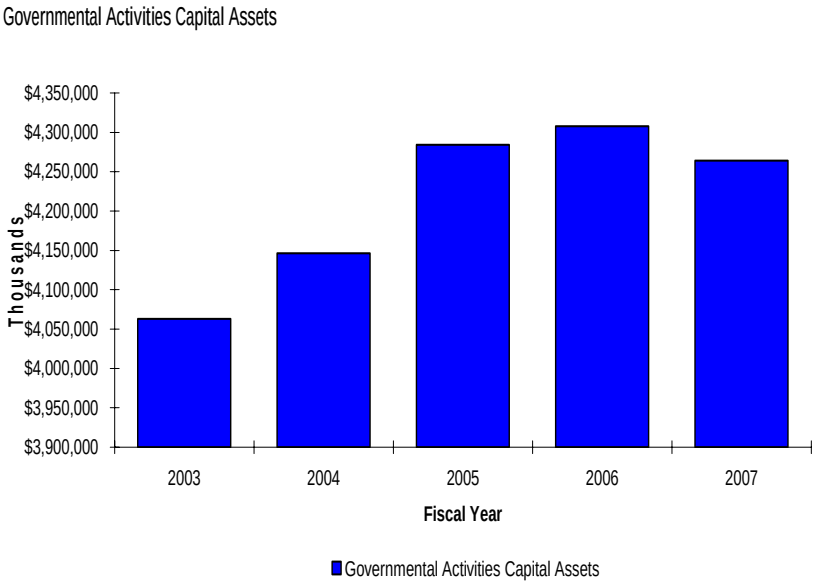
General Fund Cash

Realized expenditure savings and higher than anticipated revenues improved the City's liquidity position.



Long-term Liabilities

Paying down the outstanding principal on existing debt, and constraints on the City's ability to issue new debt is the reason for a reduction of long-term liabilities in Fiscal Year 2007.



Capital Assets

Without proceeds from bond financings, our capital expenditures have been primarily funded by operating budgets and developer contributions. This reduced funding for capital projects has caused depreciation to exceed depreciable asset additions. This has caused a decline in capital asset balances in Fiscal Year 2007.

Business-Type Activities

The majority of the City's business-type activities are related to utilities that provide water and wastewater services to City residents. Both the Water and Sewer Utility Departments serve several regional agencies outside of the City's boundaries.

The operations of both utilities are supported by fees charged to customers. On May 18, 2007, the San Diego County Superior Court approved the settlement of a class action lawsuit affecting sewer rates for the City. The lawsuit alleged that the City had overcharged single family residential customers, while undercharging other customers, for sewer service up until rates were revised in October 2004. A new rate structure was put into place in November 2007 to satisfy the terms of the settlement, with rate reversals and credits to eligible residential customers to correct past overcharges. Once the settlement amount has been raised and distributed (on or about October 30, 2011); the rate reversals and monthly credits will cease. Additionally, the Independent Rate Oversight Committee was created to monitor utility rates and expenditures.

The City's utilities have been unable to access public financial markets because of the City's suspended bond rating. To compensate, the City has completed several private financing transactions for both the Water and Sewer Utilities. This has resulted in an increase to our Invested in Capital Assets, Net of Related Debt component of Net Assets. We intend to return to the public market in the near future in an effort to meet our infrastructure demands.

For the year ended June 30, 2007, the City's business-type activities closed with restricted and unrestricted cash and investment balances totaling $719 million. The City's fiscal year 2007 ratio of liquid assets to current liabilities for business-type activities is 3.61, an improvement over the fiscal year 2006 ratio of 2.76.

The City's liabilities for business-type activities have increased by $96 million since fiscal year 2006. This increase is related to the issuance of notes payable, offset partially by a decrease in outstanding revenue bonds. On June 30, 2007 the City's business-type activities reported total liabilities of $2.072 billion. While the City's capital assets for business-type activities have continued to increase in value, deferred maintenance remains a challenge, as does compliance with environmental regulations.

Engineering standards have changed over time and part of the City's water distribution system consists of outdated cast iron pipes. Aging water pipes can lead to infrastructure failures, and the City has addressed this challenge by replacing water pipes funded through a variety of methods including private placement debt, and loans from state and federal agencies. Future infrastructure projects are expected to be funded by a combination of financing and cash.

Compliance with environmental regulations generally requires infrastructure construction, including the replacement of water distribution systems, the construction of new wastewater collection systems, and improving sewage treatment capacity. The City has agreed to significant infrastructure upgrades and continues to work with regulatory authorities. This includes a December 2007 waiver application to the Environmental Protection Agency to renew a modified permit for the Point Loma Wastewater Treatment Plant.

The City is also facing challenges to the future of its water supplies. A persistent regional drought and judicial decisions regarding management of the State Water Project has put significant pressure on San Diego's regional water supplies. The City of San Diego imports as much as 90% of its water supply. That supply may be reduced in the near future as the

impact of court decisions, the diminishing availability of stored water, and dwindling supplies of new water are addressed by the City's water wholesalers.

The availability of water has legal implications and could potentially affect City Council findings regarding state mandated water supply assessments for future development. These assessments must demonstrate the long-term availability of water for large projects before those projects can be approved by local jurisdictions. At this time, it is unclear what effect limitations to water supplies would have on the City's economy and its revenues.

In an effort to address concerns regarding the City's water supplies, the City has taken a leadership position in advocating water conservation, general water awareness, and efforts to develop a bond measure necessary to fund improvements to the State's water infrastructure. To that extent, the Mayor declared a local water emergency and implemented a Stage 1 Water Watch for the City. The Water Watch is the first formal step under the City's Municipal Code and may lead to increasingly stringent controls on water use in San Diego. Also, at the direction of the City Council, the City is exploring water recycling systems that may reduce the City's reliance on imported water.

Focus on Governance

In November 2006, the City entered a cease and desist order with the SEC, settling all claims by that agency against the City. Since then, the City has released audited financial statements for fiscal years 2003-2007 and implemented a number of reforms regarding disclosure and internal controls and governance with the intent of establishing best practices in these areas.

Internal controls requiring improvement were identified in early reports from the City and in management letters received from its independent auditors. Additionally, various consultants hired to investigate the City's financial reporting and sewer rate setting practices recommended actions to ensure greater accuracy in financial reporting. As of June 1, 2008, the City has implemented approximately 82% of the recommendations contained in various investigative reports and we have established a plan to address the remainder. This includes the acquisition of an enterprise resource planning (ERP) system to improve the way the City manages finances and the processes and internal controls involved in the City's accounting, financial reporting and human resources functions.

In 2005, the City changed its structure to a Strong-Mayor form of government. Under this structure, the Mayor has executive and administrative responsibility for the City's day to day operations, and the City Council, as the legislative body of the City, sets policy including approving the City's budget. The transition also created the position of Independent Budget Analyst whose role is to provide budget oversight to the City Council on legislative initiatives that have policy and financial impacts.

The City also changed its financial management structure to enhance accountability. The position of Chief Financial Officer was created and placed in charge of all City financial operations. By voter referendum, the City Charter was amended to split the Office of the Auditor and Comptroller, effective July 2008. The City Comptroller now reports to the Chief Financial Officer and a newly-created position of City Auditor reports to a new, independent Audit Committee composed of two City Council members and three outside members with expertise in audit and accounting practices. The City Comptroller is responsible for financial reporting, and the City Auditor oversees the City's internal audit function with the oversight and direction of the new Audit Committee.

A Financial Vision for the Future

On January 11, 2008, the City released an updated Five-Year Financial Outlook for fiscal years 2009 through 2013. This document is an examination of the City's long range fiscal condition and financial challenges. The City intends to update the Five-Year Outlook periodically to account for changed circumstances. In addition to other issues, the financial outlook concentrates on eight significant areas that must be addressed in order to restore and preserve the fiscal integrity and/or meet the legal obligations of the City. These eight significant areas are discussed below.

General Fund Funding for Eight Areas of Focus

(Thousands)

	2009*	2010	2011	2012	2013
Pension Plan: Annual Required Contribution 1	$ 161,700	$ 172,000	$ 179,300	$ 186,900	$ 187,300
Reserve Contributions	3,700	8,600	9,300	9,900	3,900
Deferred Maintenance	31,600	53,000	67,100	75,400	69,900
Post Employment Retiree Health	50,000	75,000	75,000	75,000	75,000
Storm Water Compliance	27,500	36,600	36,600	36,600	36,600
ADA Compliance	10,000	10,000	10,000	10,000	10,000
Workers' Compensation Fund	4,000	10,000	10,000	10,000	10,000
Public Liability Fund	10,000	5,000	10,000	10,000	10,000
Totals	$ 298,500	$ 370,200	$ 397,300	$ 413,800	$ 402,700

1 The Annual Required Contribution assumes a 20 year time horizon to eliminate the unfunded pension liability with no negative amortization

* FY 2009 reflects FY 2009 Annual Budget; FY 2010-2013 reflect the Five Year Financial Outlook projections.

Pension Plan

In 2005, the City only funded 68% of its annual required contribution (ARC). Commencing in fiscal year 2006, the City has funded 100% of the ARC and our financial forecast assumes the full funding of the ARC into the future. For fiscal year 2009, our Annual Required Contribution is $161.7 million. We currently anticipate an annual growth rate of 4.25% in our pension costs over the next five years. Current projections indicate that in fiscal year 2013 our annual required contribution will be approximately $187 million. The City is also currently evaluating financing options as a means to fund our pension liability.

General Fund Reserves

The establishment of reserves is essential to minimize service level impacts as a result of emergencies and changes in the local economy. It is the City's goal to achieve a General Fund reserve of 8% of budgeted General Fund revenues by fiscal year 2012.

Deferred Maintenance Backlog

As previously discussed, the City's deferred maintenance/capital needs are approximately $800 to $900 million excluding those related to the City's Water and Sewer Utilities. Since that estimate was produced, the State passed a bond initiative to fund street and road improvements, which has aided the City's efforts to improve infrastructure. However, our goal is to supplement this funding by contributing $297 million in funding for deferred maintenance over the five year period ending in fiscal year 2013 through a combination of financing and cash funding.

Post Employment Retiree Health

In 2008, the City contracted with the CalPERS Employer Trust Fund to pre-fund the retiree health liability and has contributed approximately $54 million, to date, toward advance funding of the benefits. In addition, the City covered the annual (cash basis) cost out of the City's treasury. The City's unfunded actuarial accrued liability for retiree health is estimated

to be $1.03 billion in fiscal year 2009. The City's intent is to pay approximately 50% of the ARC over the next 5 years and to fully fund the ARC thereafter. The June 30, 2007 valuation estimates the ARC to be $104 million for fiscal year ending June 30, 2009.

Obligations Related to Storm Water Runoff Permits

Efforts to comply with storm water runoff regulations, including public education, maintenance, and monitoring, has had a significant impact on the City's budget. In fiscal year 2008, $18 million was budgeted. The 2009-2013 Outlook includes $27.5 million for fiscal year 2009 and $36.6 million annually for fiscal years 2010-2013 for street sweeping, public education, and monitoring requirements.

Americans with Disabilities Act (ADA) Obligations

The Americans with Disabilities Act (ADA) requires public agencies and private companies to make facilities and infrastructure accessible. In fiscal year 2008, a total of $2.3 million in Community Development Block Grant (CDBG) funds were allocated for ADA improvements and the total citywide allocation for ADA-related purposes was $12.3 million. The Five-Year Financial Outlook includes $10 million dollars in ADA improvements annually.

Workers' Compensation Fund

The City had approximately $161 million in outstanding workers' compensation claims, and $24 million in cash reserves at June 30, 2007. The City's Reserve Policy targets a reserve that is 50% of the value of outstanding claims by fiscal year 2014. While the fiscal year 2008 Annual Budget included $26.1 million to cover the regular projected annual cash payments, we have allocated an additional $4 million in the fiscal year 2009 budget. In order to build reserves, we plan on contributing $10 million for each year thereafter, in addition to the expected annual cash payments.

Public Liability Fund

The City has approximately $38 million in outstanding public liability claims and $9 million in reserves. Similar to the Workers' Compensation Fund reserve, the City's new Reserve Policy targets a reserve equivalent to 50% of the value of outstanding claims by fiscal year 2014. $10 million has been allocated to this reserve in fiscal year 2009 and an additional $5 million will be allocated in 2010. Beginning in fiscal year 2011, our plan is to increase annual allocations to $10 million per year. All amounts referenced are in addition to the annual budgeted amount to cover the projected annual claims.

Future Challenges

These are difficult economic times, and we have set challenging goals for the City's future. We believe these goals are achievable with continued fiscal discipline and greater government efficiency. San Diego has relatively low taxes and fees compared to most other large municipalities in the United States. The necessity of correcting past decisions and creating a more fiscally sound city may require tradeoffs. We expect the cumulative annual cost of our future goals to be $210 million by fiscal year 2010 and rise to $227 million by fiscal year 2013. When balanced against our expectations of future revenues and expenses, the Outlook currently projects annual budget deficits that range from $50 million to $85 million over the next five years, and accordingly, the Mayor and City Council will need to work together to balance the budget of each year.

Purpose, Background, and Scope of this Report

San Diego City Charter § 111 requires the City to submit an annual report, including a Statement of Net Assets, and requires that all accounts of the City be audited by an independent auditor. Pursuant to this requirement, the Comprehensive Annual Financial Report ("CAFR") of the City of San Diego ("City") for the fiscal year ended June 30, 2007, is hereby submitted. The audit firm of Macias Gini & O'Connell LLP has issued an unqualified opinion on the City of San Diego's financial statements. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

- The introductory section includes information about the organizational structure of the City, the City's economy, and selected other financial information.

- The financial section is prepared in accordance with governmental accounting standards. It includes the MD&A (unaudited), the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information, and supporting statements and schedules.

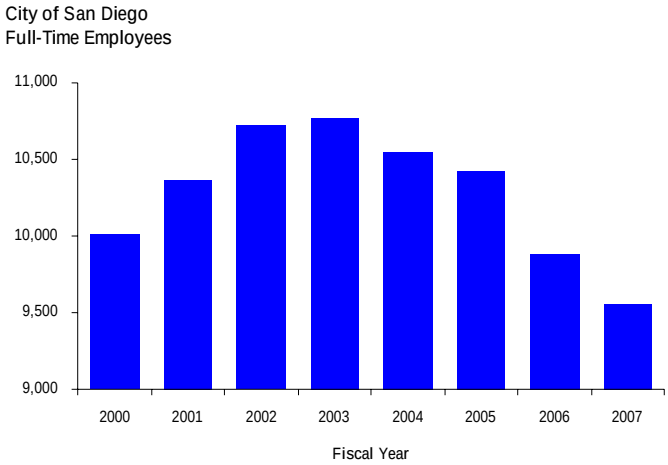
- The statistical section contains historical statistical data on the City's financial data and debt statistics, as well as miscellaneous physical, demographic, economic, and social data of the City. This section of the CAFR is unaudited.

Profile of the City of San Diego

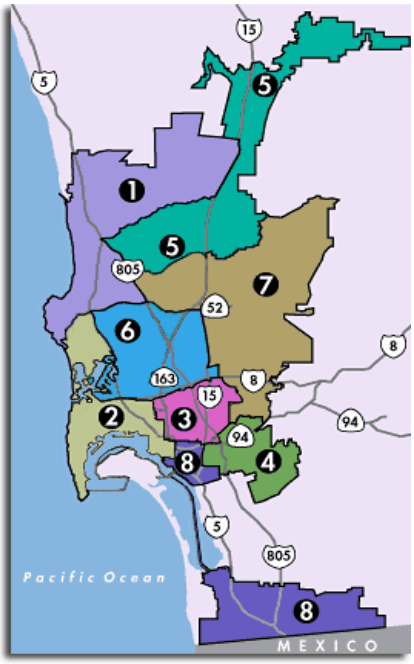
The City of San Diego was incorporated in 1850. The City is comprised of 403 square miles and, as of January 1, 2008, the California Department of Finance estimates the population to be 1,336,865. The City, with approximately 9,600 full-time employees, provides a full range of governmental services which include police and fire protection, sanitation and health services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and the maintenance and operation of the water and sewer utilities.

Governing Structure

The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City is currently operating under a Strong-Mayor form of government. The departure from the City's previous Council-Manager form of government was approved by a vote of the public and became effective January 1, 2006. The Mayor is elected at large to serve a four-year term.



City of San Diego Council District Map



The charter amendment adopting the Strong-Mayor form of government is in effect for five years, and pending a voter approved extension or modification, sunsets on December 31, 2010. Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, and City Auditor'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 majority vote of the Council. The Mayor presides over Council in closed session meetings of the Council. The Council retains its legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with five votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor of and attorney for the City and all departments.

During the County's primary election held on June 3, 2008, voters approved Proposition B which requires Council to place a measure on the June 2010 ballot to allow voters to decide whether the Strong-Mayor form of government should become permanent effective January 1, 2011. Additionally, Proposition B provides for the public to decide whether the number of Council districts should increase from eight to nine,

and therefore, a corresponding increase of Council votes required to override the Mayor's veto from five to six. Additionally, voters approved Proposition C which separated the City Auditor's Office from the Comptroller's Office and made the Office of the IBA permanent. Under this amendment, the City Auditor serves a 10 year term and is supervised by an Audit Committee consisting of two Councilmembers and three members of the public, with auditing expertise who are appointed by the City Council. This amendment also provides that the Mayor will appoint, with Council confirmation, the Chief Financial Officer. In addition, the Mayor's appointment of the City Treasurer no longer requires Council confirmation.

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

Mayor Jerry Sanders

District 1
Council President Scott Peters

District 2
Councilmember Kevin Faulconer

District 3
Councilmember Toni Atkins

District 4
Council President Pro Tem
Tony Young

District 5
Councilmember Brian Maienschein

District 6
Councilmember Donna Frye

District 7
Councilmember Jim Madaffer

District 8
Councilmember Ben Hueso

City Attorney
Michael Aguirre

<u>Other City Officials</u>

Jay M. Goldstone, Chief Operating Officer

Mary Lewis, Chief Financial Officer

Greg Levin, Comptroller

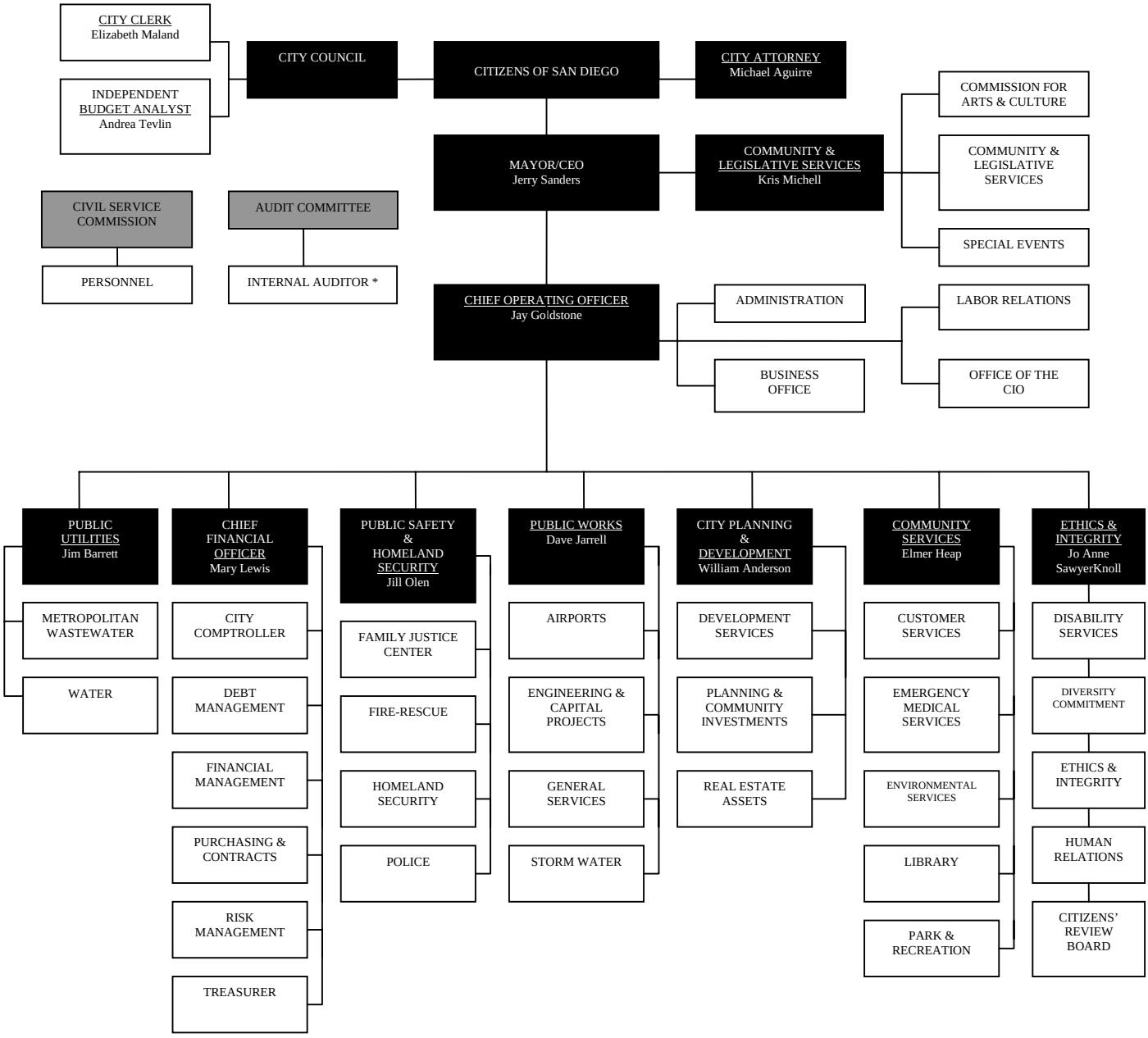
Gail Granewich, City Treasurer

Elizabeth Maland, City Clerk

Andrea Tevlin, Independent Budget Analyst

Eduardo Luna, Internal Auditor

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



* Proposition C, passed in June 2008, provides that the City Auditor shall report to and be accountable to the Audit Committee. To complete the enacting measure for Proposition C, the City Auditor must be appointed by the City Manager (Mayor), in consultation with the Audit Committee, and confirmed by the City Council. This organization chart reflects the reporting structure called for in Proposition C, which will be in effect following that Council action.

Financial Reporting Entity

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

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

Additionally, the City participates in a joint venture operation with a private company to provide for emergency medical and medical transportation services. This joint venture is a limited liability company named San Diego Medical Services Enterprise, LLC. The financial impact of the joint venture is displayed in the governmental funds statement of revenues, expenditures and changes in fund balance and in the government-wide statement of activities.

Budgetary Process

Pursuant to the City Charter, an annual budget is presented by the Mayor to the City Council for consideration. Set forth in this budget are the anticipated revenues and expenditures of the General Fund, certain special revenue funds, enterprise funds, and certain debt service funds for the ensuing fiscal year. Additionally, project-length financial plans are presented to and adopted by council for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the fund, department, and object class level. Object classes are defined as salaries and non–personnel expense (including employee benefits). Copies of the City's Budgets are available at the Financial Management Office located at 202 C Street, MS8A, San Diego, CA 92101.

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

We continue to look for ways to improve the effectiveness and efficiency of our operations. Our focus now is on crafting policy that will ensure a continued commitment to strong financial stewardship.

Sincerely,

Jerry Sanders
Mayor

Jay M. Goldstone
Chief Operating Officer

Mary Lewis
Chief Financial Officer

Greg Levin, CPA
Comptroller

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Financial Section

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Los Angeles, CA 90071
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402 West Broadway, Suite 400
San Diego, CA 92101
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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, 2007, 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 90%, 94% and 83% of total assets, total net assets and total revenues, respectively, of the aggregate discretely presented component unit totals. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, 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 October 17, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis, analysis of funding progress and general fund budgetary information on pages 33 through 47, 159 and 163 through 166, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, except for the budgetary schedules on pages 210 through 217, 220 through 221, 230 through 231 and 233, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 17, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(In Thousands)
June 30, 2007

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, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing changes in the City's net assets during the fiscal year 2007. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This Statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; and Neighborhood Services. The business-type activities of the City include: Airports; City Store; Development Services; Environmental Services; Golf Course; Recycling; Sewer Utility; and Water Utility.

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

Included within the primary government as blended component units:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB Authority)
- City of San Diego Tobacco Settlement Revenue Funding Corporation (TSRFC)
- Community Facility and Other Special Assessment Districts
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation (SDDPC)

- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation (SEDC)

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

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

The basic governmental funds financial statements can be found beginning on page 56 of this report.

PROPRIETARY FUNDS

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

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Water and Sewer funds, which are considered to be major funds of the City. Data for the nonmajor proprietary funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Supplementary Information section of this report are individual fund data for the nonmajor proprietary funds and the internal service funds. The basic proprietary funds financial statements can be found beginning on page 60 of this report.

FIDUCIARY FUNDS

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

The basic fiduciary funds financial statements can be found beginning on page 63 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 65 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 159 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and the General Fund budgetary comparison statement, beginning on page 191 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Capital Assets	$ 4,264,170	$ 4,307,640	$ 4,605,284	$ 4,536,313	$ 8,869,454	$ 8,843,953
Other Assets	1,824,547	1,511,124	846,103	650,350	2,670,650	2,161,474
Total Assets	6,088,717	5,818,764	5,451,387	5,186,663	11,540,104	11,005,427
Net Long-Term Liabilities	1,863,185	1,876,763	1,967,826	1,866,411	3,831,011	3,743,174
Other Liabilities	285,709	160,423	103,724	109,123	389,433	269,546
Total Liabilities	2,148,894	2,037,186	2,071,550	1,975,534	4,220,444	4,012,720
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,461,127	3,472,531	2,998,848	2,867,469	6,459,975	6,340,000
Restricted	498,695	449,173	37,709	35,085	536,404	484,258
Unrestricted	(19,999)	(140,126)	343,280	308,575	323,281	168,449
Total Net Assets	$ 3,939,823	$ 3,781,578	$ 3,379,837	$ 3,211,129	$ 7,319,660	$ 6,992,707

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 $7,319,660 at June 30, 2007, an increase of $326,953 over fiscal year 2006.

$6,459,975, or approximately 88%, of total Net Assets represent the City's investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally are not used to liquidate these liabilities.

$536,404, or approximately 7%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of $323,281, or approximately 5%, is available to finance ongoing services and obligations to the City's citizens and creditors.

Unrestricted Net Assets increased by $154,832, or approximately 92%, which was caused by several factors. General Fund appropriation savings were approximately $50,000, as a result of vacant positions in the Police, Parks and Recreation, Engineering, and other General Government departments, including Auditor and Comptroller, City Treasurer, and Purchasing and Contracts. Property taxes increased by approximately $67,000 due to higher assessed property valuations ($15,000 of this increase was attributed to RDA tax increment revenue generated from the Centre City project area). Business-type Activities comprised approximately $35,000 of the increase in Unrestricted Net Assets, which was primarily due to vacant positions and rate increases for both Water and Sewer Utilities.

The deficit balance of ($19,999) in Unrestricted Net Assets for Governmental Activities reflects the fact that governmental activities raise resources based on when liabilities are expected to be paid, rather than when they are incurred. Most governments normally do not have sufficient current resources on hand to cover current and long-term liabilities. This deficit in and of itself should not be considered an economic or financial difficulty; however, it does measure how far the City has committed the government's future tax revenues for purposes other than capital acquisition.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues						
Charges for Current Services	$ 303,866	$ 278,881	$ 742,640	$ 705,682	$ 1,046,506	$ 984,563
Operating Grants and Contributions	84,745	101,723	1,203	1,909	85,948	103,632
Capital Grants and Contributions	81,169	100,564	141,419	77,602	222,588	178,166
General Revenues						
Property Taxes	526,722	459,777	-	-	526,722	459,777
Transient Occupancy Taxes	154,810	136,803	-	-	154,810	136,803
Other Local Taxes	157,941	148,001	-	-	157,941	148,001
Grants and Contributions not Restricted to						
Specific Programs	5,339	64,039	-	-	5,339	64,039
Sales Taxes	263,399	227,017	-	-	263,399	227,017
Investment Income	76,292	40,108	30,713	16,938	107,005	57,046
Other	94,910	75,943	5,384	6,502	100,294	82,445
Total Revenues	1,749,193	1,632,856	921,359	808,633	2,670,552	2,441,489
Expenses:						
General Government and Support	270,190	252,295	-	-	270,190	252,295
Public Safety-Police	376,581	370,990	-	-	376,581	370,990
Public Safety-Fire, Life Safety, Homeland Security	209,902	194,074	-	-	209,902	194,074
Parks, Recreation, Culture and Leisure	229,500	237,375	-	-	229,500	237,375
Transportation	272,780	200,883	-	-	272,780	200,883
Sanitation and Health	43,780	48,774	-	-	43,780	48,774
Neighborhood Services	99,870	111,886	-	-	99,870	111,886
Debt Service:						
Interest on Long-Term Debt	84,920	71,109	-	-	84,920	71,109
Airports	-	-	3,755	4,100	3,755	4,100
City Store	-	-	843	810	843	810
Development Services	-	-	53,924	57,893	53,924	57,893
Environmental Services	-	-	40,138	44,493	40,138	44,493
Golf Course	-	-	10,690	9,563	10,690	9,563
Recycling	-	-	19,754	21,853	19,754	21,853
Sewer Utility	-	-	313,716	319,274	313,716	319,274
Water Utility	-	-	313,256	302,996	313,256	302,996
Total Expenses	1,587,523	1,487,386	756,076	760,982	2,343,599	2,248,368
Change in Net Assets Before Transfers:	161,670	145,470	165,283	47,651	326,953	193,121
Transfers	(3,425)	4,530	3,425	(4,530)	-	-
Net Change in Net Assets	158,245	150,000	168,708	43,121	326,953	193,121
Net Assets - July 1	3,781,578	3,631,578	3,211,129	3,168,008	6,992,707	6,799,586
Net Assets - June 30	$ 3,939,823	$ 3,781,578	$ 3,379,837	$ 3,211,129	$ 7,319,660	$ 6,992,707

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by $158,245 during fiscal year 2007. Variances from fiscal year 2006 of more than 10% are discussed below.

- Operating Grants and Contributions decreased by $16,978, or approximately 17%. The administration of the "6 to 6" Extended School Day program was transferred to the San Diego Unified School District as of January 1, 2007, which resulted in a decrease of approximately $9,000. Special Assessments revenues for the Maintenance Assessment Districts (MAD's) were reclassified from "Operating Grants and Contributions" to "Charges for Services," which caused a decrease of approximately $13,000, and a similar reclassification of CCDC's services to RDA from "Operating Grants and Contributions" to "Charges for Services" resulted in a decrease of approximately $7,000. These decreases were partially offset by an increase in tobacco revenues of approximately $10,000. Effective in fiscal year 2007, all tobacco revenues due to the City were paid directly to the TSRFC, in order to make debt service payments on the outstanding tobacco settlement bonds.

- Capital Grants and Contributions decreased by $19,395, or approximately 19%. The San Diego Padres advanced money to RDA in prior years, for the purpose of acquiring land surrounding Petco Park. The City recorded these advances as land acquisition credits to be used by the developer against the sales price of the land. In fiscal year 2006, the conveyance of these parcels was substantially completed, which resulted in the recognition of approximately $35,000 in Capital Grants and Contributions revenue. In fiscal year 2007, the last remaining credits were used, for which only $1,000 in revenue was recognized, resulting in a revenue decrease of approximately $34,000. Offsetting this large decrease was approximately $18,000 due to increases in developer contributed assets in several communities, including Otay Mesa, San Ysidro, Black Mountain Ranch, and Carmel Valley.

- Property Tax revenue increased by $66,945, or approximately 15%, primarily due to increases in assessed property values, both in the City and Redevelopment project areas, including approximately $15,000 attributable to the Centre City redevelopment project area.

- Transient Occupancy Tax revenues increased by $18,007, or approximately 13%, primarily due to continued growth in San Diego's tourism industry. According to data from the San Diego Convention & Visitors Bureau, average occupancy rates remained unchanged at approximately 73%, however, average daily room rates increased by approximately 7.9% over fiscal year 2006.

- Grants and Contributions not Restricted to Specific Programs decreased by $58,700, or approximately 92%, primarily due to the current year reclassification of In-Lieu Sales Tax, from Grants and Contributions not Restricted, to Sales Taxes.

- Sales Taxes increased by $36,382, or approximately 16%, primarily due to the reclassification of In-Lieu Sales Tax mentioned above.

- Investment Income increased by $36,184, or approximately 90%, primarily due to changes in market values of all investments. This was primarily attributed to increases in the City's investment pool, due to higher market values and an increase in the overall size of the investment pool from fiscal year 2006 to 2007.

- Other Revenue increased by $18,967, or approximately 25%. Approximately $15,000 of the increase resulted from the government-wide adjustment reclassifying current year Facilities Benefit Assessment (FBA) credit additions as Developer Contributions revenue, rather than a reduction of expenses as was recorded in previous years. This was partially offset by a net decrease in Developer Contributions revenue at the fund level of approximately $5,800, which included a $6,000 increase related to the Torrey Hills Developer Agreement for the Carmel Mountain Road I-5 Interchange project and a $13,000 decrease caused by declining development within the North University City and Torrey Highlands communities.

  A gain of approximately $5,600 resulted from the sale of several parcels of land. As part of an overall portfolio management plan for the City, the Real Estate Assets department is continuing to review the City's property inventory to determine which properties are no longer needed and may be designated for disposition. In addition, approximately $6,400 of the increase was attributed to RDA's sale of land held for resale.

- Transportation expense increased by $71,897, or approximately 36%, primarily due to adjustments for donated capital assets related to FBA credit projects. FBA credit projects are not capitalized until final inspections have taken place, which often occurs after substantial completion. During fiscal year 2007 the adjustment for completed projects funded by FBA credits in prior years resulted in an increase of approximately $41,000 in transportation expenses. There was also a write off of capital improvement project costs related to the State Route 905 project. The State Route 905 project was originally anticipated to be a City project but was later turned over to the State. When turned over, the write-off of previously capitalized costs resulted in an expense of almost $5,000. There was an additional increase of approximately $15,000 as a result of current year FBA additions being reclassified as Developer Contributions revenue, rather than a reduction of expenses as was recorded in previous years.

- Sanitation and Health expense decreased by $4,994, or approximately 10%, due to the reclassification of the City's Animal Regulation program. Effective in fiscal year 2007, the Animal Regulation Program was taken over by the Police Department. It had previously been included with Citywide Programs and reported as Sanitation and Health.

- Neighborhood Services expense decreased by $12,016, or approximately 11%, partially due to write-downs in the value of property held for resale in redevelopment project areas of approximately $8,000 during fiscal year 2006. The amount of write-downs varies from year to year depending on real estate market conditions and disposition and development agreements entered into during the fiscal year. RDA expenses decreased by an additional $5,300 as a result of a fiscal year 2006 expense for the construction of low and moderate income residential units in the Crossroads project area. The administration of the "6 to 6" Extended School Day program was transferred to the San Diego Unified School District as of January 1, 2007, which resulted in a $6,500 decrease in expenditures for the City's Grants Funds. These decreases were offset by a $12,990 liability accrued to reflect the potential reimbursement of federal funds related to ongoing audits.

- Interest expense increased by $13,811, or approximately 19%, due to Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A and B, and Tobacco Settlement Asset-Backed Bonds, Series 2006, which were issued in fiscal year 2006 and began paying debt service in fiscal year 2007. There was also an additional TRANs interest payment made in fiscal year 2007.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by $168,708 during fiscal year 2007. Variances from fiscal year 2006 of more than 10% are discussed below.

- Operating Grants and Contributions decreased by $706, or approximately 37%, primarily due to fewer Water and Sewer Utility revenues received during fiscal year 2007 compared to 2006, associated with grant reimbursement projects, particularly water desalination studies and disaster assistance recoveries.

- Capital Grants and Contributions increased by $63,817, or approximately 82%, primarily due to additional water and sewer main installations by developers.

- Investment Income increased by $13,775, or approximately 81%, primarily due to changes in market values of all investments. This was primarily attributed to increases in the City's investment pool, due to higher market values and an increase in the overall size of the investment pool from fiscal year 2006 to 2007.

- Other revenues decreased by $1,118, or approximately 17%, primarily due to fewer receipts of permits and fees for the Sewer Utility department.

- Environmental Services expense decreased by $4,355, or approximately 10%, as a result of a Business Process Reengineering process undergone by the department during fiscal year 2007. Operating inefficiencies were corrected, and it was discovered that the Environmental Services Fund paid for expenditures that should have been charged to the General Fund. As a result, the Environmental Services Fund was reimbursed approximately $2,000 from the General Fund during fiscal year 2007.

- Golf Course expense increased by $1,127, or approximately 12%, primarily due to preparation for the U.S. Open held at the Torrey Pines municipal golf course during fiscal year 2008.

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 2007, the City's governmental funds reported combined ending fund balances of $1,365,763, an increase of $228,524 from fiscal year 2006. Approximately $825,212 constitutes unreserved fund balance, which is available for spending at the government's direction. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual funding of various programs, or (4) for a variety of other purposes.

The General Fund is the principal operating fund of the City. At the end of fiscal year 2007, undesignated fund balance of the General Fund was $95,031, while total fund balance was $132,048. This represents a $70,407 increase from the fiscal year 2006 total fund balance.

PROPRIETARY FUNDS

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

As of the end of fiscal year 2007, Unrestricted Net Assets of the Sewer Utility Fund are $152,060. Unrestricted Net Assets increased approximately $36,457, or approximately 32%, mainly due to decreased administration costs and vacant positions, combined with sewer rate increases and a transfer from the Central Garage and Machine Shop Fund of $7,000 for savings accumulated in the Sewer vehicle replacement funds.

As of the end of fiscal year 2007, Unrestricted Net Assets of the Water Utility Fund are $137,704. Unrestricted Net Assets decreased by $10,473, or approximately 7%.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for expenditures and transfers out was $36,466 lower than the final budget due to increases (decreases) in appropriations primarily attributed to the following:

- $4,745 for General Government. This was due to increased Public Liability costs, as well as the addition of Parking Management positions and related costs to the City Treasurer's department. Effective in fiscal year 2007, the Parking Management Department was dissolved and the parking management functions and related positions were split between the Police and City Treasurer's Departments. This change required increases in the Police and General Government budgets, and an offsetting decrease in the Transportation budget.

- $5,126 for Public Safety-Police. This increase was related to the reclassification of Parking Management mentioned above, in addition to higher than anticipated data processing and energy costs for the Police department.

- $2,868 for Public Safety-Fire and Life Safety and Homeland Security. This increase was mainly due to retirement contributions, energy, and fuel costs which exceeded anticipated amounts.

- ($6,521) for Transportation. This decrease is related to the reclassification of Parking Management mentioned in the General Government explanation above.

- $2,038 for Sanitation and Health. This increase was related to repayments made to the Recycling and Environmental Services Funds for activities that were budgeted and charged to the Enterprise Funds in error.

- $2,604 for Principal Retirement. This was due to capital lease payments for Police and Parking Enforcement vehicles, as well as equipment, vehicles, and helicopters for the Fire and Life Safety department.

- $4,529 for Debt Service Interest. The amount of interest expense for the Tax Revenue Anticipation Notes was unknown at the time the original budget was developed.

- $19,350 for Transfers to Other Funds. This increase was primarily due to a $10,000 transfer to the Other Construction capital improvements fund for streets resurfacing contracts and roof replacements in Balboa Park. There was an additional increase of approximately $9,000 for a transfer to the Police Decentralization special revenue fund. In prior years this fund received sales tax revenues directly, but effective in fiscal year 2007, all sales tax was reported in the General Fund and then transferred out to the other funds supported by sales tax revenues.

Actual revenues received for the General Fund were $15,348 less than budgeted. Property Taxes and Transient Occupancy Taxes were over budget by $5,714 and $7,840, respectively, as a result of higher than anticipated growth. Sales Taxes were under budget by $9,685, which was a result of slower than anticipated growth in local retail sales. Other Local Taxes were under budget by $5,587 primarily due to decreased Property Transfer Tax revenues, as a result of a downturn in the real estate market. Fines, Forfeitures, and Penalties were over budget by $2,396, primarily due to litigation awards received related to prior year audits and actuarial valuations. Revenue from Other Agencies was $8,862 under budget. This was the result of Securitized Tobacco Revenue being budgeted as part of Revenue from Other Agencies, when in fact the actual receipts were recorded as a Transfer from Other Funds. Charges for Current Services were also under budget by $9,548, primarily due to reductions in service level agreements with other funds.

Actual expenditures for the General Fund were $52,017 less than budgeted, primarily due to vacant positions in the Police, Parks & Recreation, Engineering, and other General Government departments, including Auditor and Comptroller, City Treasurer, and Purchasing and Contracts.

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	
	2007	2006	2007	2006	2007	2006
Land, Easements, Rights of Way	$ 1,731,003	$ 1,711,064	$ 90,011	$ 89,769	$ 1,821,014	$ 1,800,833
Construction-in-Progress	210,084	223,903	290,161	399,422	500,245	623,325
Structures and Improvements	781,799	785,158	1,332,843	1,272,150	2,114,642	2,057,308
Equipment	106,132	110,971	103,807	115,865	209,939	226,836
Distribution and Collection Systems	-	-	2,788,462	2,659,107	2,788,462	2,659,107
Infrastructure	1,435,152	1,476,544	-	-	1,435,152	1,476,544
Totals	$ 4,264,170	$ 4,307,640	$ 4,605,284	$ 4,536,313	$ 8,869,454	$ 8,843,953

CAPITAL ASSETS

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

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2007 was $8,869,454 (net of accumulated depreciation). There was an overall increase in the City's investment in Capital Assets over fiscal year 2006 of approximately $25,501.

HIGHLIGHTS OF FISCAL YEAR 2007 CAPITAL IMPROVEMENT ACTIVITIES

Governmental Activities

- Construction continues on the Northwestern Area Station. This project will provide for the land development, design, and construction of a new Police Command and Light Vehicle Maintenance Facility. The facility will serve the Northwestern area of the City in the Carmel Valley and adjacent communities. The project is fully funded by Developer Impact Fees and Facilities Benefit Assessments. The City's fiscal year 2007 capital expenditures for this project were $7,838.

- Construction began on Carmel Valley Road, 300 feet East of Portofino Drive to the Del Mar city limits. This project will provide for improvements to curbs, gutters, sidewalks, and drainage, as well as the construction of a class II bicycle lane on both sides of Carmel Valley Road. This project is funded by TransNet funds. The City's fiscal year 2007 capital expenditures for this project were $4,551.

- Construction continues on the Mira Sorrento Place project. This project will provide for widening and extending Mira Sorrento Place to a four-lane collector street. Traffic flow on Scranton Road and Vista Sorrento Parkway will improve upon project completion. This project is funded by Facilities Benefit Assessments. The City's fiscal year 2007 capital expenditures for this project were $1,577.

- Construction continues on Judicial Drive from Golden Haven to Eastgate Mall. This project will provide a new four lane major street and under-crossing at La Jolla Village Drive. The project is funded by the North University City Facilities Benefit Assessment. The City's fiscal year 2007 capital expenditures for this project were $2,056.

- Construction began on the Nobel Athletic Area. Upon completion, this project will provide an additional twenty-four acres of developed park land. Improvements will include a 10,300 square foot recreation center, sports fields, comfort stations, an off-leash dog area, play, and parking areas in the University City area. The City's fiscal year 2007 capital expenditures for this project were $5,538. The project is entirely funded by the North University City Facilities Benefit Assessment.

- Construction continues on the Carmel Mountain Road-Interstate 5 Interchange project. This project provides for a diamond interchange at Interstate 5 and Carmel Mountain Road. This interchange will accommodate the increase in vehicular traffic created by development in the communities of Carmel Valley and Sorrento Hills. The City's fiscal year 2007 capital expenditures for this project were $5,110. This project is funded by Facilities Benefit Assessments.

- Construction began on the Pacific Highlands Ranch Fire Station #47. This project will provide for a new 10,500 square foot fire station to serve the Pacific Highlands Ranch community. The project is part of the Pacific Highlands Ranch Facilities Financing Plan. The City's fiscal year 2007 capital expenditures for this project were $2,832.

- Construction continues on the North University Community Branch Library. This project will provide for the construction of a 15,000 square-foot library on a City owned park site at Nobel Drive and Judicial Drive to serve the community in North University City. This project is funded by Facilities Benefit Assessments. The City's fiscal year 2007 capital expenditures for this project were $3,581.

- Construction was completed on Phase 1 of the Black Mountain Ranch Community Park. This first phase of the project provided for the acquisition and development of 13 acres of useable park land including athletic fields and a parking lot. Phase 2 will provide for the development of an additional 17 acres of park land. This project is funded by Facilities Benefit Assessments. The City's fiscal year 2007 capital expenditures for this project were $2,950.

- Construction continues on the Serra Mesa/Kearny Mesa Branch Library. This project will provide for the construction of a new 15,000 square-foot library on the 8900 Block of Aero Drive. Upon completion the new facility will include additional meeting rooms, computer lab, separate children's area and quiet study areas. Additional parking has also been incorporated into the design of the new facility. Serra Mesa and Kearny Mesa Developer Impact fees are the primary funding sources for this project. The City's fiscal year 2007 capital expenditures for this project were $1,566.

Business-Type Activities

During fiscal year 2007, the Water Utility Fund added approximately $35,300 in capital improvement projects (CIP). Upgrades and expansion of the Miramar Water Treatment Plant and the Alvarado Water Treatment Plant continued, along with Water Main Replacements. Capital asset write-offs for fiscal year 2007 were approximately $5,900, and were primarily related to losses on abandoned projects, and retirements of developer contributed assets.

During fiscal year 2007, the Sewer Utility Fund added approximately $30,900 in CIP, of which the Metropolitan system CIP increased approximately $2,200 and included the Point Loma Grit Processing Improvements. Municipal system CIP increased approximately $28,700 and included the following major projects: Pipeline Rehabilitation Phase C-1, Sorrento Valley Trunk Sewer Relocation, Pump Station Upgrades, and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2007 were approximately $9,000, and were primarily related to losses on abandoned projects, and retirements of developer contributed assets.

HIGHLIGHTS OF APPROVED FISCAL YEAR 2008 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

The Annual Approved Capital Improvements Budget for Fiscal Year 2008 is $491,600 which is an increase of $197,900, or approximately 67% over the fiscal year 2007 budget of $293,700. The increase in the Fiscal Year 2008 budget is primarily due to an increase in Water and Sewer projects. Water and Sewer projects comprise over 50% of the total CIP budget. Engineering & Capital Projects and General Services projects comprise 27%, and 9% of the total CIP budget, respectively. 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: $134,500 (27% of total CIP budget). Key projects include the undergrounding of City utilities to augment the California Public Utilities Commission (CPUC) Rule 20A funds. Funding is also allocated for conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The $58,600 annual allocation for these projects is entirely funded by the Underground Surcharge Fund. Other significant projects include: $7,700 for Palm Avenue/I-805 Improvements, $6,000 for Camino del Sur–Carmel Mountain Road, and $4,500 for Carroll Canyon Road–Sorrento Valley to Scranton Road.

- General Services: $44,000 (9% of total CIP budget). Key budgets include: $27,400 for deferred maintenance including street resurfacing, storm drain repair, and sidewalk repair; $12,300 for ADA improvements; and $5,300 for City facilities improvements which include roof replacements and air conditioning and heating upgrade replacements.

- Parks and Recreation: $30,700 (6% of total CIP budget). Planned project types for fiscal year 2008 include play area upgrades, joint use fields, roof reconstruction, accessibility improvements, comfort stations, picnic shelters, sports field and security lighting, and new park development.

- Chief Information Officer: $19,600 (4% of total CIP budget). This allocation includes $16,300 for the Enterprise Resource Planning (ERP) System and $3,300 for public safety communication upgrade projects.

Business-Type Activities

The fiscal year 2008 Water Utility CIP budget is $145,600. There are no phase funded projects budgeted for fiscal year 2008. Significant projects include: $31,200 for replacing water mains citywide; $44,600 for the Miramar Water Treatment Plant; $19,200 for the Otay Water Treatment Plant; and $13,200 for the Alvarado Water Treatment Plant Expansion.

The fiscal year 2008 Sewer Utility CIP budget is $100,700. There are no phase funded projects budgeted for fiscal year 2008. Significant projects include: $42,400 for continued sewer main replacements and upgrades to sewer infrastructure; $19,800 for repair and upgrade of pump stations; $18,600 for replacement of trunk sewers; and $7,600 for repair and upgrade of treatment plants.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Capital Lease Obligations	$ 39,130	$ 40,541	$ 1,006	$ 2,051	$ 40,136	$ 42,592
Contracts Payable	2,615	2,615	-	-	2,615	2,615
Notes Payable	8,555	7,294	280,830	-	289,385	7,294
Loans Payable	18,775	14,345	101,316	91,247	120,091	105,592
Section 108 Loans	39,431	42,499	-	-	39,431	42,499
SANDAG Loans	2,287	7,355	-	-	2,287	7,355
General Obligation Bonds	10,705	12,690	-	-	10,705	12,690
Revenue Bonds/COP's/ Lease Revenue Bonds	521,210	549,850	1,469,060	1,662,705	1,990,270	2,212,555
Special Assessment/ Special Tax Bonds	145,625	133,605	-	-	145,625	133,605
Tax Allocation Bonds	502,804	514,845	-	-	502,804	514,845
Tobacco Settlement Asset-Backed Bonds	102,700	105,400	-	-	102,700	105,400
Totals	$ 1,393,837	$ 1,431,039	$ 1,852,212	$ 1,756,003	$ 3,246,049	$ 3,187,042

LONG-TERM DEBT

At the end of fiscal year 2007, the City, including blended component units, had total debt outstanding of approximately $3,246,049. Of this amount, $10,705 is comprised of debt backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, lease revenue bonds, certificates of participation (COPs), special assessment bonds, tax allocation bonds, contracts payable, notes payable, loans payable, Section 108 loans, SRF loans, capital lease obligations, and San Diego Association of Governments (SANDAG) loans.

Governmental Activities

- The Community Facilities District No. 3 (The District) sold, on a private placement basis, $16,000 of Communities Facilities District No. 3 (Liberty Station) Special Tax Bonds, Series 2006 A, to finance public improvements required in connection with the district. The 2006 A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are limited obligations of the district.

- The Public Facilities Financing Authority of the City of San Diego (PFFA) sold, on a private placement basis, $156,560 of Lease Revenue Refunding Bonds, Series 2007A (Ballpark Refunding) to refund the Ballpark Lease Revenue Bonds, Series 2002. The Series 2007 A 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 Redevelopment Agency of the City of San Diego executed a non-revolving line of credit with Bank of America, N.A. in the amount of $8,530. The line of credit is to be used to refinance the North Park Theatre, to pay settlements on eminent domain actions related to the North Park Redevelopment Area, and for other redevelopment activities in the North Park Redevelopment Area.

- Total principal payments for long-term debt were $72,690. $48,176 of this amount was for outstanding bonds, including $7,555 recorded as a principal payment for the amount transferred to escrow from resources other than the new debt proceeds issued for the purpose of refunding the PFFA Lease Revenue Bonds, Series 2002 (Ballpark Project). Payments on loans payable were $14,529, payments on notes payable were $919, and payments on capital leases were $9,066.

Business-Type Activities

- Sewer loans from the State Water Resources Control Board for $3,858 and $11,068 were executed in order to construct capital improvement projects.

- PFFA sold, on a private placement basis, $57,000 of Non-Transferable Subordinated Water Revenue Notes, Series 2007A to finance upgrades to and expansion of the City's water system and to reimburse for costs previously incurred. The Series 2007A Notes are secured by and payable solely from net system revenues of the Water Utility Fund and the final maturity date is January 30, 2009. The 2007A Notes carried a six month call provision with no prepayment penalty after the call date and had no provisions for an extension beyond the final maturity date.

- PFFA sold, on a private placement basis, $223,830 of Subordinate Sewer Revenue Notes, Series 2007 to finance and reimburse for costs previously incurred from upgrades to the City's sewer system and to refund $144,400 of outstanding principal balance on the Sewer Revenue Bonds, Series 2004. The Series 2007 Notes are secured by and payable solely from net system revenues of the Sewer Utility Fund and the final maturity date is May 15, 2009. The 2007 Notes carried a one year call provision with no prepayment penalty after the call date and had no provisions for an extension beyond the final maturity date.

- Total principal payments for long-term debt were $55,147 which includes $49,245 for outstanding bonds, $4,857 for loans payable and $1,045 for capital leases.

As of the issuance of this report, the credit ratings on the City of San Diego's outstanding General Obligation Bonds, Revenue Bonds, Lease Revenue Bonds, and COPs are as follows:

	Moody's Investors Service	Fitch Ratings	Standard & Poor's
General Obligation Bonds	A2	BBB+	A
General Fund Backed Lease Revenue Obligations	Baa1/Baa2	BBB-	A-
Outlook	Stable	Positive	Positive
Wastewater System Obligations	A3	BBB+	A+
Outlook	Stable	Positive	Stable
Water System Obligations	A2/A3	BBB+/BBB	AA-/A+
Outlook	Stable	Positive	Stable

Standard & Poor's suspended the City's credit rating on September 20, 2004. The rating was reinstated on May 15, 2008. Fitch Ratings placed the City on positive Rating Watch as of March 27, 2008. On August 26, 2008, Moody's upgraded the underlying ratings on the City's general obligation bonds from A3 to A2. Also upgraded from Baa2 to Baa1 were the City's General Fund lease revenue bonds and certificates of participation. The underlying rating on the taxable Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium) was upgraded from Baa3 to Baa2.

As of January 2008, the City of San Diego Tobacco Settlement Revenue Funding Corporation Tobacco Settlement Asset-Backed Bonds, Series 2006, were upgraded by Fitch Ratings from BBB to BBB plus. MBIA Insurance Corporation, AMBAC Assurance Corporation, and FGIC Insurance Company bond insurance policies and surety debt reserve policies support ratings

and certain of the City's debt obligations issued on a long term fixed rate basis. As of the date of this report, Fitch has withdrawn its ratings for MBIA and Ambac, and downgraded its rating on FGIC to CCC. Standard & Poor's has lowered its ratings on MBIA and Ambac to AA. Moody's has lowered its ratings on MBIA and Ambac to A2 and Aa3, respectively. None of the underlying ratings, as shown in the tables above, have been changed as a result of the rating agency actions on the insurers.

Section 90 of the City Charter provides that the general obligation bonded indebtedness for the development, conservation and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. The City's current outstanding general obligation balances as of June 30, 2007 are significantly less than the current debt limitations for water and other purposes, which are $5,218,175 and $3,478,783, respectively (see Statistical Section, Table 12).

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

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Comptroller, 202 C Street, San Diego, California 92101, or e-mailed to comptroller@sandiego.gov. This financial report is also available on the City's website at www.sandiego.gov, under the Office of the City Comptroller. Additional information intended for the investor community is available on the Investor Information web page also located on the City's website listed above.

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Basic Financial Statements

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STATEMENT OF NET ASSETS
June 30, 2007
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
ASSETS					
Cash and Investments	$ 1,223,834	$ 505,384	$ 1,729,218	$ 15,779	$ 74,499
Receivables:					
Taxes - Net	88,809	-	88,809	-	-
Accounts - Net of Allowance for Uncollectibles					
(Governmental $7,251, Business-Type $1,819)	31,707	79,331	111,038	3,003	8,371
Claims - Net	116	-	116	-	-
Contributions	251	-	251	-	-
Special Assessments - Net	1,353	-	1,353	-	-
Notes	69,999	-	69,999	-	136,673
Accrued Interest	11,836	6,571	18,407	-	15,105
Grants	33,569	1,944	35,513	-	-
Investment in Joint Venture	2,097	-	2,097	-	-
Advances to Other Agencies	3,458	-	3,458	-	-
Internal Balances	245	(245)	-	-	-
Inventories of Water in Storage	-	27,556	27,556	-	-
Inventories	2,081	527	2,608	16	67
Land Held for Resale	47,619	-	47,619	-	-
Prepaid Expenses	4,476	751	5,227	968	46
Restricted Cash and Investments	285,801	213,144	498,945	-	1,723
Deferred Charges	17,296	11,140	28,436	-	-
Capital Assets - Non-Depreciable	1,941,087	380,172	2,321,259	-	40,044
Capital Assets - Depreciable	2,323,083	4,225,112	6,548,195	16,559	61,063
TOTAL ASSETS	6,088,717	5,451,387	11,540,104	36,325	337,591

STATEMENT OF NET ASSETS
June 30, 2007
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
LIABILITIES					
Accounts Payable	$ 58,228	$ 44,120	$ 102,348	$ 513	$ 3,938
Accrued Wages and Benefits	27,102	8,647	35,749	-	365
Other Accrued Liabilities	53	-	53	1,898	588
Interest Accrued on Long-Term Debt	21,339	19,800	41,139	-	95
Long-Term Liabilities Due Within One Year	125,002	61,446	186,448	2,849	1,787
Due to Other Agencies	1,561	10,013	11,574	-	-
Unearned Revenue	32,515	7,304	39,819	7,363	283
Contract Deposits	-	9,550	9,550	-	-
Sundry Trust Liabilities	2,911	-	2,911	-	-
Short-Term Notes Payable	142,000	-	142,000	-	-
Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	4,265	4,265	-	-
Deposits/Advances from Others	-	25	25	-	991
Long-Term Liabilities Due After One Year:					
Arbitrage Liability	-	224	224	-	-
Compensated Absences	43,142	7,849	50,991	-	-
Liability Claims	190,374	49,257	239,631	-	-
Capital Lease Obligations	30,949	166	31,115	2,201	-
Contracts Payable	2,615	-	2,615	-	-
Notes Payable	8,555	280,830	289,385	2,500	32,052
Loans Payable	18,714	95,875	114,589	-	-
Section 108 Loans Payable	35,896	-	35,896	-	-
Net Bonds Payable	1,249,776	1,418,826	2,668,602	-	-
Estimated Landfill Closure and Postclosure Care	-	16,935	16,935	-	-
Net Pension Obligation	158,162	36,418	194,580	-	-
TOTAL LIABILITIES	2,148,894	2,071,550	4,220,444	17,324	40,099
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,461,127	2,998,848	6,459,975	10,102	67,893
Restricted for:					
Capital Projects	300,288	-	300,288	2,118	-
Debt Service	-	2,977	2,977	-	-
Low-Moderate Income Housing	81,739	-	81,739	-	-
Nonexpendable Permanent Endowments	16,509	-	16,509	-	-
Other	100,159	34,732	134,891	-	86,944
Unrestricted	(19,999)	343,280	323,281	6,781	142,655
TOTAL NET ASSETS	$ 3,939,823	$ 3,379,837	$ 7,319,660	$ 19,001	$ 297,492

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007
(In Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General Government and Support	$ 270,190	$ 107,257	$ 13,764	$ 3,760
Public Safety - Police	376,581	27,960	2,227	500
Public Safety - Fire and Life Safety and Homeland Security	209,902	16,548	39,709	-
Parks, Recreation, Culture and Leisure	229,500	52,656	4,567	13,733
Transportation	272,780	49,809	765	51,633
Sanitation and Health	43,780	10,224	791	119
Neighborhood Services	99,870	39,412	22,922	11,424
Debt Service:				
Interest	84,920	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,587,523	303,866	84,745	81,169
Business-Type Activities:				
Airports	3,755	5,635	-	775
City Store	843	827	-	-
Development Services	53,924	48,746	-	-
Environmental Services	40,138	36,143	7	-
Golf Course	10,690	15,772	-	-
Recycling	19,754	20,476	564	-
Sewer Utility	313,716	304,749	65	59,785
Water Utility	313,256	310,292	567	80,859
TOTAL BUSINESS-TYPE ACTIVITIES	756,076	742,640	1,203	141,419
TOTAL PRIMARY GOVERNMENT	$ 2,343,599	$ 1,046,506	$ 85,948	$ 222,588
Component Units:				
San Diego Convention Center Corporation	$ 33,499	$ 32,849	$ 4,339	$ -
San Diego Housing Commission	155,770	14,653	156,165	1,348
TOTAL COMPONENT UNITS	$ 189,269	$ 47,502	$ 160,504	$ 1,348

General Revenues:
Property Taxes
Transient Occupancy Taxes
Other Local Taxes
Developer Contributions and Fees
Grants and Contributions not Restricted to Specific Programs
Sales Taxes
Investment Income
Gain on Sale of Capital Assets
Miscellaneous
Transfers

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

Net Assets at Beginning of Year

NET ASSETS AT END OF YEAR

Net Revenue/(Expense) and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
$ (145,409)	$ -	$ (145,409)	$ -	$ -
(345,894)	-	(345,894)	-	-
(153,645)	-	(153,645)	-	-
(158,544)	-	(158,544)	-	-
(170,573)	-	(170,573)	-	-
(32,646)	-	(32,646)	-	-
(26,112)	-	(26,112)	-	-
(84,920)	-	(84,920)	-	-
(1,117,743)	-	(1,117,743)	-	-
-	2,655	2,655	-	-
-	(16)	(16)	-	-
-	(5,178)	(5,178)	-	-
-	(3,988)	(3,988)	-	-
-	5,082	5,082	-	-
-	1,286	1,286	-	-
-	50,883	50,883	-	-
-	78,462	78,462	-	-
-	129,186	129,186	-	-
(1,117,743)	129,186	(988,557)	-	-
-	-	-	3,689	-
-	-	-	-	16,396
-	-	-	3,689	16,396
526,722	-	526,722	-	-
154,810	-	154,810	-	-
157,941	-	157,941	-	-
62,693	-	62,693	-	-
5,339	-	5,339	-	-
263,399	-	263,399	-	-
76,292	30,713	107,005	754	7,340
6,546	-	6,546	-	3,560
25,671	5,384	31,055	124	-
(3,425)	3,425	-	-	-
1,275,988	39,522	1,315,510	878	10,900
158,245	168,708	326,953	4,567	27,296
3,781,578	3,211,129	6,992,707	14,434	270,196
$ 3,939,823	$ 3,379,837	$ 7,319,660	$ 19,001	$ 297,492

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 97,347	$ 1,017,656	$ 1,115,003
Receivables:			
Taxes - Net	73,296	15,513	88,809
Accounts - Net of Allowance for Uncollectibles (General Fund $6,302)	11,103	13,868	24,971
Claims - Net	88	18	106
Special Assessments - Net	-	1,353	1,353
Notes	-	69,999	69,999
Accrued Interest	3,466	8,319	11,785
Grants	-	33,569	33,569
From Other Funds	1,475	6,563	8,038
Advances to Other Funds	300	8,252	8,552
Advances to Other Agencies	9	3,449	3,458
Land Held for Resale	-	47,619	47,619
Prepaid Items	81	1,799	1,880
Investment in Joint Venture	2,097	-	2,097
Restricted Cash and Investments	142,000	143,661	285,661
TOTAL ASSETS	$ 331,262	$ 1,371,638	$ 1,702,900
LIABILITIES			
Accounts Payable	$ 9,112	$ 35,282	$ 44,394
Accrued Wages and Benefits	23,881	616	24,497
Other Accrued Liabilities	-	53	53
Due to Other Funds	-	9,964	9,964
Due to Other Agencies	-	1,561	1,561
Unearned Revenue	903	31,530	32,433
Deferred Revenue	23,318	43,967	67,285
Sundry Trust Liabilities	-	2,911	2,911
Advances from Other Funds	-	8,552	8,552
Interfund Loan Payable	-	3,487	3,487
Short-Term Notes Payable	142,000	-	142,000
TOTAL LIABILITIES	199,214	137,923	337,137

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND EQUITY:			
Fund Balances:			
Reserved for Land Held for Resale	-	47,619	47,619
Reserved for Notes Receivable	-	69,013	69,013
Reserved for Encumbrances	33,452	217,907	251,359
Reserved for Advances	309	11,701	12,010
Reserved for Low and Moderate Income Housing	-	14,718	14,718
Reserved for Permanent Endowments	-	16,509	16,509
Reserved for Debt Service	-	127,226	127,226
Reserved for Minority Interest in Joint Venture	2,097	-	2,097
Unreserved, Reported in General Fund:			
Designated for Subsequent Years' Expenditures	1,159	-	1,159
Undesignated	95,031	-	95,031
Unreserved, Reported in:			
Special Revenue Funds	-	350,096	350,096
Debt Service Funds	-	29	29
Capital Projects Funds	-	377,648	377,648
Permanent Funds	-	1,249	1,249
TOTAL FUND EQUITY	132,048	1,233,715	1,365,763
TOTAL LIABILITIES AND FUND EQUITY	$ 331,262	$ 1,371,638	

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.	4,196,903
Other assets and liabilities used in governmental activities are not financial resources, and therefore, are either deferred or not reported in the funds.	84,581
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Publishing Services, Self Insurance, Central Stores and others to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Assets.	(55,003)
Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(1,652,421)
Net Assets of governmental activities	$ 3,939,823

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 361,062	$ 160,672	$ 521,734
Special Assessments	-	36,585	36,585
Sales Taxes	233,385	31,202	264,587
Transient Occupancy Taxes	80,703	72,871	153,574
Other Local Taxes	74,069	83,977	158,046
Licenses and Permits	31,475	9,950	41,425
Fines, Forfeitures and Penalties	40,346	2,586	42,932
Revenue from Use of Money and Property	42,157	75,395	117,552
Revenue from Federal Agencies	5,066	74,669	79,735
Revenue from Other Agencies	16,644	45,333	61,977
Revenue from Private Sources	-	59,549	59,549
Charges for Current Services	85,026	74,851	159,877
Other Revenue	2,730	28,297	31,027
TOTAL REVENUES	972,663	755,937	1,728,600
EXPENDITURES			
Current:			
General Government and Support	189,203	78,258	267,461
Public Safety - Police	346,405	30,357	376,762
Public Safety - Fire and Life Safety and Homeland Security	171,117	30,914	202,031
Parks, Recreation, Culture and Leisure	112,967	69,230	182,197
Transportation	59,516	79,833	139,349
Sanitation and Health	39,391	5,338	44,729
Neighborhood Services	18,339	67,205	85,544
Capital Projects	-	106,518	106,518
Debt Service:			
Principal Retirement	2,604	65,556	68,160
Interest	6,519	76,409	82,928
Cost of Issuance	-	5,145	5,145
TOTAL EXPENDITURES	946,061	614,763	1,560,824
EXCESS OF REVENUES OVER EXPENDITURES	26,602	141,174	167,776
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	4,181	5,328	9,509
Transfers from Other Funds	86,980	204,554	291,534
Transfers to Proprietary Funds	(1,373)	(2,173)	(3,546)
Transfers to Other Funds	(46,018)	(245,516)	(291,534)
Transfers to Escrow Agent for Refunding Bonds	-	(159,690)	(159,690)
Net Income from Joint Venture	35	-	35
Capital Leases	-	6,167	6,167
Notes Issued	-	2,180	2,180
Loans Issued	-	10,823	10,823
Proceeds from Land Sales	-	12,942	12,942
Special Assessment Bonds Issued	-	16,000	16,000
Revenue Refunding Bonds Issued	-	156,560	156,560
Premium on Bonds Issued	-	9,768	9,768
TOTAL OTHER FINANCING SOURCES (USES)	43,805	16,943	60,748
NET CHANGE IN FUND BALANCES	70,407	158,117	228,524
Fund Balances at Beginning of Year	61,641	1,075,598	1,137,239
FUND BALANCES AT END OF YEAR	$ 132,048	$ 1,233,715	$ 1,365,763

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

City of San Diego
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2007
(In Thousands)

Net change in fund balances - total governmental funds (page 58)	$ 228,524
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.	15,668
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets.	(66,961)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(31,428)
Revenues in the Statement of Activities for the reduction of land acquisition credits do not provide current financial resources and are not reported in the funds.	1,480
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.	34,161
Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absenses, net pension obligation), and therefore are not accrued as expenses in governmental funds.	(18,546)
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Publishing Services, Central Stores, Self Insurance, and others to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.	(4,653)
Change in net assets of governmental activities (page 55)	$ 158,245

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2007
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and Investments	$ 205,229	$ 196,510	$ 100,397	$ 502,136	$ 112,079
Receivables:					
Accounts - Net of Allowance for Uncollectibles (Sewer $832, Water $709, Other Enterprise $278, Internal Service $949)	35,746	42,697	888	79,331	6,736
Claims - Net	-	-	-	-	10
Contributions	-	-	-	-	251
Accrued Interest	2,733	2,291	1,524	6,548	74
Grants	26	1,202	716	1,944	-
From Other Funds	-	-	3,326	3,326	-
Inventories of Water in Storage	-	27,556	-	27,556	-
Inventories	-	414	113	527	2,081
Prepaid Expenses	1	737	13	751	2,596
Total Current Assets	243,735	271,407	106,977	622,119	123,827
Non-Current Assets:					
Restricted Cash and Investments	101,168	77,587	34,389	213,144	140
Deferred Charges	6,436	4,704	-	11,140	-
Interfund Loan Receivable	3,487	-	-	3,487	-
Capital Assets - Non-Depreciable	140,261	216,124	23,787	380,172	1,984
Capital Assets - Depreciable	2,712,387	1,452,843	59,646	4,224,876	65,519
Total Non-Current Assets	2,963,739	1,751,258	117,822	4,832,819	67,643
TOTAL ASSETS	3,207,474	2,022,665	224,799	5,454,938	191,470
LIABILITIES					
Current Liabilities:					
Accounts Payable	10,800	30,125	2,836	43,761	14,193
Accrued Wages and Benefits	4,101	1,925	2,198	8,224	3,028
Interest Accrued on Long-Term Debt	8,010	11,772	18	19,800	84
Long-Term Liabilities Due Within One Year	39,061	18,776	3,178	61,015	42,985
Due to Other Funds	-	-	-	-	1,400
Due to Other Agencies	5,511	4,502	-	10,013	-
Unearned Revenue	-	1,004	6,300	7,304	82
Contract Deposits	3,828	5,569	153	9,550	-
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	4,265	-	4,265	-
Total Current Liabilities	71,311	77,938	14,683	163,932	61,772
Non-Current Liabilities:					
Deposits/Advances from Others	-	-	25	25	-
Arbitrage Liability	31	193	-	224	-
Compensated Absences	2,673	2,202	2,511	7,386	4,404
Liability Claims	43,917	5,340	-	49,257	177,384
Capital Lease Obligations	-	-	166	166	4,660
Loans Payable	76,490	19,385	-	95,875	-
Notes Payable	223,830	57,000	-	280,830	-
Net Revenue Bonds Payable	883,356	535,470	-	1,418,826	-
Estimated Landfill Closure and Postclosure Care	-	-	16,935	16,935	-
Net Pension Obligation	12,288	9,789	11,505	33,582	6,316
Total Non-Current Liabilities	1,242,585	629,379	31,142	1,903,106	192,764
TOTAL LIABILITIES	1,313,896	707,317	45,825	2,067,038	254,536
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,740,801	1,175,384	82,427	2,998,612	59,969
Restricted for Debt Service	717	2,260	-	2,977	-
Restricted for Closure/Postclosure Maintenance	-	-	34,732	34,732	-
Unrestricted	152,060	137,704	61,815	351,579	(123,035)
TOTAL NET ASSETS	$ 1,893,578	$ 1,315,348	$ 178,974	3,387,900	$ (63,066)
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds.				(8,063)	
Net assets of Business-Type activities				$ 3,379,837	

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Sales of Water	$ -	$ 289,127	$ -	$ 289,127	$ -
Charges for Services	299,736	1,147	69,979	370,862	165,197
Revenue from Use of Property	-	6,162	-	6,162	-
Usage Fees	-	1,594	55,547	57,141	46,442
Other	5,013	12,262	2,073	19,348	3,616
TOTAL OPERATING REVENUES	304,749	310,292	127,599	742,640	215,255
OPERATING EXPENSES					
Benefit and Claim Payments	-	-	-	-	68,843
Maintenance and Operations	111,086	97,821	83,529	292,436	46,160
Cost of Materials Issued	-	-	351	351	28,355
Cost of Purchased Water Used	-	124,880	-	124,880	-
Taxes	-	163	-	163	-
Administration	79,164	30,964	34,482	144,610	56,022
Depreciation	69,696	27,644	9,712	107,052	16,645
TOTAL OPERATING EXPENSES	259,946	281,472	128,074	669,492	216,025
OPERATING INCOME (LOSS)	44,803	28,820	(475)	73,148	(770)
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	12,505	11,461	6,617	30,583	4,848
Federal Grant Assistance	65	283	-	348	-
Other Agency Grant Assistance	-	284	571	855	-
Gain (Loss) on Sale/Retirement of Capital Assets	(9,004)	(5,076)	(1,263)	(15,343)	943
Debt Service Interest Expense	(44,735)	(26,370)	(69)	(71,174)	(306)
Other	3,093	175	2,114	5,382	49
TOTAL NONOPERATING REVENUES (EXPENSES)	(38,076)	(19,243)	7,970	(49,349)	5,534
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	6,727	9,577	7,495	23,799	4,764
Capital Contributions	59,785	80,859	775	141,419	-
Transfers from Other Funds	7,738	352	666	8,756	463
Transfers from Governmental Funds	80	84	1,634	1,798	2,144
Transfers to Other Funds	(220)	(234)	-	(454)	(8,765)
Transfers to Governmental Funds	(2,162)	(1,713)	(2,420)	(6,295)	(3,574)
CHANGE IN NET ASSETS	71,948	88,925	8,150	169,023	(4,968)
Net Assets at Beginning of Year	1,821,630	1,226,423	170,824		(58,098)
NET ASSETS AT END OF YEAR	$ 1,893,578	$ 1,315,348	$ 178,974		$ (63,066)
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds.				(315)	
Change in net assets of Business-Type activities				$ 168,708	

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 298,238	$ 299,676	$ 110,112	$ 708,026	$ 196,677
Receipts from Interfund Services Provided	3,717	2,612	20,840	27,169	17,155
Payments to Suppliers	(103,109)	(169,450)	(34,686)	(307,245)	(85,233)
Payments to Employees	(68,533)	(68,219)	(75,340)	(212,092)	(103,041)
Payments for Interfund Services Used	(18,041)	(12,807)	(8,188)	(39,036)	(1,225)
NET CASH PROVIDED BY OPERATING ACTIVITIES	112,272	51,812	12,738	176,822	24,333
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	7,738	352	666	8,756	463
Transfers from Governmental Funds	80	84	1,239	1,403	2,143
Transfers to Other Funds	(220)	(234)	-	(454)	(8,765)
Transfers to Governmental Funds	(2,162)	(1,365)	(2,409)	(5,936)	(3,574)
Operating Grants Received	39	1,020	561	1,620	-
Proceeds from Advances and Deposits	341	1,060	-	1,401	-
Payments for Advances and Deposits	-	-	(5)	(5)	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	5,816	917	52	6,785	(9,733)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Contracts, Notes and Loans	94,806	57,024	-	151,830	1,488
Proceeds from Capital Contributions	16,628	21,295	735	38,658	-
Acquisition of Capital Assets	(50,751)	(40,527)	(4,957)	(96,235)	(11,735)
Proceeds from the Sale of Capital Assets	-	861	-	861	1,571
Principal Payments on Capital Leases	-	-	(1,045)	(1,045)	(4,529)
Principal Payments on Contracts, Notes and Loans	(4,006)	(851)	-	(4,857)	-
Principal Payments on Revenue Bonds	(36,360)	(12,885)	-	(49,245)	-
Interest Paid on Long-Term Debt	(42,388)	(25,730)	(71)	(68,189)	(360)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(22,071)	(813)	(5,338)	(28,222)	(13,565)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	320,588	146,799	-	467,387	-
Purchases of Investments	(400,677)	(145,515)	-	(546,192)	-
Interest Received on Investments	11,806	13,400	6,447	31,653	4,860
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(68,283)	14,684	6,447	(47,152)	4,860
Net Increase in Cash and Cash Equivalents	27,734	66,600	13,899	108,233	5,895
Cash and Cash Equivalents at Beginning of Year	177,495	158,738	120,887	457,120	106,324
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 205,229	$ 225,338	$ 134,786	$ 565,353	$ 112,219
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:					
Cash and Investments	$ 205,229	$ 196,510	$ 100,397	$ 502,136	$ 112,079
Restricted Cash and Investments	101,168	77,587	34,389	213,144	140
Less Investments not meeting the definition of cash equivalents	(101,168)	(48,759)	-	(149,927)	-
Total Cash and Cash Equivalents at End of Year	$ 205,229	$ 225,338	$ 134,786	$ 565,353	$ 112,219
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:					
Operating Income (Loss)	$ 44,803	$ 28,820	$ (475)	$ 73,148	$ (770)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Depreciation	69,696	27,644	9,712	107,052	16,645
Changes in Assets and Liabilities:					
(Increase) Decrease in Receivables:					
Accounts - Net	(5,706)	(6,312)	1,005	(11,013)	(1,390)
Claims - Net	-	-	-	-	7
Contributions	-	-	-	-	(66)
From Other Funds	-	-	73	73	-
(Increase) Decrease in Inventories	-	(996)	(22)	(1,018)	688
(Increase) Decrease in Prepaid Expenses	2	(47)	14	(31)	(963)
Increase (Decrease) in Accounts Payable	2,925	1,629	(917)	3,637	(2,392)
Increase (Decrease) in Accrued Wages and Benefits	(124)	2	(344)	(466)	(781)
Increase (Decrease) in Other Accrued Liabilities	-	-	(60)	(60)	-
Increase (Decrease) in Due to Other Funds	-	-	-	-	1,400
Increase (Decrease) in Due to Other Agencies	(2,752)	565	-	(2,187)	-
Increase (Decrease) in Unearned Revenue	-	(2,285)	313	(1,972)	(23)
Increase (Decrease) in Contract Deposits	(181)	418	(152)	85	-
Increase (Decrease) in Arbitrage Liability	14	17	-	31	-
Increase (Decrease) in Compensated Absences	(370)	(137)	(654)	(1,161)	959
Increase (Decrease) in Liability Claims	864	2,312	-	3,176	11,015
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care	-	-	2,124	2,124	-
Increase (Decrease) in Net Pension Obligation	8	7	7	22	(45)
Other Nonoperating Revenue (Expenses)	3,093	175	2,114	5,382	49
Total Adjustments	67,469	22,992	13,213	103,674	25,103
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 112,272	$ 51,812	$ 12,738	$ 176,822	$ 24,333
Noncash Investing, Capital, and Financing Activites:					
Developer Contributed Assets	$ 43,157	$ 59,564	$ -	$ 102,721	$ -
Increase (Decrease) in Capital Assets related Accounts Payable	(3,953)	(3,898)	1,129	(6,722)	51
Noncash Retirement of Capital Assets	(9,004)	(5,937)	-	(14,941)	-
Proceeds of Refunding Notes Issued	144,400	-	-	144,400	-
Repayment of Refunding Bonds to Escrow	(144,400)	-	-	(144,400)	-
Change in Fair Value of Investments	-	(652)	-	(652)	-

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Agency
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 6,497	$ 2,323	$ 32,459
Cash with Custodian/Fiscal Agent	527,795	-	-
Investments at Fair Value:			
Short Term Investments	52,999	-	-
Domestic Fixed Income Securities (Bonds)	810,554	-	-
International Fixed Income Securities (Bonds)	176,388	-	-
Domestic Equity Securities (Stocks)	2,021,800	-	-
International Equity Securities (Stocks)	900,229	-	-
Mortgages	3	-	-
Real Estate Equity and Real Estate Securities	440,972	-	-
Defined Contribution Investments	745,461	-	-
Receivables:			
Accounts - Net	-	-	76
Contributions	28,092	-	-
Accrued Interest	13,742	39	26
Loans	29,417	-	-
Securities Sold	79,154	-	-
Prepaid Expenses	63	-	-
Securities Lending Collateral	854,631	-	-
Restricted Cash and Investments	-	-	8,312
Capital Assets - Depreciable	201	-	-
TOTAL ASSETS	6,687,998	2,362	$ 40,873
LIABILITIES			
Accounts Payable	7,965	-	$ 1,523
Accrued Wages and Benefits	572	-	-
Deposits/Advances from Others	-	-	13,300
Trust Liabilities	-	-	26,050
DROP Liability	271,596	-	-
Net Pension Obligation	776	-	-
Securities Lending Obligations	854,631	-	-
Securities Purchased	88,022	-	-
TOTAL LIABILITIES	1,223,562	-	$ 40,873
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	$ 5,464,436	$ 2,362	

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2007
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Total
ADDITIONS			
Employer Contributions	$ 253,271	$ -	$ 253,271
Employee Contributions	101,708	-	101,708
Retiree Contributions	6,727	-	6,727
Contributions to Pooled Investments	-	4,296	4,296
Earnings on Investments:			
Investment Income	799,542	261	799,803
Investment Expense	(21,682)	-	(21,682)
Net Investment Income	777,860	261	778,121
Securities Lending Income:			
Gross Earnings	35,580	-	35,580
Borrower Rebates	(33,216)	-	(33,216)
Administrative Expenses (Lending Agent)	(633)	-	(633)
Net Securities Lending Income	1,731	-	1,731
Other Income:			
Litigation Proceeds	619	-	619
TOTAL OPERATING ADDITIONS	1,141,916	4,557	1,146,473
DEDUCTIONS			
DROP Interest Expense	20,263	-	20,263
Benefit and Claim Payments	327,401	-	327,401
Distributions from Pooled Investments	-	8,866	8,866
Administration	18,730	-	18,730
TOTAL OPERATING DEDUCTIONS	366,394	8,866	375,260
CHANGE IN NET ASSETS	775,522	(4,309)	771,213
Net Assets at Beginning of Year	4,688,914	6,671	4,695,585
NET ASSETS AT END OF YEAR	$ 5,464,436	$ 2,362	$ 5,466,798

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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 with voter approval of Propositions A, B and C during the June 3, 2008 election. Some of the amendments, which have taken effect immediately, include a more clear separation of the City's internal auditing function from supervision of the Manager (Mayor) by creating the new office of the City Auditor, which is supervised by a restructured Audit Committee. The Audit Committee will be restructured to consist of two Councilmembers, one being chair, and three public members. The public members must have at least 10 years of professional finance experience, and would be appointed from candidates recommended from a screening committee comprised of the Chief Financial Officer (CFO), the Independent Budget Analyst (IBA), a Councilmember, and two outside experts. Proposition C also provides that the Manager (Mayor) would appoint, with Council confirmation, the CFO who would assume the City's accounting responsibilities and oversee the City Treasurer. The measure also makes the Office of the IBA permanent, which would otherwise expire if the strong-mayor form of government does not get approved permanently in the year 2010.

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

a. Financial Reporting Entity

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

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

i. The component unit's governing body is substantively the same as the governing body of the primary government (the City).

ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.

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

- Centre City Development Corporation
- City of San Diego/Metropolitan Transit Development Board Authority
- Community Facility and Other Special Assessment Districts
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation

- San Diego Industrial Development Authority
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation
- San Diego City Employees' Retirement System
- Tobacco Settlement Revenue Funding Corporation

A brief description of each blended component unit follows:

- Centre City Development Corporation, Inc. (CCDC) is a not-for-profit public benefit corporation established in 1975 to administer certain redevelopment projects in downtown San Diego and to provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. CCDC's budget and governing board are approved by the City Council and services are provided exclusively to the primary government. CCDC is reported as a governmental fund. Financial statements can be requested from Centre City Development Corporation, 225 Broadway, Suite 1100, San Diego, California 92101.

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

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

- The Convention Center Expansion Financing Authority (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 Port of San Diego Director, and a member of the Board of Commissioners for the Port of San Diego. The CCEFA provides services which primarily benefit the primary government. CCEFA is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The Public Facilities Financing Authority (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 enterprise funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The Redevelopment Agency of the City of San Diego (RDA) was established in 1958 in order to provide a method for revitalizing deteriorating and blighted areas of the City and began functioning in 1969 under the authority granted by the community redevelopment law. The City Council 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 Comptroller, 202 C Street, San Diego, California 92101.

- San Diego Data Processing Corporation (SDDPC) was formed in 1979 as a not-for-profit public benefit corporation for the purpose of providing data processing services. SDDPC's budget and governing board are approved by the City Council. SDDPC provides services almost exclusively to the primary government. SDDPC is reported as an Internal Service Fund. Financial statements can be requested from San Diego Data Processing Corporation, 5975 Santa Fe Street, San Diego, California 92109.

- The San Diego Facilities and Equipment Leasing Corporation (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 enterprise funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Industrial Development Authority (SDIDA) was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board. SDIDA is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Open Space Park Facilities District #1 (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. SDOSPFD is reported as a governmental fund. Financial statements can be requested from the Office of the City 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 RDA. SEDC's budget and governing board are approved by the City Council and services are provided exclusively to the primary government. SEDC is reported as a governmental fund. Financial statements can be requested from the Southeastern Economic Development Corporation, 995 Gateway Center Way, Suite 300, San Diego, California 92102.

- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and provides retirement, health insurance, disability, and death benefits. Currently, SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans.

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

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

- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the Tobacco Settlement Revenues allocated to the City from the State of California,

pursuant to the Master Settlement Agreement. TSRFC is governed by the Board of Directors which consists of two officials of the City and one independent director. The independent director shall be appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California, 92101.

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

There are two entities which are discretely presented component units:

- San Diego Convention Center Corporation (SDCCC)

  SDCCC is a not-for-profit public benefit corporation originally organized to market, operate and maintain the San Diego Convention Center. On August 1, 1993, SDCCC assumed similar responsibility for the Civic Theatre. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints seven voting members out of the nine-member Board of Directors of SDCCC. The City is liable for any operating deficits and would be secondarily liable for any debt issuances of SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, California 92101.

- San Diego Housing Commission (SDHC)

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

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

b. Government-Wide and Fund Financial Statements

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

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

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; charges for services; and state and federal grants and subventions, provided they are received within 60 days from the end of the fiscal year.

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

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

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

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

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

The following is the City's major governmental fund:

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

The following are the City's major Enterprise Funds:

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

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

The following are the City's other fund types:

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

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

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

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

d. Property Taxes

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

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

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

As a result of the recent decline in median residential home prices in the City, property owners can appeal the assessment value of their property to the County Assessment Appeals Board. In the event of a successful appeal, the County Assessor may reduce the taxable value of a property and/or provide a refund to affected property owners. Reductions of taxable property value within the City of San Diego will have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

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

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

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

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds and agency funds, unless expressly stated in the resolutions creating individual funds. During the fiscal year ended June 30, 2007, approximately $4,714 interest was assigned from various funds to the General Fund. These transactions caused an increase in the "transfers from" amount for the General Fund and a corresponding increase in the "transfer to" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an increase in the "transfers from" amount for the fund transferring the negative interest and a corresponding increase in the "transfer to" amount for the General Fund.

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

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

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

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

f. Inventories

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

g. Land Held for Resale

Land Held for Resale, purchased by RDA, is reported in the government-wide and fund financial statements at the lower of cost or net realizable value.

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, as well as in the Proprietary Fund's financial statements.

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the Proprietary Fund's financial statements. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of equipment outlay, must equal or exceed a capitalization threshold of five thousand dollars. All other capital assets such as land, structures, infrastructure, and distribution and collection systems are capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the asset constructed. During fiscal year 2007, $14,866 of interest expense incurred was capitalized, which is calculated net of related interest revenue of $1,132.

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

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

j. Disposition and Development Agreements

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

On March 30, 2004 RDA entered into a Disposition and Development Agreement with Western Pacific Housing for a condominium development project in the North Park Redevelopment Project Area. Under the agreement, RDA promised to pay the maximum aggregate principal amount of $3,000, of which $2,100 represents the Affordability component of RDA's Payment Obligation, and $900 represents the Public Improvement component. The Affordability component is subject to an adjustment based on the actual project sales revenue proceeds received by the Developer. This adjustment amount cannot be computed until all 45 affordable units are sold. The principal amount outstanding bears simple interest at a rate equal to 5% per annum. Solely for the purposes of calculating the amount of interest payable, the developer shall be deemed to have paid an amount equal to 25% of RDA's Payment Obligation as of the date which is 195 days after closing of escrow, 50% as of the date which is 390 days after closing of escrow, 75% as of the date which is 585 days after closing of escrow, and 100% at the completion date, which is the date on which the release of construction covenants under the agreement have been recorded in the official records of the San Diego County. For purposes of calculating the amount of interest payable, the principal amounts stated above will be reduced by a 10% per annum applied on a pro rata basis for the period of time the Developer is not in compliance with the schedule of performance dates stated in the agreement for commencement and completion of construction. All payments shall be made from the site-generated property tax increment. To date, only the $900, representing the Public Improvement component of RDA's Payment Obligation, has been recognized as a liability since the remaining $2,100, representing the Affordability component of RDA's Payment Obligation, is subject to adjustment upon final sales of all 45 affordable units, which has yet to occur.

k. Unearned/Deferred Revenue

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

l. Interfund Transactions

The City has the following types of interfund transactions:

Loans – amounts provided with a requirement for repayment. Interfund loans are normally reported as interfund receivables (i.e. Receivables 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 one interfund loan between the Facilities Benefit Assessments (FBA) Fund and the Sewer Utility Fund, for developer fees owed for the Carmel Valley Trunk sewer project, which is reported as an Interfund Loan Receivable/Payable at the fund level and included with Internal Balances on the government-wide Statement of Net Assets.

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

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

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

m. Long-Term Liabilities

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statements of net assets. Capital appreciation bond accretion, bond premiums and discounts, and bond refunding gains and losses are amortized over the life of the bonds using a method which approximates the effective yield method. Net bonds payable reflects amortized bond accretion and unamortized bond discounts, premiums and refunding gains and losses. Bond accretion is not offset against capital assets as are discounts, premiums and refunding gains and losses.

n. Sundry Trust Liabilities

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

o. Compensated Absences

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

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

p. Claims and Judgments

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

q. Non-Monetary Transactions

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

r. Net Assets

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

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.
- Restricted Net Assets consist of assets with restrictions imposed on them by external creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation. It is the City's policy to first apply restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available. As of June 30, 2007 the amount of restricted net assets due to enabling legislation was approximately $277,000.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

s. Fund Balance

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

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

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

t. Reserves

City Charter Section 91 titled "General Reserve Fund" was approved by the voters on November 6, 1962. This section requires Council to create and maintain a General Reserve Fund for the purpose of keeping the payment of running expenses of the City on a cash basis. Section 91 requires the reserve be maintained in an amount sufficient to meet all legal demands against the City Treasury for the first four months or other necessary period of each fiscal year prior to the collection of taxes. This fund may be expended only in the event of a public emergency by the affirmative vote of two-thirds of the City Council. The argument for this charter section given by the Citizens Charter Review Committee, commissioned in 1962, was to "strengthen the financial position of the City through the more efficient utilization of tax monies by reducing the amount of taxes collected and lying idle during a great part of the year, and through focusing responsibility for fiscal policies on the elected City Council."

On February 28, 1984, the City Attorney's Office issued Opinion No. 84-3 which addresses issues in regards to the City's compliance with the funding requirements of Charter Section 91. In the opinion of the City Attorney, "To the extent that the legislative body approves the issuance of short term notes, commonly referred to as Tax or Revenue Anticipation

Notes, pursuant to Section 92 titled "Borrowing Money on Short Term Notes"; or authorizes temporary loans to any tax-supported fund from any other funds in the treasury pursuant to Section 93 titled "Loans and Advances", the General Reserve Fund required under section 91 can be reduced." Therefore, the funding requirements of Charter Section 91 have been satisfied through a combination of the General Fund management reserve of $95,031 reported within the General Fund column of the Governmental Funds Balance Sheet in Undesignated Fund Balance, and the provisions set forth in Charter Sections 92 and 93 for the fiscal year ended June 30, 2007.

In September 2007, the City Attorney's Office issued a new opinion that supersedes, in part, the opinion issued on February 28, 1984. The revised opinion states that the Charter Section 91 General Reserve must be a separate, legal fund. This fund, separate from the General Fund, must be funded if not at a "four month operating expenditure" level then at a level of such "other necessary funding." The City Attorney's Opinion referenced the guidance of the Government Finance Officer's Association, which recommends a level between 5% and 15% of operating expenditures as the benchmark for interpreting the required funding level that meets the intent of the City's voters. Per the City Attorney's opinion, the City has created a separate General Reserve Fund in fiscal year 2008, and the General Fund reserve monies were transferred to that separate fund and reported therein in all future financial statements. The City Council also approved the Mayor's "City Reserve Policy" with Ordinance 19679 on November 13, 2007. This is a formal fiscal reserve policy that establishes a General Fund Reserve that will be set at a minimum of 8% of annual General Fund Revenues. This adopted policy sets the goal for the City to reach this level of funding by fiscal year 2012.

The City also has an internal reserve policy in relation to certain governmental long term liabilities which are repaid with Transient Occupancy Tax revenues. When the liabilities are incurred by the City, the City creates policy reserves equal to one half of the annually required lease payments in the form of a rate stabilization reserve for each liability. The purpose of the internal reserve is to make the lease payments when they are due; even if there are unanticipated fluctuations in the Transient Occupancy Tax receipts that could potentially impact the timely payment of lease payments for such liabilities. In addition to the internal rate stabilization reserve, the City may also maintain cash funded debt service reserve funds or surety guarantees with trustees in accordance with the bond indentures that exist for these liabilities. As of June 30, 2007, the following is a schedule of all such rate stabilization reserves (in whole dollars) by fund:

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

u. Estimates

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

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

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

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

The Governmental Funds Balance Sheet includes a reconciliation between Total Fund Balances-Governmental Funds and Total Net Assets-Governmental Activities as reported in the Government-wide Statement of Net Assets. One element of the reconciliation states, "Other assets and liabilities used in governmental activities are not financial resources, and therefore, are either deferred or not reported in the funds." The details of this $84,581 difference are as follows:

Deferred Charges, net, July 1, 2006	$	24,585
Issuance Costs		5,145
Amortization Expense		(12,434)
Deferred Charges, net, June 30, 2007		17,296
Deferred Revenue:		
Taxes Receivable		17,388
Sales Taxes Receivable		4,523
Motor Vehicle License Receivable		93
Special Assessments Receivable		1,398
Grants and Other Receivables		43,883
Deferred Revenue, net, June 30, 2007		67,285
Net Adjustment to increase Total Fund Balances - Governmental Funds to arrive at Total Net Assets of Governmental Activities	$	84,581

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 ($1,652,421) difference are as follows:

Interest Accrued on Long-Term Debt	$	(21,255)
Compensated Absenses		(65,542)
Liability Claims		(12,990)
Capital Leases Payable		(31,596)
Contracts Payable		(2,615)
Notes Payable		(8,555)
Loans Payable		(18,775)
Section 108 Loans Payable		(39,431)
SANDAG Loans Payable		(2,287)
Net Bonds Payable		(1,283,678)
Accretion of Interest on Capital Appreciation Bonds		(11,015)
Net Pension Obligation		(154,682)
Net adjustment to decrease Total Fund Balances - Governmental Funds to arrive at Total Net Assets - Governmental Activities	$	(1,652,421)

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 $15,668 difference are as follows:

Capital Projects	$	106,518
Other Capital Activities		36,430
Depreciation Expense		(127,280)
Net Adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	15,668

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 ($66,961) are as follows:

In the Statement of Activities, only the net gain on the sale of land is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of land sold/retired.	$	(7,339)
Donations and transfers of capital assets decrease net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.		(36)
The Statement of Activities reports losses arising from the retirement of depreciable capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets. Also included in this entry is a write off of approximately $40,000 for FBA credit project completions from prior years.		(59,586)
Net adjustment to decrease Net Change in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(66,961)

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 $34,161 difference are as follows:

Debt Issued or Incurred:		
Capital Leases	$	(6,167)
Loans Payable		(10,823)
Notes Payable		(2,180)
Revenue Bonds		(156,560)
Special Assessment/Special Tax Bonds		(16,000)
Principal Repayments:		
Capital Leases		4,537
Notes Payable		919
Loans Payable		6,393
Section 108 Loans		3,068
SANDAG Loans		5,068
G.O. Bonds		1,985
Revenue Bonds		19,915
Special Assessment Bonds/Special Tax Bonds		3,980
Tax Allocation Bonds		12,041
Tobacco Settlement Asset-Backed Bonds		2,700
Refundings:		
Revenue Bonds		165,285
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	34,161

Another element of the reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation) and therefore are not accrued as expenses in governmental funds." The details of this ($18,546) difference are as follows:

Compensated Absences	$	(197)
Liability Claims		(12,990)
Net Pension Obligation		(129)
Accrued Interest		373
Current Year Premiums/Discounts and Interest Accretion Less Amortization of Bond Premiums		1,686
Issuance Costs Less Current Year Amortization		(7,289)
Net adjustment to decrease Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(18,546)

3. CASH AND INVESTMENTS (In Thousands)

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

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Assets other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Assets	Grand Total
Cash and Cash or Equity in						
Pooled Cash and Investments	$ 1,220,942	$ 545,302	$ 49,101	$ 1,815,345	$ 490	$ 1,815,835
Cash and Investments with Fiscal Agent	140,272	70,877	-	211,149	527,795	738,944
Investments at Fair Value	148,421	102,349	745,461	996,231	4,402,945	5,399,176
Securities Lending Collateral	-	-	-	-	854,631	854,631
TOTAL	$ 1,509,635	$ 718,528	$ 794,562	$ 3,022,725	$ 5,785,861	$ 8,808,586

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

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

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

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

Cash on Hand - Petty Cash	$ 204
Deposit - Held in Escrow Accounts	8,312
Deposit - Cash and Cash Equivalents (Not Pooled)	86
Deposit Overdraft - Cash and Cash Equivalents (Pooled)	(9,358)
Pooled Investments in the City Treasury	1,816,591
Total Cash and Cash or Equity in Pooled Cash and Investments	$ 1,815,835

A summary of the investments held by the City Treasurer's investment pool as of June 30, 2007 is presented in the table below:

Investment	Fair Value	Cost	Interest Rate % Range	Maturity Range
U.S. Treasury Bills	$ 61,630	$ 61,539	3.39%	12/13/2007
U.S. Treasury Notes & Bonds	399,363	401,415	3.25-4.875%	8/15/2008 - 4/30/2012
U.S. Agency Discount Notes	303,599	300,947	4.92-5.11% *	7/13/2007 - 5/27/2008
U.S. Agency Notes & Bonds	704,180	707,263	3.1-7.25%	7/2/2007 - 9/2/2011
Commercial Paper	139,594	138,877	5.14-5.35%	7/2/2007 - 9/17/2007
Corporate Notes & Bonds	155,350	155,682	3.125-6.875%	7/2/2007 - 10/27/2009
Local Agency Investment Fund (LAIF)	22,889	22,899	5.17% **	7/1/2007 - 11/16/2007
Repurchase Agreement	29,986	29,986	5.20%	7/2/2007
	$ 1,816,591	$ 1,818,608		

* Discount Rates

** LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 138 days.

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's cash and investment pool as of June 30, 2007:

Statement of Net Assets	
Deposit Overdraft - Cash and Cash Equivalents (Pooled)	$ (9,358)
Investments of Pool Participants	1,816,591
Accrued Interest Receivable of Internal Pool Participants	17,153
Accrued Interest Receivable of External Pool Participants	39
Total Cash, Investments, and Interest Receivable	1,824,425
Equity of Internal Pool Participants	$ 1,822,063
Equity of External Pool Participants (SanGIS, ARJIS & AVA) **	2,362
Total Equity	$ 1,824,425

**Voluntary Participation

Statement of Changes in Net Assets	
Net Assets Held for Pool Participants at July 1, 2006	$ 1,411,211
Net Change in Investments by Pool Participants	413,214
Total Net Assets Held for Pool Participants at June 30, 2007	$ 1,824,425

b. Cash and Investments with Fiscal Agents

Cash and 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 and 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 are invested overnight by SDCERS' custodial bank.

c. Investments at Fair Value

Investments at Fair Value represents investments of the City's Supplemental Pension Savings Plan, 401(k) Plan, San Diego City Employees' Retirement System (SDCERS), investments managed by the City Treasurer (which are not part of the pool), investments reported by San Diego Data Processing Corporation (SDDPC), 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. Investment Policy

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

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

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

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

Investment Type	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	(2)	None	(2)	None	None
Bankers' Acceptances (6)	180 days	180 days	40%	40%	30%	10%	None	(3)
Commercial Paper (6)	270 days	270 days	25%	25%	10%	10%	P1	P1
Negotiable Certificates (6)	5 years	5 years	30%	30%	None	10%	None	(3)
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements (4)	92 days	92 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits (6)	5 years	5 years	None	25%	None	10%	None	(3)
Medium Term Notes/Bonds (6)	5 years	5 years	30%	30%	None	10%	A	A
Municipal Securities of California Local Agencies (6)	5 years	5 years	None	20%	None	10%	None	A
Mutual Funds	N/A	N/A	20%	5%	10%	None	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	AA
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures (5)	N/A	None	None	None	None	None	None	None

Footnotes:

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

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

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

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

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

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

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

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

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

Other Investment Policies

The City currently has a Funds Commission whose role is to supervise and control all trust, perpetuity, and investment funds of the City and such pension funds as shall be placed in its custody. The statutory authority for the Funds Commission is created in the City Charter Article V, Section 41(a). While the duties described in the creation document form broad authority for the Funds Commission, in practice, the Funds Commission only oversees investments related to a small number of permanent endowments. The allowable investments for these funds are different than those as prescribed in the City Treasurer's investment policy. Each permanent endowment fund has its own separate investment policy. Copies of the individual investment policies can be requested from the City Treasurer, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101. Additionally, the City and its component units have funds invested in accordance with various bond indenture and trustee agreements.

City of San Diego – Disclosures for Specific Risks

e. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market or interest-rate risk for the City's pooled investments is intended to be mitigated by establishing two portfolios, a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC Section 53646). The liquidity portfolio uses the Merrill Lynch 3-6 month Treasury Index as a benchmark with a duration of plus or minus 20% of the duration of that benchmark.

The core portfolio uses the Merrill Lynch 1-3 year Treasury Index as a benchmark with a duration of plus or minus 20% of the duration of that benchmark. It consists of high quality liquid securities with a maximum maturity of 5 years and is structured to meet the longer-term cash needs of the City. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is presented in the table on the next page.

As of June 30, 2007, the City's investments (in thousands) by maturity are as follows:

	Years				Fair Value
Pooled Investments with City Treasurer:	Under 1	1-3	3-5	Over 5	(In Thousands)
U.S. Treasury Bills	$ 61,630	$ -	$ -	$ -	$ 61,630
U.S. Treasury Notes	-	350,346	49,017	-	399,363
U.S. Agencies - Federal Farm Credit Bank	20,000	14,889	-	-	34,889
U.S. Agencies - Federal Home Loan Bank	228,191	91,490	19,569	-	339,250
U.S. Agencies - Federal Home Loan Mortgage Corporation	143,419	89,994	45,183	-	278,596
U.S. Agencies - Federal National Mortgage Association	209,482	145,562	-	-	355,044
Commercial Paper	139,594	-	-	-	139,594
Corporate Notes	74,873	80,477	-	-	155,350
Repurchase Agreement	29,986	-	-	-	29,986
State Local Agency Investment Fund	22,889	-	-	-	22,889
	930,064	772,758	113,769	-	1,816,591
Non-Pooled Investments with City Treasurer:					
U.S. Treasury Notes	29,356	5,350	-	-	34,706
U.S. Agencies - Federal Farm Credit Bank	4,163	-	-	-	4,163
U.S. Agencies - Federal Home Loan Bank	13,051	-	-	-	13,051
U.S. Agencies - Federal Home Loan Mortgage Corporation	56,753	-	-	-	56,753
U.S. Agencies - Federal National Mortgage Association	52,328	-	-	-	52,328
Commerical Paper	59,944	-	-	-	59,944
Repurchase Agreements	11,014	-	-	-	11,014
	226,609	5,350	-	-	231,959
Investments with Fiscal Agents, Funds Commission, and Blended Component Units:					
U.S. Treasury Bills	27,948	-	-	-	27,948
U.S. Treasury Bonds and Notes	16,778	592	65	395	17,830
U.S. Agencies - Federal Farm Credit Bank	2,585	-	-	-	2,585
U.S. Agencies - Federal Home Loan Bank	21,734	1,455	-	-	23,189
U.S. Agencies - Federal Home Loan Mortgage Corporation	3,139	-	-	296	3,435
U.S. Agencies - Federal National Mortgage Association	27,422	84	-	-	27,506
Corporate Bonds and Notes	199	325	1,075	2,002	3,601
Guaranteed Investment Contracts	20,507	-	-	13,740	34,247
Mortgage Backed Securities - Commercial	105	-	-	-	105
Mortgage Backed Securities - Government	52	-	-	-	52
Repurchase Agreements	4,250	-	-	-	4,250
Common Stock	3,817	-	-	-	3,817
Mutual Funds - Equity	407,907	-	-	-	407,907
Mutual Funds - Fixed Income	12,263	-	330,006	-	342,269
Money Market Mutual Funds	76,680	-	-	-	76,680
	625,386	2,456	331,146	16,433	975,421
Total Investments	$ 1,782,059	$ 780,564	$ 444,915	$ 16,433	3,023,971
Total Deposit Overdraft					(960)
Total Cash on Hand					204
Total Investments, Deposits, and Cash on Hand (Includes SDCERS Pooled Cash and Investments with the City - $490)					$ 3,023,215

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2007, the City's investments and corresponding credit ratings are as follows:

Pooled Investments with City Treasurer:	Moody's	S&P	Fair Value	Percentage
U.S. Treasury Bills	Exempt	Exempt	$ 61,630	3.39%
U.S. Treasury Notes	Exempt	Exempt	399,363	21.98%
U.S. Agencies - Federal Farm Credit Bank	Aaa	N/A	34,889	1.92%
U.S. Agencies - Federal Home Loan Bank [1]	Aaa	N/A	289,328	15.93%
U.S. Agencies - Federal Home Loan Bank [1]	P-1	N/A	49,922	2.75%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Aaa	N/A	190,408	10.48%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Aa2	N/A	15,324	0.84%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Not Available	A-1+	72,864	4.01%
U.S. Agencies - Federal National Mortgage Association [1]	Aaa	N/A	200,118	11.02%
U.S. Agencies - Federal National Mortgage Association [1]	P-1	N/A	68,277	3.76%
U.S. Agencies - Federal National Mortgage Association [1]	Not Available	A-1+	86,649	4.77%
Commercial Paper	P-1	N/A	139,594	7.68%
Corporate Notes	Aaa	N/A	44,854	2.47%
Corporate Notes	Aa1	N/A	19,420	1.07%
Corporate Notes	Aa2	N/A	27,211	1.50%
Corporate Notes	Aa3	N/A	63,865	3.52%
Repurchase Agreements	Not Rated	Not Rated	29,986	1.65%
State Local Agency Investment Fund	Not Rated	Not Rated	22,889	1.26%
Subtotal - Pooled Investments			1,816,591	100.00%
Non-Pooled Investments with City Treasurer:				
U.S. Treasury Notes	Exempt	Exempt	34,706	14.96%
U.S. Agencies - Federal Farm Credit Bank	P-1	N/A	4,163	1.79%
U.S. Agencies - Federal Home Loan Bank [1]	Aaa	N/A	8,680	3.74%
U.S. Agencies - Federal Home Loan Bank [1]	P-1	N/A	4,371	1.88%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Aaa	N/A	12,035	5.19%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	P-1	N/A	25,780	11.12%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Not Available	A-1+	18,938	8.16%
U.S. Agencies - Federal National Mortgage Association [1]	Aaa	N/A	10,937	4.72%
U.S. Agencies - Federal National Mortgage Association [1]	P-1	N/A	34,438	14.85%
U.S. Agencies - Federal National Mortgage Association [1]	Not Available	A-1+	6,953	3.00%
Commerical Paper	P-1	N/A	59,944	25.84%
Repurchase Agreements	Not Rated	Not Rated	11,014	4.75%
Subtotal - Non-Pooled Investments			231,959	100.00%

"Exempt" - Per GASB 40, US Treasury Obligations do not require disclosure of credit quality.

"N/A" - S&P rating not applicable, Moody's rating provided

"Not Available" - Bloomberg credit history did not have Moody's ratings, only S&P ratings

[1] More than 5% of total investments are with U.S. Agencies whose debt is not guaranteed by the U.S. Government.

(ratings continued on next page)

Investments with Fiscal Agents, Funds Commission, and Blended Component Units:	Moody's	S&P	Fair Value	Percentage
U.S. Treasury Bills	Exempt	Exempt	$ 27,948	2.87%
U.S. Treasury Bonds and Notes	Exempt	Exempt	17,830	1.83%
U.S. Agencies - Federal Farm Credit Bank	Aaa	N/A	2,585	0.27%
U.S. Agencies - Federal Home Loan Bank	Aaa	N/A	23,189	2.38%
U.S. Agencies - Federal Home Loan Mortgage Corporation	Aaa	N/A	296	0.03%
U.S. Agencies - Federal Home Loan Mortgage Corporation	Not Available	A-1+	3,139	0.32%
U.S. Agencies - Federal National Mortgage Association	Aaa	N/A	1,602	0.16%
U.S. Agencies - Federal National Mortgage Association	Not Available	A-1+	25,904	2.66%
Corporate Bonds and Notes	Aaa	N/A	99	0.01%
Corporate Bonds and Notes	Aa1	N/A	264	0.03%
Corporate Bonds and Notes	Aa2	N/A	650	0.07%
Corporate Bonds and Notes	Aa3	N/A	407	0.04%
Corporate Bonds and Notes	A1	N/A	729	0.07%
Corporate Bonds and Notes	A2	N/A	1,108	0.11%
Corporate Bonds and Notes	A3	N/A	344	0.04%
Guaranteed Investment Contracts	Not Rated	Not Rated	34,247	3.51%
Mortgage Backed Securities - Commercial	Aaa	N/A	105	0.01%
Mortgage Backed Securities - Government	Not Rated	Not Rated	52	0.01%
Repurchase Agreements	Not Rated	Not Rated	4,250	0.44%
Common Stock	Not Rated	Not Rated	3,817	0.39%
Mutual Funds - Equity	Not Rated	Not Rated	407,907	41.82%
Mutual Funds - Fixed Income	Not Rated	Not Rated	342,269	35.09%
Money Market Mutual Funds	Aaa	N/A	76,680	7.86%
Subtotal - Other Investments			975,421	100.00%
Total Investments			3,023,971	
Total Deposit Overdraft			(960)	
Total Cash on Hand			204	
Total Investments, Deposits, and Cash on Hand*			$ 3,023,215	

*(includes SDCERS Pooled Cash and Investments with the City - $490)

"Exempt" - Per GASB 40, US Treasury Obligations do not require disclosure of credit quality.

"N/A" - S&P rating not applicable, Moody's rating provided

"Not Available" - Bloomberg credit history did not have Moody's ratings, only S&P ratings

[1] More than 5% of total investments are with U.S. Agencies whose debt is not guaranteed by the U.S. Government.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2007, the City exceeded the 5% limit of total investments for issuers of various U.S. Agencies. Investments exceeding the 5% limit are referenced in the credit ratings table above. Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt.

g. Custodial Credit Risk

Deposits

At June 30, 2007, the carrying amount of the City's cash deposits was an overdraft of approximately $(9,272), and the bank balance was approximately $12,666, the difference of which is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately $481 was covered by federal depository insurance and approximately $12,185 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, $11,345 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent, in the City's name. The City is exposed to custodial credit risk for the remaining $840, which is uninsured and uncollateralized. The amount subject to custodial credit risk includes approximately $753 in deposits relating to San Diego Data Processing Corporation and $87 in deposits relating to Southeastern Economic Development Corporation, Inc.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately $8,312. For the balance of deposits in escrow accounts, approximately $892 was covered by federal depository insurance. The remaining balance of $7,420 was uninsured. Pursuant to the California Government Code, California banks and savings and loans associations are required to secure the City's deposits in excess of insurance by pledging government securities as collateral. As such, $7,420 of the City's deposits in escrow accounts are collateralized and pledged at 110%.

Investments

The City's investments at June 30, 2007 are categorized as described below:

Category 1: Insured or registered, with securities held by the City or its agent in the City's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Non–Categorized: Includes investments made directly with another party, real estate, direct investments in mortgages and other loans, open-end mutual funds, pools managed by other governments, annuity contracts, and guaranteed investment contracts.

At June 30, 2007, the City had investments exposed to custodial credit risk. Investments within the Cemetery Perpetuity Fund's portfolio were held by Northern Trust Bank, and were not in the City's name. The following summarizes the investment types and amounts that are exposed to custodial credit risk and are classified Category 3:

Investment Type	Fair Value
U.S. Treasury Bonds and Notes	$ 1,258
U.S. Agencies	380
Corporate Bonds and Notes	3,601
Mortgage Backed Securities - Commercial	105
Mortgage Backed Securities - Government	52
Common Stock	3,817
Total	$ 9,213

h. Restricted Cash and Investments

Cash and investments at June 30, 2007 that are restricted by legal or contractual requirements are comprised of the following:

General Fund	
TRANS Repayment	$ 142,000
Total General Fund	142,000
Nonmajor Governmental Funds	
Reserved for Debt Service	127,205
Permanent Endowments	16,456
Total Nonmajor Governmental Funds	143,661
Environmental Services Enterprise Fund	
Funds set aside for landfill site closure and maintenance costs	34,389
Total Environmental Services Enterprise Fund	34,389
Water Utility Enterprise Fund	
Customer deposits	5,666
Interest and redemption funds	71,921
Total Water Utility Enterprise Fund	77,587
Sewer Utility Enterprise Fund	
Interest and redemption funds	101,168
Total Sewer Utility Enterprise Fund	101,168
Internal Service Fund	
San Diego Data Processing Corporation	140
Total Internal Service Fund	140
Miscellaneous Agency Funds	
Retention held in escrow	8,312
Total Miscellaneous Agency Funds	8,312
Total Restricted Cash and Investments	$ 507,257

Summary of Total Cash and Investments
(In Thousands)

Total Unrestricted Cash and Investments	$ 8,301,329
Total Restricted Cash and Investments	507,257
Total Cash and Investments	$ 8,808,586

Total Governmental Activities	$ 1,509,635
Total Business-Type Activities	718,528
Total Fiduciary Activities	6,580,423
Total Cash and Investments	$ 8,808,586

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

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

U.S. Fixed Income Portfolio (with tactical discretion)	$ 406,045
U.S. Fixed Income Portfolio	422,766
Non-U.S. Fixed Income Portfolio	180,530
Securities Lending Collateral	854,631
Cash and Investments exempt from GASB 40 disclosure	3,921,399
Total Cash and Investments for SDCERS (excluding Pooled Investments with the City)	$ 5,785,371

Narratives and tables presented in the following sections (i. through p.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System, as of June 30, 2007, issued March 31, 2008.

i. Investment Policy

Investments for the pension trust fund are authorized to be made by the Board of Administration of the SDCERS (Board) in accordance with Section 144 of the City Charter and the California State Constitution Article XVI, Section 17. The Board is authorized to invest in any securities that are allowed by general law for savings banks. The Board may also invest in additional investments as approved by resolution of the San Diego City Council. These investments include, but are not limited to, bonds, notes and other obligations, real estate investments, common stock, preferred stock, and pooled vehicles. Additionally, investment policies permit SDCERS' Board to invest in financial futures contracts provided the contracts do not leverage SDCERS' Trust Fund portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts will result in the recognition of a gain or loss under GASB Statement No. 25. Investment earnings from the pension trust fund are accounted for in accordance with GASB 25.

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

j. Interest Rate Risk

SDCERS' fixed income portfolios use duration to measure how changes in interest rates will affect the value of the portfolios. SDCERS' domestic convertible bond portfolio is not subject to interest rate risk because convertible bonds are usually positively correlated to interest rate movements compared to other fixed income securities.

The following tables display duration analysis for SDCERS' two-core plus domestic fixed income portfolios and single international fixed income portfolio, based on holdings as of June 30, 2007.

Domestic Fixed Income Portfolio
(with tactical discretion to invest in non-U.S. fixed income securities)
Portfolio Duration Analysis as of June 30, 2007

Type of Security	Fair Value (in thousands)	Percentage of Fair Value	Effective Duration (in years)	Effective Duration Contribution to Portfolio (in years)	Percent Duration of Portfolio
Credit Obligations:					
Corporate Bonds [2]	$ (3,241)	-0.8%	(13.29)	0.11	2.3%
High Yield	7,805	1.9%	1.73	0.03	0.6%
Municipal Bonds	1,877	0.5%	7.90	0.04	0.8%
U.S. Government & Agency Obligations:					
U.S. Treasuries	81,348	20.0%	2.95	0.59	12.3%
U.S. Agencies	6,432	1.6%	5.09	0.08	1.7%
International Government:					
Sovereign & Yankee Bonds	39,385	9.7%	(2.71)	(0.26)	-5.4%
Emerging Markets	35,573	8.8%	4.45	0.40	8.3%
Collateralized Mortgage Obligations:					
Mortgages [1]	149,339	36.8%	4.41	1.62	33.8%
Collateralized Mortgage Obligations [1]	18,841	4.6%	2.67	0.12	2.5%
Short-Term/Other:					
Miscellaneous	3,820	0.9%	1.58	0.01	0.2%
Cash/Cash Equivalents	64,866	16.0%	12.88	2.06	42.9%
Total Portfolio	$ 406,045	100.0%		4.80	100.0%

[1] Mortgages represent agency pass-through securities and Collateralized Mortgage Obligations represent structured products backed by mortgages with this manager holding specific traunches.

[2] The negative fair value and duration for corporate bonds results from the fair value of credit default swaps.

The domestic fixed income strategy is restricted to a duration of +/- 2 years from that of the effective duration of the Lehman Brothers Aggregate Index.

Source: SDCERS' CAFR as of June 30, 2007

Domestic Fixed Income Portfolio
Portfolio Duration Anaylsis
As of June 30, 2007

Type of Security	Fair Value (In Thousands)	Effective Duration	Benchmark Duration	Difference
Government	$ 148,664	5.75	4.48	1.27
Corporate	85,046	4.39	6.11	(1.72)
Mortgage Backed Securities	177,995	3.64	4.24	(0.60)
Asset-Backed Securities	11,061	3.75	2.85	0.90
Cash Equivalents [1]	15,996	0.04	0.00	0.04
Totals	$ 438,762	4.70	4.70	0.00

[1] Net cash expense is included on this schedule, as cash is a portfolio duration arrangement tool in fixed income investing.

The above strategy is restricted to an average duration of +/- 1 year from that of the effective duration of the the Lehman Brothers Aggregate Index.
Source: SDCERS' CAFR as of June 30, 2007

International Fixed Income Portfolio
Portfolio Duration Anaylsis
As of June 30, 2007

Type of Security	Fair Value (In Thousands)	Effective Duration	Benchmark Duration	Difference
Cash and Forward Foreign Exchange	$ 1,100	0.00	0.00	0.00
Asset Backed Securities	13,869	7.61	0.00	7.61
Credit Obligations	22,033	9.02	0.00	9.02
International Government and Agency	143,528	5.76	6.27	(0.51)
Totals	$ 180,530	6.27	6.27	0.00

The above strategy is restricted to an average duration of between 0.5 and 1.5 times that of the J.P. Morgan Non-U.S. Bond Index.
Source: SDCERS' CAFR as of June 30, 2007

Investments Highly Sensitive to Interest Rate Changes

SDCERS' fixed income investment managers construct portfolios that have attributes of differing price sensitivity (also known as convexity) and interest rate sensitivity. Convexity measures the movement in bond prices in response to interest rate changes. Interest rate sensitivity measures the impact of interest rate changes on the duration of a bond portfolio. SDCERS' managers select securities that when aggregated together create an overall investment strategy and total portfolio duration.

Domestic Fixed Income Manager (with tactical discretion to invest in non-U.S. securities)

SDCERS' domestic fixed income portfolio (with tactical discretion to invest in non-U.S. securities) uses two methods to measure interest rate sensitivity. The first measure is Bull Duration, the scenario where interest rates decline by 50 basis points. The second measure is Bear Duration, the scenario where interest rates rise by 50 basis points. The analysis of interest rate change on duration for this portfolio as of June 30, 2007 is shown below.

Total Effective Duration of the fixed income portfolio: 4.80 years

Bull Duration: 4.27 years – portfolio duration shortens by -0.53 during a 50 basis point decline
Bear Duration: 5.18 years – portfolio duration lengthens by +0.38 years during a 50 basis point increase

Domestic Fixed Income Manager

SDCERS' core-plus domestic fixed income manager applies multiple value-added strategies in the pursuit to outperform their benchmark, to achieve below average volatility, and to preserve capital. The manager makes shifts in the duration of the portfolio and looks at all sectors of the bond market. In some cases, the manager may select issues which are more highly sensitive to interest rate changes than the average holding but contribute to the overall strategy of the portfolio. As of June 30, 2007, the total values of securities that are more highly sensitive to interest rate changes in this portfolio are shown below.

Holdings (U.S. Treasury and Corporate securities) with greater than 10 years duration totaled $45,791, or 10.44% of the portfolio.

Holdings with interest only strips and inverse floating rate notes totaled $7,241, or 1.66% of the portfolio.

International Fixed Income Manager

The analysis of high interest rate sensitivity for the international fixed income portfolio is presented below.

Total Effective Duration: 4.70 years.
Duration with 50 basis point decrease in interest rates: -0.165 years.

k. Credit Risk

SDCERS' fixed income portfolios are sensitive to credit risk. Unless information is available to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. "NR" represents those securities that are not rated and "NA" represents those securities that are not applicable to the rating disclosure requirements. The tables on the following pages identify the credit quality for SDCERS' two domestic fixed income portfolios, based on holdings as of June 30, 2007.

Domestic Fixed Income Portfolio
(with tactical discretion to invest in non-U.S. fixed income securities)
As of June 30, 2007

S&P Quality Rating	Moody's Quality Rating	Total Fair Value (in thousands)	Credit Obligations	U.S. Government & Agency Obligations	International Government Obligations	Collateralized Mortgage Obligations	Short-Term/ Other
AAA	Aaa	$ 169,038	$ -	$ 7,913	$ 178	$ 160,947	$ -
AAA	NR	7,233	-	-	-	7,233	-
AA+	Aaa	12,003	-	12,003	-	-	-
AA	Aaa	3,017	-	3,018	(1) [1]	-	-
AA	Aa1	8,023	886	9,020	(1,883) [1]	-	-
AA	Aa2	(962)	191	-	(1,153) [1]	-	-
AA-	Aa1	55,861	-	54,843	1,018	-	-
AA-	Aa2	497	497	-	-	-	-
AA-	Aa3	26,908	-	(5,881) [1]	(4,104) [1]	-	36,893
NR	Aa3	700	-	-	-	-	700
A+	A1	15,237	101	(13) [1]	5,041	-	10,108
A+	Aa3	32,385	309	28,101	-	-	3,975
A	A1	289	289	-	-	-	-
A	A2	5,991	605	-	191	-	5,195
A	Aa3	573	474	-	99	-	-
A-	Aaa	1,701	-	-	-	-	1,701
A-	Aa3	1,145	1,145	-	-	-	-
A-	Baa1	801	-	-	-	-	801
BBB+	Baa2	882	882	-	-	-	-
BBB	A2	191	191	-	-	-	-
BBB	A3	4,603	-	-	-	-	4,603
BBB	Baa1	3,189	-	-	81	-	3,108
BBB	Baa2	202	202	-	-	-	-
BBB	Baa3	1,483	1,483	-	-	-	-
BBB-	Ba1	726	726	-	-	-	-
BBB-	Baa3	1,602	-	-	-	-	1,602
BBB-	NR	488	-	-	488	-	-
BB+	Ba1	4,083	4,083	-	-	-	-
BB+	Ba2	5,461	-	-	5,461	-	-
BB	Ba1	416	416	-	-	-	-
BB-	Ba3	1,780	1,780	-	-	-	-
BB-	B1	1,905	-	-	1,905	-	-
B+	B1	11	11	-	-	-	-
B	B1	100	100	-	-	-	-
NR	NR	38,483	(7,930) [2]	(21,224) [3]	67,637	-	-
Totals		$ 406,045	$ 6,441	$ 87,780	$ 74,958	$ 168,180	$ 68,686

[1] Negative amounts are representative of pay fixed interest rate swaps.

[2] This value represents swaptions that are not rated.

[3] These amounts include short positions in exchange traded futures and options that are not rated.

Concentration guidelines for this portfolio are as follows:

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

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

Source: SCDERS' CAFR as of June 30, 2007

Domestic Fixed Income Portfolio
Credit Risk Analysis By Rating Agency as of June 30, 2007

S&P Quality Rating	Total Fair Value (in thousands)	Governments	Corporates	Mortgaged-Backed Securities	Asset-Backed Securities
U.S. Treasury	$ 148,902	$ 148,664	$ -	$ 238	$ -
AAA	135,502	-	2,908	124,026	8,568
AA+	2,260	-	-	-	2,260
AA	1,896	-	1,896	-	-
AA-	3,056	-	3,056	-	-
A+	16,712	-	16,712	-	-
A	459	-	459	-	-
A-	11,670	-	11,670	-	-
BBB+	6,285	-	6,285	-	-
BBB	6,469	-	6,469	-	-
BBB-	13,334	-	13,334	-	-
BB+	6,061	-	6,061	-	-
BB	10,585	-	10,585	-	-
BB-	233	-	-	-	233
B	4,413	-	4,413	-	-
B-	1,198	-	1,198	-	-
NR	8,425	-	-	8,425	-
NR [1]	45,306	-	-	45,306	-
Totals	$ 422,766	$ 148,664	$ 85,046	$ 177,995	$ 11,061

Moody's Quality Rating	Total Fair Value (in thousands)	Governments	Corporates	Mortgaged-Backed Securities	Asset-Backed Securities
U.S. Treasury	$ 148,902	$ 148,664	$ -	$ 238	$ -
Aaa	71,281	-	3,728	58,985	8,568
Aa1	4,683	-	4,683	-	-
Aa3	8,237	-	8,237	-	-
A1	7,307	-	7,307	-	-
A2	3,219	-	3,219	-	-
A3	4,075	-	4,075	-	-
Baa1	5,646	-	5,646	-	-
Baa2	9,050	-	9,050	-	-
Baa3	8,981	-	8,981	-	-
Ba1	13,177	-	13,177	-	-
Ba2	233	-	-	-	233
Ba3	4,118	-	4,118	-	-
B1	4,413	-	4,413	-	-
B3	1,198	-	1,198	-	-
NR	82,940	-	7,214	73,466	2,260
NR [1]	45,306	-	-	45,306	-
Totals	$ 422,766	$ 148,664	$ 85,046	$ 177,995	$ 11,061

[1] Issued by governmental agencies.

Concentration guidelines for this portfolio are as follows:

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

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

Source: SDCERS' CAFR as of June 30, 2007

SDCERS' international fixed income portfolio has an average credit quality of A (market value weighted) by at least one of the major rating services. Credit ratings refer to the long-term foreign currency rating. The following table identifies the credit quality for SDCERS' international fixed income portfolio, based on holdings as of June 30, 2007.

International Fixed Income Portfolio
Credit Risk Analysis as of June 30, 2007

S&P Quality Rating	Total Fair Value (in thousands)	Cash & Forward Foreign Exchange	Asset Backed Securities	Credit Obligations	International Government & Agency Obligations
AAA	$ 123,782	$ 1,100	$ 13,869	$ 13,858	$ 94,955
AA+	7,973	-	-	-	7,973
AA	24,650	-	-	-	24,650
A	3,132	-	-	3,132	-
A-	4,348	-	-	2,481	1,867
BBB+	179	-	-	179	-
BBB	4,070	-	-	1,578	2,492
BBB-	805	-	-	805	-
BB	2,662	-	-	-	2,662
BB-	1,948	-	-	-	1,948
B+	6,981	-	-	-	6,981
Totals	$ 180,530	$ 1,100	$ 13,869	$ 22,033	$ 143,528

Source: SDCERS' CAFR as of June 30, 2007

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2007, no single issuer exceeded 5% of SDCERS' total investments. Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded. While there are no general policies addressing concentration of credit risk, specific investment guidelines with each manager place limitations on the maximum holdings in any one issuer.

I. Custodial Credit Risk

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

Deposits

SDCERS' is exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. At June 30, 2007, the amount of cash and cash equivalents on deposit with SDCERS' custodial bank totaled $ 94,380.

Investments

As of June 30, 2007, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

Securities Lending Collateral

SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of securities on loan collateralized by these non-cash vehicles totaled $29,535 as of June 30, 2007 and are at risk as the collateral for these loaned securities is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled $854,631 as of June 30, 2007, is also at risk as it is invested in a pooled vehicle managed by the custodian.

m. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities (in thousands) held in a foreign currency as of June 30, 2007.

Foreign Currency Risk
As of June 30, 2007
(All values in U.S. Dollars)

Local Currency Name	Cash	Equity	Fixed income	Total
Australian Dollar	$ 210	$ 20,319	$ 9,347	$ 29,876
Brazilian Real	-	911	-	911
Canadian Dollar	67	13,587	2,561	16,215
Danish Krone	30	1,058	13,074	14,162
Euro Currency	616	324,332	71,100	396,048
Hong Kong Dollar	15	13,083	-	13,098
Indonesian Rupiah	7	4,384	-	4,391
Japanese Yen	1,502	149,724	48,860	200,086
Mexican Peso	-	1,822	-	1,822
New Zealand Dollar	-	1,331	-	1,331
Norwegian Krone	3	9,012	-	9,015
Singapore Dollar	51	9,585	-	9,636
South Korean Won	1	27,790	1,624	29,415
Swedish Krona	403	20,556	5,435	26,394
Swiss Franc	22	35,091	-	35,113
UK Pound	355	124,304	11,058	135,717
Totals	$ 3,282	$ 756,889	$ 163,059	$ 923,230

The foreign exchange exposure in SDCERS' international equity small cap value portfolio (an institutional mutual fund investment) is not included in this disclosure.

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

n. Derivative Instruments

SDCERS' investment managers, as permitted by specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the Board's Investment Policy Statement. These instruments include futures, options and swaps. By Board policy these investment vehicles may not be used to leverage SDCERS' portfolio. These instruments are used primarily to enhance a portfolio's performance and to reduce its risk or volatility. To reduce credit risk exposure, SDCERS enters into derivative transactions with counterparty institutions with a credit rating of at least A-, and to date no losses due to counterparty non-performance on derivative financial instruments have been incurred. Credit risk is also mitigated through the use of exchange traded contracts on exchanges subject to regulatory oversight. 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 a manager's specific investment 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, 2007 were as follows:

Money Market Futures	$ 712,881
Government Bond Futures	(27,653)
Options	(177)
Swaps	(2,515)
Total Derivatives	$ 682,536

Source: SDCERS' CAFR as of June 30, 2007

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 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 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 are sold and proceeds are 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. In call option contracts, if interest rates remained steady or declined during the option contract periods, the contracts would expire unexercised. By contrast, on put option contracts, if interest rates rose sufficiently to result in the purchase of the securities on or before the end of the option periods, this would occur at prices attractive to the portfolio manager.

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

o. Real Estate

SDCERS' target allocation to real estate is 11%. The real estate investment program is structured with a target allocation of approximately 30% in stable core real estate and approximately 70% to enhanced, high return and opportunistic real estate opportunities. The 70% target is divided between REIT securities (25%) and limited partnership investments in commingled real estate funds (45%). No more than 40% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities pursuant to a policy adopted by the Board in FY 2007. As SDCERS adds non-U.S. investments to its real estate portfolio, new capital commitments will be made to pool funds that target enhanced and high return strategies. As of June 30, 2007, real estate investments totaled $440,972.

Subprime Market Activity

The recent events surrounding subprime residential mortgage-backed securities and the housing real estate market have not to date materially affected investment performance of SDCERS. Future investment returns could be adversely impacted due to market liquidity issues or "credit crunch" experienced as a result of the fall out in the collateralized debt obligation markets or forecasts of an economic slow down or recession.

SDCERS invests in a diversified portfolio with allocations to equities, fixed income and real estate, both domestic and international to reduce risk. SDCERS' target allocation to real estate is 11% and is composed of a combination of stable core real estate, REIT securities, and limited partnership investments in commingled real estate funds. SDCERS' portfolio has a neutral market weight to equity securities classified as financial companies. SDCERS is minimally exposed to asset-backed securities that are collateralized by subprime mortgages. SDCERS' domestic fixed income managers invest in agency pass through mortgage securities that are guaranteed by the U.S. Government. Additionally, in any collateralized mortgage obligations or asset-backed securities, SDCERS' managers invest in the most highly-rated, self-liquidating (near to maturity), senior positions.

Management of SDCERS has recently contacted all of SDCERS' publicly-traded investment managers to understand the risks to their portfolios resulting from recent market activity. Management is comfortable that SDCERS' investment managers have positioned their respective portfolios to protect against various market factors. SDCERS' management will continue to monitor manager investment performance in accordance with SDCERS' Investment Policy Statement.

p. Securities Lending Collateral

SDCERS has entered into an agreement with its custodial bank, State Street Bank & Trust Company, to lend domestic and international equity and fixed income securities to broker-dealers and banks in exchange for pledged collateral. A simultaneous agreement is entered into by which State Street agrees to return the collateral plus a fee to the borrower in the future for return of the same securities originally lent. All securities loans can be terminated on demand by either the lender or the borrower.

State Street manages the securities lending program and receives cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated "A" or better, Canadian provincial debt, convertible bonds, and irrevocable letters of credit as collateral. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers are 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 no credit risk exposure to borrowers because the amounts provided to State Street on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to the State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral in the event a borrower fails to return or pay

distributions on a loaned security. Non-cash collateral (securities and letters of credit) cannot be pledged or sold without a borrower default and are therefore not reported as an asset of SDCERS for financial reporting purposes.

The SDCERS securities lending transactions, collateralized by cash as of June 30, 2007 had a fair value of $831,415 and a collateral value of $854,631, which were reported in the assets or liabilities in the statements of plan net assets for the City Employees' Retirement System in accordance with GASB Statement No. 28. As of June 30, 2007, the securities lending transactions collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of $29,535 and a collateral value of $34,075, which were not reported in the assets or liabilities in the accompanying statements of plan net assets for the City Employees' Retirement System per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end for its securities lending activities was $888,705.

The cash collateral received on lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the securities loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2007, the investment pool had an average duration of 68.25 days and an average weighted maturity of 532.81 days for U.S. Dollar (USD) denominated collateral. Beginning in fiscal year 2007, the securities lending program was expanded to allow the acceptance of Euro (EUR) denominated collateral. The Euro collateral pool had an average duration of 49 days and an average weighted maturity of 871 days.

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

Discretely Presented Component Units – Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (q. through r.) are taken directly from the comprehensive annual financial reports of the San Diego Convention Center Corporation and the San Diego Housing Commission, as of June 30, 2007.

q. San Diego Convention Center Corporation

Deposits (In Thousands)

On June 30, 2007, the carrying amount of the San Diego Convention Center Corporation's (SDCCC) cash on hand and deposits was $639 and the bank balance was $682. Of the bank balance, $383 was covered by federal depository insurance. The remaining balance was either collateralized with the collateral held by an affiliate of the counterparty's financial institution or is uncollateralized, and therefore exposed to custodial credit risk. SDCCC does not have a formal deposit and investment policy that addresses custodial credit risk.

Investments (In Thousands)

At June 30, 2007, SDCCC had a total investment balance of $15,140. The total investment balance includes $13,858 in several money market funds and $1,282 maintained in two certificates of deposit, which bear an interest rate of 4.05% and have maturities of less than one year. Neither the money market mutual funds nor the certificates of deposit are rated by credit rating agencies. SDCCC does not have a formal deposit and investment policy that addresses credit quality risk.

Cash deposits and investments for SDCCC were categorized as follows at June 30, 2007:

Cash on hand	$ 24
Deposits	615
Money market mutual funds	13,858
Certificates of deposit	1,282
Total cash and investments	$ 15,779

r. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2007 consisted of the following:

Deposits	$ 744
Petty cash	9
Certificates of deposit	35,000
Local agency investment fund	38,746
Total cash and investments	74,499
Restricted cash and cash equivalents	1,723
Total	$ 76,222

Deposits (In Thousands)

The carrying amounts of the San Diego Housing Commission's (SDHC) cash deposits were $1,081 and the bank balance was $1,640 at June 30, 2007. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California banks and savings and loan associations to secure SDHC's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SDHC's name.

At June 30, 2007, SDHC had a carrying amount and bank balance of $35,000 in non-negotiable certificates of deposit. The certificates of deposit were not covered by insurance and were collateralized 100% with securities held by pledging financial institutions.

Investments (In Thousands)

As of June 30, 2007, SDHC had $38,746 invested with the California Local Agency Investment Fund (LAIF). The investment in LAIF represents SDHC's equity in the pooled investments of that fund. LAIF had 3.466% of the pool investment funds in structured notes and asset-backed securities.

Policy

In accordance with state statutes and HUD regulations, SDHC has authorized the CFO, the Budget Officer, or their designee to invest in obligations of the U.S. Treasury and U.S. Government agencies. There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk, and interest rate risk, may affect both equity and fixed income securities. It is the investment policy of SDHC to invest substantially all of its funds in fixed income securities which limits SDHC's exposure to most types of risk.

Interest Rate Risk

In accordance with its investment policy, SDHC manages its interest rate risk by limiting the weighted average maturity of its investment portfolio. This is accomplished by matching portfolio maturities to projected liabilities and by continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing operations. At June 30, 2007, SDHC does not have any debt investments that are highly sensitive to changes in interest rates.

Credit Risk

SDHC will minimize credit risk by limiting investments to those listed in the investment policy. In addition, SDHC will pre-qualify the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC will diversify the portion of the investment portfolio not invested in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit to minimize potential losses from any one type of security or issuer.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers. Investments issued or guaranteed by the U.S. government and investments in external investment pools such as the California LAIF are not considered subject to concentration of credit risk. SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit.

Custodial Credit Risk

At June 30, 2007, SDHC did not have any investments exposed to custodial risk. All investments are held by the State of California or a pledging financial institution in the name of SDHC.

4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2007 was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 1,711,064	$ 13,013	$ (7,340)	$ 14,266	$ 1,731,003
Construction in Progress	223,903	100,460	(9,733)	(104,546)	210,084
Total Non-Depreciable Capital Assets	1,934,967	113,473	(17,073)	(90,280)	1,941,087
Depreciable Capital Assets:					
Structures and Improvements	1,045,029	412	(14,502)	41,084	1,072,023
Equipment	374,240	20,229	(13,648)	1,820	382,641
Infrastructure	2,863,314	33,888	(39,531)	48,846	2,906,517
Total Depreciable Capital Assets	4,282,583	54,529	(67,681)	91,750	4,361,181
Less Accumulated Depreciation For:					
Structures and Improvements	(259,871)	(33,095)	2,715	27	(290,224)
Equipment	(263,269)	(24,323)	12,616	(1,533)	(276,509)
Infrastructure	(1,386,770)	(86,464)	1,869	-	(1,471,365)
Total Accumulated Depreciation	(1,909,910)	(143,882)	17,200	(1,506)	(2,038,098)
Total Depreciable Capital Assets - Net of Depreciation	2,372,673	(89,353)	(50,481)	90,244	2,323,083
Governmental Activities Capital Assets, Net	$ 4,307,640	$ 24,120	$ (67,554)	$ (36)	$ 4,264,170
BUSINESS-TYPE ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 89,769	$ 180	$ -	$ 62	$ 90,011
Construction in Progress	399,422	70,325	(13,139)	(166,447)	290,161
Total Non-Depreciable Capital Assets	489,191	70,505	(13,139)	(166,385)	380,172
Depreciable Capital Assets:					
Structures and Improvements	1,565,973	10,746	(26)	85,871	1,662,564
Equipment	316,115	2,230	(149)	8,404	326,600
Distribution & Collection Systems and Other Infrastructure	3,205,493	108,753	(4,565)	70,640	3,380,321
Total Depreciable Capital Assets	5,087,581	121,729	(4,740)	164,915	5,369,485
Less Accumulated Depreciation For:					
Structures and Improvements	(293,823)	(35,896)	25	(27)	(329,721)
Equipment	(200,250)	(24,224)	148	1,533	(222,793)
Distribution & Collection Systems and Other Infrastructure	(546,386)	(46,975)	1,502	-	(591,859)
Total Accumulated Depreciation	(1,040,459)	(107,095)	1,675	1,506	(1,144,373)
Total Depreciable Capital Assets - Net of Depreciation	4,047,122	14,634	(3,065)	166,421	4,225,112
Business-Type Activities Capital Assets, Net	$ 4,536,313	$ 85,139	$ (16,204)	$ 36	$ 4,605,284

Governmental Activities capital assets net of accumulated depreciation at June 30, 2007 are comprised of the following:

General Capital Assets, Net	$	4,196,903
Internal Service Funds Capital Assets, Net		67,267
Total	$	4,264,170

Business-Type Activities capital assets net of accumulated depreciation at June 30, 2007 are comprised of the following:

Enterprise Funds Capital Assets, Net	$	4,605,048
Internal Service Funds Capital Assets, Net		236
Total	$	4,605,284

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

Governmental Activities:

General Government and Support	$	1,077
Public Safety - Police		5,157
Public Safety - Fire and Life Safety		5,106
Parks, Recreation, Culture and Leisure		38,844
Transportation		75,015
Sanitation and Health		650
Neighborhood Services		1,431
Subtotal		127,280
Internal Service (Except Special Engineering)		16,602
Total Depreciation Expense	$	143,882

Business-Type Activities:

Airports	$	497
City Store		1
Development Services		247
Environmental Services		7,405
Golf Course		503
Recycling		1,059
Sewer Utility		69,696
Water Utility		27,644
Subtotal		107,052
Internal Service (Special Engineering)		43
Total Depreciation Expense	$	107,095

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2007 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corp.				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
Depreciable Capital Assets:					
Structures and Improvements	$ 22,236	$ 1,622	$ (117)	$ -	$ 23,741
Equipment	8,404	612	(879)	-	8,137
Total Depreciable Capital Assets	30,640	2,234	(996)	-	31,878
Less Accumulated Depreciation For:					
Structures and Improvements	(7,615)	(1,506)	604	-	(8,517)
Equipment	(6,213)	(936)	347	-	(6,802)
Total Accumulated Depreciation	(13,828)	(2,442)	951	-	(15,319)
Capital Assets, Net	$ 16,812	$ (208)	$ (45)	$ -	$ 16,559

	Discretely Presented Component Unit - San Diego Housing Commission				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 30,544	$ -	$ (1,108)	$ -	$ 29,436
Construction in Progress	9,943	665	-	-	10,608
Total Non-Depreciable Capital Assets	40,487	665	(1,108)	-	40,044
Depreciable Capital Assets:					
Structures and Improvements	83,145	23,175	(2,258)	-	104,062
Equipment	986	2,385	(89)	-	3,282
Total Depreciable Capital Assets	84,131	25,560	(2,347)	-	107,344
Less Accumulated Depreciation For:					
Structures and Improvements	(42,568)	(3,281)	697	-	(45,152)
Equipment	(870)	(348)	89	-	(1,129)
Total Accumulated Depreciation	(43,438)	(3,629)	786	-	(46,281)
Total Depreciable Capital Assets - Net of Depreciation	40,693	21,931	(1,561)	-	61,063
Capital Assets, Net	$ 81,180	$ 22,596	$ (2,669)	$ -	$ 101,107

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

a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2007 are comprised of the following:

Type of Obligation	Interest Rates (%)	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2007
Compensated Absences				$ 73,050
Liability Claims				226,487
Capital Lease Obligations				39,130
Contracts Payable:				
Contract Payable to SDSU Foundation, dated December 1991	variable*	---	$ 1,598	1,598
Amendment to Contract Payable to SDSU Foundation, dated January 1995	variable*	---	117	117
Contract Payable to Western Pacific Housing, Inc., dated April 2004	5.0	---	900	900
Total Contracts Payable				2,615
Notes Payable:				
Note Payable to Wal-Mart, dated June 1998	10.0	2017	1,308	171
Note Payable to Price Charities, dated April 2001	5.0	2032	5,115	4,104
Note Payable to Price Charities, dated May 2005	8.0	2025	2,100	2,100
Amendment to Note Payable to Price Charities, dated February 2006	8.0	2025	180	180
Note Payable to Price Charities, dated March 2007	7.0	2013	2,000	2,000
Total Notes Payable				8,555
Loans Payable:				
International Gateway Associates, LLC, dated October 2001	10.0	2032	1,876	1,823
PCCP/SB Las America, LLC, dated August 2005	10.0	2036	1,247	1,239
Centerpoint, LLC, dated April 2006	7.0	2021	5,246	5,246
Bank of America, N.A. Line of Credit, dated October 2006	4.25 - 6.57	2009	8,530	8,530
California Energy Resources Conservation and Development Commission, dated March 2007	3.95	2019	2,154	1,937
Total Loans Payable				18,775
San Diego Association of Governments (SANDAG) Loans Payable	variable*	2008		2,287
Section 108 Loans Payable	1.21 - 7.958	2025		39,431
General Obligation Bonds:				
Public Safety Communications Project, Series 1991	5.0 - 8.0**	2012	25,500	9,905
Open Space Park Refunding Bonds, Series 1994	5.0 - 6.0**	2009	64,260	800
Total General Obligation Bonds				10,705

(continued on next page)

Type of Obligation	Interest Rates (%)	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2007
Revenue Bonds / Lease Revenue Bonds / COPs:				
MTDB Authority Lease Revenue Refunding Bonds, Series 1994	4.25 - 5.625**	2010	$ 66,570	$ 7,880
Public Facilities Financing Authority Stadium Lease Revenue Bonds, Series 1996 A	6.2 - 7.45**	2027	68,425	59,180
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A	4.0 - 5.6**	2011	33,430	12,675
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation Refunding, Series 1996 B	4.0 - 6.0**	2022	11,720	8,825
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25**	2028	205,000	178,430
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.49**	2026	12,105	10,510
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2.75 - 4.75**	2018	30,515	15,515
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	3.5 - 5.10**	2018	7,630	3,840
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0**	2032	25,070	23,305
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.30**	2027	20,515	18,800
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375**	2023	15,255	13,420
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0**	2024	17,425	12,270
Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007A	5.0 - 5.25**	2032	156,560	156,560
Total Revenue Bonds / Lease Revenue Bonds / COPs				521,210
Special Assessment / Special Tax Bonds:				
Otay Mesa Industrial Park Limited Obligation Improvement Bonds, Issued May 1992	5.5 - 7.95**	2013	2,235	350
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	3.75 - 5.375**	2021	59,465	44,380
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2000 A	4.75 - 6.375**	2031	56,020	53,820
Santaluz Special Tax Bonds, Improvement Area No.3, Series 2000 B	4.5 - 6.2**	2031	4,350	4,155
City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds	4.25 - 5.8**	2018	8,850	7,345
Piper Ranch Limited Obligation Improvement Bonds, Issued January 2004	2.5 - 6.2**	2034	5,430	5,110
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2004 A	1.7 - 5.5**	2031	5,000	4,760
Santaluz Special Tax Bonds, Improvement Area No.4, Series 2004 A	1.65 - 5.5**	2034	9,965	9,705
Liberty Station Special Tax Bonds, Series 2006 A	5.0 - 5.75**	2037	16,000	16,000
Total Special Assessment / Special Tax Bonds				145,625

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Type of Obligation	Interest Rates (%)	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2007
Tax Allocation Bonds:				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8 - 9.75**	2014	$ 1,400	$ 745
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0**	2020	1,200	840
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 B	6.9 - 8.2**	2021	3,955	3,085
Southcrest Redevelopment Project Tax Allocation Bonds, Series 1995	4.75 - 6.592**	2020	3,750	2,340
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0**	2016	12,970	7,750
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125**	2019	25,680	25,285
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	12,180
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8**	2029	5,690	5,330
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4***	2029	10,141	9,604
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.69**	2031	3,395	3,100
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6**	2025	6,100	5,175
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35**	2025	21,390	19,195
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8**	2022	15,025	14,290
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875**	2031	13,000	11,690
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9**	2031	7,000	6,300
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.5**	2026	1,860	1,620
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	4.93 - 5.55****	2027	58,425	56,730
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	18,575
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	555

(continued on next page)

Type of Obligation	Interest Rates (%)	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2007
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125**	2028	$ 7,145	$ 6,425
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75 - 5.0**	2034	5,360	5,360
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65 - 5.1**	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25 - 5.45**	2022	4,530	4,530
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49 - 7.74**	2022	8,000	7,175
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	3.5 - 5.25**	2030	101,180	97,655
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2.26 - 4.58**	2011	9,855	6,565
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26 - 6.18**	2030	27,785	26,520
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26 - 6.28**	2030	8,905	8,505
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	4.25 - 5.25**	2033	76,225	76,225
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	5.66 - 6.2**	2032	33,760	33,760
Total Tax Allocation Bonds				502,804
Tobacco Settlement Asset-Backed Bonds:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125**	2023	105,400	102,700
Total Bonds Payable				1,283,044
Net Pension Obligation				158,162
Total Governmental Activities Long-Term Liabilities				$ 1,851,536

* Additional information on the variable rate contracts payable with the SDSU Foundation and loans payable with SANDAG are discussed further on the following page.

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

*** The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2007 does not include accreted interest of $6,156.

**** 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, 2007 does not include accreted interest of $4,859.

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

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

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

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

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

SANDAG loans are comprised of two components: repayment of debt service on bonds, and repayment of proceeds from commercial paper. The City receives distributions of SANDAG bond proceeds, based on the City's agreement with SANDAG. The annual debt service payments related to these bond issuances are recovered by SANDAG through reductions in TransNet allocations that would otherwise be available for payment to the City. TransNet-Proposition A, was passed in 1987 to enact a ½ percent sales tax increase to fund regional transportation projects. All expenses must first be approved by SANDAG and be included on the Regional Transportation Plan (RTP). The City recognizes repayment of the principal and interest on bonds as an increase in TransNet revenues and an offsetting debt service expenditure. The interest rates on the outstanding bonds range from 4.75 percent to 5.50 percent. In addition to financing from bond issuances, financing for TransNet related projects is available through the issuance of commercial paper notes by SANDAG, at the request of the City. Repayment of proceeds related to the commercial paper is collected in future periods through reductions in TransNet allocations, similar to the repayment of the debt service on bonds. Interest rates on commercial paper notes during the current year have varied from 2.40 percent to 3.58 percent, with maturities from 1 day to 166 days. Interest rates on outstanding commercial paper note amounts at June 30, 2007 ranged from 3.50 percent to 3.58 percent. The maturity date of the current SANDAG loan is June 2008.

San Diego State University Foundation executed an Agreement for Processing a Redevelopment Plan and Land Use Entitlements with RDA, which allows for reimbursement of expenses incurred by the Foundation, in assisting in the preparation and processing of the Redevelopment Plan and Land Use Entitlements in the College Area. The agreement is a variable rate obligation of RDA. The unpaid principal bears interest at the prime rate and is fixed on a quarterly basis, using the prime rate established on the first banking day of each calendar quarter. Interest calculations are made on the quarterly weighted average of the principal balance and are made at the end of the quarter based upon the rate fixed for that quarter. The effective interest rate as of June 30, 2007 is 8.25 percent.

Loans Payable includes a line of credit executed by RDA with Bank of America, N.A. on October 31, 2006. The line of credit is to be used to refinance the North Park Theatre, to pay sums of settlement of eminent domain actions relating to the North Park Redevelopment Area and for other redevelopment activities in the North Park Redevelopment Area. As of June 30, 2007, the tax-exempt portion of the line of credit has an effective interest rate of 4.25 percent and the taxable portion has an effective interest rate of 6.57 percent . The effective interest rate will reset on October 31, annually.

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

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2007, including interest payments to maturity, are as follows:

Year Ended June 30,	Capital Lease Obligations		Contracts Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 8,181	$ 1,498	$ -	$ -	$ -	$ 140
2009	7,580	1,195	-	-	-	140
2010	6,598	899	-	-	-	140
2011	5,247	644	-	-	-	140
2012	5,146	426	-	-	-	141
2013-2017	6,378	280	-	-	-	35
Unscheduled*	-	-	2,615	1,978	8,555	3,282
Total	$ 39,130	$ 4,942	$ 2,615	$ 1,978	$ 8,555	$ 4,018

** The contracts payable to SDSU Foundation in the amount of $1,715, the contract payable to Western Pacific Housing, Inc. in the amount of $900, and the notes payable to Wal-Mart of $171 and Price Charities of $8,384, do not have annual repayment schedules. Annual payments on the San Diego State University debt is based on the availability of tax increment net of the low-moderate and taxing agency set-asides as well as project area administration costs. Annual payments to the Wal-Mart, Western Pacific Housing, Inc., and Price Charities debt are based on available tax increment.*

Year Ended June 30,	Loans Payable		SANDAG Loans		Section 108 Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 61	$ 877	$ 2,287	$ 82	$ 3,535	$ 2,203	$ 2,125	$ 641
2009	8,699	575	-	-	2,364	2,046	2,265	502
2010	177	369	-	-	2,457	1,920	1,975	353
2011	185	360	-	-	2,595	1,783	2,100	219
2012	195	351	-	-	2,724	1,633	2,240	74
2013-2017	1,140	1,592	-	-	14,635	5,518	-	-
2018-2022	805	1,280	-	-	8,395	1,886	-	-
2023-2027	639	1,017	-	-	2,726	222	-	-
2028-2032	1,028	628	-	-	-	-	-	-
2033-2037	600	128	-	-	-	-	-	-
Unscheduled*	5,246	-	-	-	-	-	-	-
Total	$ 18,775	$ 7,177	$ 2,287	$ 82	$ 39,431	$ 17,211	$ 10,705	$ 1,789

** The loan payable to Centerpoint, LLC in the amount of $5,246 does not have an annual repayment schedule. Annual payments are based upon future receipts of unallocated tax increment or other available sources.*

Year Ended June 30,	Revenue Bonds / COPs		Special Assessment / Special Tax Bonds		Tax Allocation Bonds			Tobacco Asset-Backed Bonds**	
	Principal	Interest	Principal	Interest	Principal	Unaccreted Appreciation*	Interest	Principal	Interest
2008	$ 22,220	$ 26,354	$ 4,150	$ 7,998	$ 13,371	$ 1,996	$ 24,746	$ 3,300	$ 7,317
2009	22,315	25,906	4,550	7,798	14,476	2,081	24,208	3,600	7,082
2010	21,975	24,866	4,875	7,575	15,089	2,163	23,555	3,800	6,826
2011	20,040	23,856	5,215	7,327	15,853	2,243	22,808	4,000	6,555
2012	17,465	22,920	5,575	7,055	16,649	2,317	21,996	4,400	6,270
2013-2017	96,845	100,253	32,470	30,395	108,113	12,155	94,452	26,900	26,227
2018-2022	115,405	73,168	33,645	21,044	126,018	10,653	64,779	38,000	15,162
2023-2027	136,025	39,964	22,835	13,442	119,558	4,900	34,443	18,700	1,332
2028-2032	68,920	9,660	25,500	5,440	63,107	154	10,176	-	-
2033-2037	-	-	6,810	837	10,570	-	356	-	-
Subtotal	521,210	346,947	145,625	108,911	502,804	38,662	321,519	102,700	76,771
Add:									
Accreted Appreciation through June 30, 2007	-	-	-	-	11,015	-	-	-	-
Total	$ 521,210	$ 346,947	$ 145,625	$ 108,911	$ 513,819	$ 38,662	$ 321,519	$ 102,700	$ 76,771

** The unaccreted appreciation reflects future accretion and is not based on when debt service is due on the accretion.*

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

c. Change in Long-Term Liabilities

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

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2007. The effect of bond accretion, bond premiums, discounts, and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 71,820	$ 50,530	$ (49,300)	$ 73,050	$ 29,908
Liability Claims	202,482	76,881	(52,876)	226,487	36,113
Capital Lease Obligations	40,541	7,655	(9,066)	39,130	8,181
Contracts Payable	2,615	-	-	2,615	-
Notes Payable	7,294	2,180	(919)	8,555	-
Loans Payable	14,345	10,823	(6,393)	18,775	61
SANDAG Loans Payable	7,355	-	(5,068)	2,287	2,287
Section 108 Loans Payable	42,499	-	(3,068)	39,431	3,535
General Obligation Bonds	12,690	-	(1,985)	10,705	2,125
Revenue Bonds / COPs	549,850	156,560	(185,200)	521,210	22,220
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(899)	(3,746)	207	(4,438)	(201)
Net Revenue Bonds/COP's	548,951	152,814	(184,993)	516,772	22,019
Special Assessment / Special Tax Bonds	133,605	16,000	(3,980)	145,625	4,150
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(608)	-	52	(556)	(48)
Net Special Assestment Bonds	132,997	16,000	(3,928)	145,069	4,102
Tax Allocation Bonds	514,845		(12,041)	502,804	13,371
Interest Accretion	9,219	1,910	(114)	11,015	
Balance with Accretion	524,064	1,910	(12,155)	513,819	13,371
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	5,623	-	5	5,628	-
Net Tax Allocation Bonds	529,687	1,910	(12,150)	519,447	13,371
Tobacco Settlement Asset-Backed Bonds	105,400		(2,700)	102,700	3,300
Net Pension Obligation	158,087	75	-	158,162	-
Total	$ 1,876,763	$ 318,868	$ (332,446)	$ 1,863,185	$ 125,002

d. Redemption of Debt

Lease Revenue Refunding Bonds, Series 2007A (Ballpark Refunding) for PFFA were issued in the amount of $156,560. The bond proceeds were used to refund the remaining outstanding PFFA Lease Revenue Bonds, Series 2002 (Ballpark Project). The refunded bonds are fully redeemed and the corresponding liability has been removed from the Statement of Net Assets. The refunding transaction resulted in a total economic gain of approximately $51,572 and a cash flow savings of approximately $93,017. 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, 2007.

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

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2007 are comprised of the following:

Type of Obligation	Interest Rates (%)	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2007
Arbitrage Liability				$ 224
Compensated Absences				15,154
Liability Claims				53,555
Capital Lease Obligations				1,006
Revenue Notes Payable:				
Subordinated Sewer Revenue Notes, Series 2007	5.0	2009	$ 223,830	223,830
Subordinated Water Revenue Notes, Series 2007A	4.06*	2009	57,000	57,000
Total Revenue Notes Payable				280,830
Loans Payable:				
Loans Payable to San Diego County Water Authority	-	-	100	100
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80**	2020	10,606	7,320
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80**	2022	6,684	5,232
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80**	2022	33,720	26,390
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2022	7,742	6,057
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2021	860	634
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80**	2021	2,525	1,861
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99**	2020	3,767	2,851
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80**	2023	8,068	6,676
Loans Payable to State Water Resources Control Board, issued December 14, 2005	1.89**	2024	10,093	9,192
Loans Payable to Department of Health Services, issued July 6, 2005	2.51**	2026	21,525	20,257
Loans Payable to State Water Resources Control Board, issued October 15, 2006	1.99**	2024	3,858	3,678
Loans Payable to State Water Resources Control Board, issued February 28, 2007	1.89**	2025	11,068	11,068
Total Loans Payable				101,316
Bonds Payable:				
Sewer Revenue Bonds, Series 1993	2.8 - 5.25*	2023	250,000	175,330
Sewer Revenue Bonds, Series 1995	3.9 - 6.0*	2025	350,000	275,300
Sewer Revenue Bonds, Series 1997 A	3.7 - 5.375*	2027	183,000	148,445
Sewer Revenue Bonds, Series 1997 B	3.7 - 5.375*	2027	67,000	54,345

(continued on next page)

Type of Obligation	Interest Rates (%)	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2007
Water Certificate of Undivided Interest, Series 1998	4.0 - 5.375*	2029	$ 385,000	$ 262,750
Sewer Revenue Bonds, Series 1999 A	3.5 - 5.125*	2029	203,350	174,275
Sewer Revenue Bonds, Series 1999 B	3.5 - 5.125*	2029	112,060	96,250
Subordinated Water Revenue Bonds, Series 2002	2.0 - 5.0*	2033	286,945	282,365
Total Bonds Payable				1,469,060
Estimated Landfill Closure and Postclosure Care				16,935
Net Pension Obligation				36,418
Total Business-Type Activities Long-Term Liabilities				$ 1,974,498

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

*** Effective rate*

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2007, including interest payments to maturity, are as follows:

Year Ended June 30	Capital Lease Obligations		Revenue Notes Payable		Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 840	$ 31	$ -	$ 13,761	$ 5,441	$ 1,995	$ 43,615	$ 72,825
2009	166	4	280,830	13,499	5,547	1,889	45,595	70,851
2010	-	-	-	-	5,655	1,780	47,585	68,850
2011	-	-	-	-	5,765	1,670	49,810	66,621
2012	-	-	-	-	5,878	1,557	52,315	64,120
2013-2017	-	-	-	-	31,154	6,022	304,530	277,876
2018-2022	-	-	-	-	32,309	2,887	388,555	192,212
2023-2027	-	-	-	-	9,467	418	379,290	89,043
2028-2032	-	-	-	-	-	-	144,365	16,076
2033-2037	-	-	-	-	-	-	13,400	335
Unscheduled *	-	-	-	-	100	-	-	-
Total	$ 1,006	$ 35	$ 280,830	$ 27,260	$ 101,316	$ 18,218	$ 1,469,060	$ 918,809

** 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, 2007. 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	$ 193	$ 31	$ -	$ 224	$ -
Compensated Absences	16,390	12,868	(14,104)	15,154	7,305
Liability Claims	50,379	5,539	(2,363)	53,555	4,298
Capital Lease Obligations	2,051	-	(1,045)	1,006	840
Revenue Notes Payable	-	280,830	-	280,830	-
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	-	1,035	(518)	517	517
Net Revenue Notes Payable	-	281,865	(518)	281,347	517
Loans Payable	91,247	14,926	(4,857)	101,316	5,441
Revenue Bonds Payable	1,662,705	-	(193,645)	1,469,060	43,615
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(7,759)	-	570	(7,189)	(570)
Net Revenue Bonds Payable	1,654,946	-	(193,075)	1,461,871	43,045
Estimated Landfill Closure and Postclosure Care	14,811	2,124	-	16,935	-
Net Pension Obligation	36,394	24	-	36,418	-
Total	$ 1,866,411	$ 317,377	$ (215,962)	$ 1,967,826	$ 61,446

d. Redemption of Debt

Subordinate Sewer Revenue Notes, Series 2007 for PFFA were issued on a private placement basis in the amount of $223,830. $144,400 of the bond proceeds were used to current refund the remaining outstanding Subordinate Sewer Revenue Bonds, Series 2004 and $79,430 of the proceeds were used either to finance or reimburse for previous costs incurred for upgrades to the City's sewer system. The final maturity date for the Series 2007 Notes is May 15, 2009. The refunded Sewer Revenue Bonds, Series 2004 were issued on a private placement basis and had a final maturity of December 15, 2011. The Sewer Revenue Bonds, Series 2004 were fully redeemed on May 7, 2007 and the corresponding liability has been removed from the Statement of Net Assets. The refunding transaction resulted in a total economic gain of approximately $381 and a cash flow savings of approximately $2,507. The refunded bonds were redeemed prior to the end of the fiscal year, and accordingly, there was no balance outstanding as of June 30, 2007.

e. Defeasance of Debt

As of June 30, 2007, principal amounts payable from escrow funds established for defeased bonds are as follows:

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

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

Discretely presented component units long-term liabilities as of June 30, 2007 are comprised as follows:

San Diego Convention Center Corporation

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2007	Due Within One Year
Compensated Absences				$ 1,094	$ 1,094
Capital Leases			$ 3,942	2,956	755
Note Payable to San Diego Unified Port District, dated 1999	0.00%	2011	10,000	3,500	1,000
Total Long-Term Liabilities				$ 7,550	$ 2,849

Annual requirements to amortize long-term debt as of June 30, 2007, are as follows:

Capital Leases	
Fiscal Year	Amount
2008	$ 755
2009	807
2010	863
2011	531
Total	$ 2,956

Note Payable	
Fiscal Year	Amount
2008	$ 1,000
2009	1,000
2010	1,000
2011	500
Total	$ 3,500

San Diego Housing Commission

Type of Obligation	Interest Rate (%)	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2007	Due Within One Year
Compensated Absences				$ 1,320	$ 1,320
Note Payable to Bank of America, dated February 1985	5.0 – 10.2	2025	$ 3,789	2,975	107
Note Payable to Washington Mutual, dated June 1995	Variable*	2012	4,725	3,558	128
Note Payable to State of California (RHCP)	0.0	2013	1,405	1,405	-
Note Payable to State of California (RHCP)	0.0	2015	3,149	3,149	-
Note Payable to State of California (CalHELP)	3.0	2013	704	1,892	-
Note Payable to US Bank, dated November 2006	Variable*	2012	20,550	19,515	207
Note Payable to Wells Fargo Bank	6.38	2008	87	25	25
Total Notes Payable				32,519	467
Total Long-Term Liabilities				$ 33,839	$ 1,787

* The effective interest rate as of June 30, 2007 was 4.31% for the Washington Mutual Note Payable and 7.57% for the US Bank Note Payable.

Annual requirements to amortize such long-term debt as of June 30, 2007 to maturity are as follows:

Year Ending June 30	Principal	Interest
2008	$ 467	$ 1,793
2009	439	1,822
2010	451	1,810
2011	463	1,797
2012	21,678	1,784
2013-2017	7,211	1,772
2018-2022	261	312
2023-2025	1,549	58
Total	$ 32,519	$ 11,148

8. SHORT-TERM NOTES PAYABLE (In Thousands)

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

Short-term debt activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	$ -	$ 142,000	$ -	$ 142,000

The $142,000 FY07 TRANs issue, which was a 13 month note obligation, had an interest rate of 4.18% and was repaid on August 3, 2007.

9. JOINT VENTURE and JOINTLY GOVERNED ORGANIZATIONS (In Thousands)

San Diego Medical Services Enterprise, LLC

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

SDMSE was organized on May 2, 1997 to provide emergency medical services and medical transportation services to the citizens of San Diego. Operations began July 1, 1997 under an initial 5 year agreement that was extended on July 1, 2002 and again on July 1, 2005 for an additional three year period. On July 1, 2008 operations were extended until December 31, 2008 under a separate extension agreement while a competitive bidding process is being conducted. The operating agreement will expire on December 31, 2008 unless SDMSE is awarded a new contract after the competitive bidding process.

The SDMSE partners are the City of San Diego and Rural Metro of San Diego, Inc., a wholly owned subsidiary of Rural Metro Corporation (a publicly traded corporation). The SDMSE governing board is comprised of five members, three of whom are appointed by the City. In accordance with GASB 14, the financial impacts of the joint venture are reported in the General Fund.

The maximum funds which the City is required to contribute to the costs of SDMSE operations are limited to an aggregate of $8,450 during the term of the third amended agreement. This aggregate includes a $650 annual subsidy and any other amounts to be paid to the City since 1997 under the original contract, and any losses the City is required to cover under the extended contract, excluding any amount the City contributes for Medicare fee reimbursements. Cumulatively, the City has paid annual subsidies totaling $5,700 as of June 30, 2007. Effective in fiscal year 2006, the City is no longer required to pay the $650 annual subsidy and the Medicare fee reimbursements shall not exceed $250 per fiscal year. Net assets of SDMSE are pro-rated to each partner based on a 50/50 split. In accordance with the operating agreement, profit and loss for each fiscal year is allocated equally to the members, subject to an aggregate limitation on loss to the City of $8,450 (equal to the amount of subsidies discussed above). For the fiscal year ended June 30, 2007, SDMSE reported a net income of $2,768, a member distribution of $2,700, and ending net assets of $4,195.

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, 2007.

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

San Diego Workforce Partnership

The City of San Diego and the County of San Diego jointly govern the San Diego Workforce Partnership (Consortium). The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The purpose of the Consortium is to provide regional employment and training services in order to develop and create job opportunities throughout San Diego County. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The City does not appoint a majority of the Board, is not able to impose its will on the Consortium, and the Consortium is not fiscally dependent on the City. Therefore, it is the City's conclusion that the Consortium is a governmental organization with a jointly appointed board and not a component unit of the City. However, the City and County do share a joint responsibility for any liabilities arising from mismanagement of federal funds. The United States Department of Labor (DOL) issued an audit report in February 2007, finding that the Consortium did not consistently follow Federal cost principles and regulations when managing federal grant funds. A settlement was reached between the Consortium and the DOL in June 2008 which resulted in a liability of approximately $1,100 payable to the DOL for the disallowed project costs. This liability will be split between the City and County and paid over a four year period. City Council approved the first payment of $67 (city's share) to the DOL on October 14, 2008 per resolution 304261.

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

San Diego Geographic Information Source (SanGIS)

SanGIS was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are to create and maintain a geographic information system, marketing and licensing compiled digital geographic data and software, providing technical services and publishing geographical and land-related information.

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

10. LEASE COMMITMENTS (In Thousands)

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

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, 2007:

Year Ended June 30	Amount
2008	$ 11,815
2009	11,914
2010	11,466
2011	10,924
2012	11,082
2013-2017	18,021
2018-2022	245
2023-2027	98
Total	$ 75,565

Rent expense as related to operating leases was $12,132 for the year ended June 30, 2007.

Capital Leases

The City has entered into various capital leases for equipment, vehicles and property. These capital leases have maturity dates ranging from July 1, 2006 through November 30, 2014, and interest rates ranging from 2.59% to 7.94%. A schedule of future minimum lease payments under capital leases as of June 30, 2007 is provided in Notes 5 and 6. The value of all capital leased assets as of June 30, 2007 for governmental assets is $26,021, net of accumulated depreciation of $85,803, and business-type assets of $5,950, net of accumulated depreciation of $13,556.

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately $65,363, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. Minimum annual lease revenues are reported in the following schedule:

Year Ended June 30	Amount
2008	$ 30,764
2009	29,993
2010	29,080
2011	28,630
2012	28,049
2013-2017	131,715
2018-2022	115,031
2023-2027	110,267
2028-2032	103,658
2033-2037	93,155
2038-2042	85,990
2043-2047	71,463
2048-2052	26,203
2053-2057	7,480
2058-2062	2,200
Total	$ 893,678

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 $78,548 for the year ended June 30, 2007, which includes contingent rentals of $48,447.

11. DEFERRED COMPENSATION PLAN (In Thousands)

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

12. PENSION PLANS (In Thousands)

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

DEFINED BENEFIT PLAN

a. Plan Description

San Diego City Employees' Retirement System ("SDCERS"), as authorized by Article IX of the City Charter, is a public employee retirement system established in fiscal year 1927 by the City. SDCERS is an agent multiple-employer defined benefit public pension plan (the Plan) and acts as a common investment and administrative agent for the City, the Port of San Diego (the "Port"), and the San Diego County Regional Airport Authority (the "Airport"). It is administered by the SDCERS Board (the "Board") to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval as well as a majority vote by members. As of January 1, 2007, benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code.

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

Plan Membership as of June 30, 2007 (actual member count)

	General	Safety	Total by Classification
Active Members	6,072	2,422	8,494
Terminated Members	2,157	449	2,606
Retirees, Disabled and Beneficiaries	4,004	2,675	6,679
Total Members, as of June 30, 2007	12,233	5,546	17,779

Source: SDCERS-City of San Diego Actuarial Valuation as of June 30, 2007

As a defined benefit plan, retirement benefits are determined primarily by a member's class, age at retirement, number of years of creditable service, and the member's final compensation based on the highest salary earned over a consecutive one-year period. The Plan provides cost of living adjustments of 2% to retirees, which is factored into the actuarial assumptions. Increases in retirement benefits due to cost of living adjustments do not require voter approval. The Plan requires ten years of service at age 62, or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity, to vest for a benefit. Typically, retirement benefits are awarded at a rate of 2.5% of the employee's one-year high annual salary per year of service at age 55 for general members, and 3% for Safety members starting at the age of 50. The actual percentage of final average salary per year served component of the calculation rises as the employee's retirement age increases and depends on the retirement option selected by the employee. General plan percentage of final average salary per year served is a maximum of 2.8% for general members and 3% for safety members.

On July 28, 2008, the City Council approved R-303977 which presents modified defined contribution and defined benefit plans for all non-safety City employees hired on or after July 1, 2009. The new defined benefit plan

includes modified percentages used to determine annual retirement allowance (depending on employees' age at retirement), a pensionable salary calculation used to determine retirement allowances based on a 3-year average, and a maximum annual retiree benefit of 80% of employees' pensionable salary. Additionally, the new defined contribution plan includes mandatory employee contributions to the Supplemental Pension Savings Plan (SPSP), of 1%, as well as City match, and the introduction of mandatory employee contribution to a retiree medical trust plan (as well as City match) of 0.25%. The modified plans were drafted and agreed upon by the Mayor's Office and related labor unions representing non-safety City employees.

Deferred Retirement Option Program (DROP)

The City also has a Deferred Retirement Option Program (DROP) where participants continue to work for the City and receive a regular paycheck. SDCERS' members electing to participate in DROP must agree to participate in the program for a specific period, up to a maximum of five years. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. A SDCERS member's decision to enter DROP is irrevocable.

Upon entering the program, the DROP participant stops making contributions to SDCERS and stops earning creditable service. Instead, amounts equivalent to the participant's retirement benefit plus 8% earnings and additional contributions are credited to an interest bearing individual account held in the participant's name. The DROP benefit is the value of a DROP participant's account at the end of the DROP participation period. Participants select the form of the distribution of the DROP account when they leave employment and begin retirement. The distribution is made as a single lump sum or in 240 equal monthly payments, or as otherwise allowed by applicable provisions of the Internal Revenue Code. Outstanding liabilities for DROP are shown on the Statement of Fiduciary Net Assets in the basic financial statements. During the period of participation, the participant continues to receive most of the employer offered benefits available to regular employees with exception to earning creditable service, as previously discussed.

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the DROP program due to the benefit changes negotiated with the July 1, 2005 Memoranda of Understanding (MOU). However, SDCERS has asserted that due to delays in codification of benefit changes into the Municipal Code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, the City Attorney and SDCERS legal counsel do not agree on the effective date [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate in DROP when they are eligible for a service retirement.

Purchase of Service Credits

Article 4 Division 13 of the City's Municipal Code allows plan members to purchase years of Creditable Service for use in determining retirement allowances. To purchase Creditable Service, a Member must elect to pay and thereafter pay, in accordance with such election before retirement, into the Retirement Fund an amount, including interest, determined by the Board. No Member will receive Creditable Service under this Division for any service for which payment has not been completed pursuant to this Division before the effective date of the Member's retirement. The City Attorney has opined that in the past, the Purchase of Service Credits were under priced by the Board of Administration. After review of the purchase of service program, SDCERS' actuary concluded that the service credit pricing structure that was in place prior to November 2003 did not reflect the full cost in the price then charged to SDCERS members. The pricing shortfall of approximately $146,000, which is included in the Unfunded Actuarial Accrued Liability (UAAL), is reported in the RSI of these financial statements. The service credit pricing structure used after November 2003, however, does cover the full projected cost to the System when members purchased the service credits (this is discussed in Note 18: Contingencies).

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the Purchase of Service Credit program due to the benefit changes negotiated with the July 1, 2005 Memoranda of Understanding (MOU). However, SDCERS has asserted that due to delays in codification of benefit changes into the municipal code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, the City Attorney and SDCERS legal counsel do

not agree on the effective date [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate the Purchase of Service Credit Program.

Corbett Settlement Benefits and Retirement Factors

In 1998, a lawsuit was filed by retired employees who alleged that the City's definition of compensation subject to the computation of retirement benefits improperly excluded the value of certain earnings. The City and SDCERS settled in May of 2000, which is known as the Corbett Settlement. This settlement provided for a flat increase of 7% in benefits payable to eligible members who retired prior to July 1, 2000, payable annually. The settlement also provided a 10% benefit increase and allows for two options in calculating the service retirement allowance for employees active at the time of the settlement and who joined the Retirement System before July 1, 2000 and who retired after July 1, 2000.

The options for calculating the service retirement allowance are outlined in the San Diego Municipal Code sections 24.0402 and 24.0403 which can be obtained at City of San Diego City Clerks Office, 202 C Street, San Diego, CA 92101 or online at www.sandiego.gov.

On July 1, 2002, the City Council increased the retirement factors used for calculating retirement allowances; this action was related to MP-2 (as discussed later in this note). As a result of the Corbett Settlement and other benefit actions taken by the City Council, the service retirement factors for general members (non-safety and non-legislative) range from 2.0% at age 55 to 2.8% at age 65. The service retirement factors for Safety Members (Fire, Police and Lifeguard) range from 2.2% at age 50 to 3.0% at age 50 depending on the Corbett Settlement option selected. Finally, the City also maintains an Elected Officer's Retirement Plan where members are eligible to receive 3.5% of their final average salary per year of creditable service. Depending on the number of years serviced, participants of the Elected Officer's Retirement plan can retire earlier than the age of 55, however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

Preservation of Benefit Plan

On March 19, 2001, the City Council adopted Ordinance O-18930, adding SDMC sections 24.1601 through 24.1608, establishing the Preservation of Benefit Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As provided, in SDMC section 24.1606, and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis. As of issuance of this report, actuarial liabilities related to retired member benefits that exceeded §415 limits are included in the RSI for the City's core pension plan for valuation years up to and including fiscal year 2005. In the fiscal year 2006 actuarial valuation, the estimated actuarial accrued liability related to excess benefits for eligible active members of the system, amounting to approximately $22,800, was removed from the plan's Actuarial Liabilities (this liability is estimated to be approximately $30,400 in the fiscal year 2007 actuarial valuation). Additionally, the liability for retired members of the POB Plan, amounting to approximately $6,400, has been excluded from the fiscal year 2007 actuarial valuation. Estimates related to the actuarial liability for benefits that exceed IRS §415 limits were calculated using actuarial assumptions consistent with those used to perform actuarial valuations for the City's core pension plan and also pursuant to the Compliance Statement, dated December 20, 2007, and Tax Determination Letter provided by the IRS during Voluntary Correction Program discussions.

The most current estimates related to the Preservation of Benefit plan are that approximately 58 beneficiaries have received benefits of approximately $2,900 in excess of IRC §415 limits through June 30, 2006; an additional approximate $900 in benefits were paid in the fiscal year ended June 30, 2007 for an estimated cumulative payment in excess of the IRC §415 limit of $3,800. No additional plan payments or repayments are required as a result of the Compliance Statement. The number of plan participants, in any given year, for the Preservation of Benefit Plan is determined by the number of plan participants who exceed the current year's IRS §415(b) limitations as calculated by SDCERS' actuary. The maximum annual payment for the calendar year 2007 was $180 (calendar year 2008 maximum annual payment is $185) and is adjusted downward depending on the age of the participant when benefits began.

Charter Amendment

On November 7, 2006, the citizens approved an amendment to Article 9, Section 143 of the City's Charter, requiring voter approval of certain increases in retirement system benefits for public employees. Specifically, this amendment requires a majority approval of the public of any ordinance that amends the City's retirement system by increasing the benefits of any employee.

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

b. Summary of Significant Accounting Policies – Pension

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

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

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

Funding Contracts: MP-1 and MP-2

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

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

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

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

Funding Contracts: Union Agreements

The City has historically picked up a portion of the employee's retirement contributions. The fiscal year 2006 MOUs and the changes to current and future employee benefits therein were introduced to Council in June 2005, and the changes in benefit eligibility were approved by Council Resolution 300600.

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

The agreements with the bargaining units explicitly indicate that savings to the City must be used to help address its UAAL within the timeframe of the respective contracts. The labor contract with Local 127 states that "By June 30, 2008, if the City has not dedicated a total of $600,000 or more to the UAAL reduction, including the amount received by leveraging employee salary reduction and pension contribution monies, the AFSCME salary reduction monies with interest will revert to SDCERS Employee Contribution Rate Reserve for benefit of Local 127 unit members to defray employee pension contributions."

In June 2006, the City leveraged a portion of the employee pick up savings by contributing $90,800 from securitization of future tobacco settlement revenues, $9,200 of current tobacco settlement revenues, and $8,300 from the remaining balance in the employee "pick-up" amount as part of meeting its negotiated commitment. The $100,000 payment in excess of the ARC from tobacco settlement revenues is 100% backed by general fund revenues, and therefore, was directly allocated to reduce the Net Pension Obligation (NPO) of the general fund only. The additional contribution of $8,300 in excess of the ARC, however, was allocated Citywide as a reduction to the NPO. In June 2007, the City contributed approximately $7,000 in addition to the ARC from the savings of the employee "pick-up" reduction and in July 2007 the City contributed approximately $27,300 in addition to the ARC. (These agreements are also discussed in the Subsequent Events Note 22). Upon the conclusion of the fiscal year ended June 30, 2008, the City was not able to meet the outstanding commitment in its entirety. As such, the City is currently in discussions with Local 127 and MEA regarding the plan to return the salary reduction and employee contribution offset monies, with interest, to the bargaining unit memberships. Also after June 30, 2008 MEA filed a grievance against the City, which as of the issuance of this report is under negotiation.

Funding Commitments Related to Legal Settlements

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

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

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

The Gleason Settlement also stipulated that certain actuarial assumptions be fixed, notably, that the amortization period was reset to a 29-year closed period commencing with the June 30, 2004 Annual Actuarial Valuation. These assumptions were to remain in place for the duration of the settlement. On July 1, 2004, the City made the Gleason Settlement required contribution of $130,000 for fiscal year 2005 in addition to providing real property

totaling $375,000 as collateral to be returned in annual installments of $125,000. On July 1, 2005, the City made the annually required contribution of $163,000 for fiscal year 2006. Additionally, the City made a contribution in excess of the ARC in the amount of $108,300 on June 30, 2006. On July 3, 2006 the City made its full annually required contribution of $162,000 as well as an additional $7,000 contribution in excess of the ARC for fiscal year 2007 and on July 2, 2007, the City made its full annually required contribution of $137,700 as well as an additional $27,300 contribution in excess of the ARC for fiscal year 2008. The final installment of $125,000 of real property collateral was returned to the City on November 9, 2007.

The annual required contributions for fiscal years 2005, 2006, and 2007 did not include the effects of the Corbett settlement because the SDCERS' Board viewed those benefits as contingent (see section a. for a description of the Corbett Settlement). Subsequent to those payments, the City determined that the Corbett Settlement liabilities are not contingent. As a result, the ARC for financial reporting was restated from the original ARC calculated by SDCERS' actuary to include Corbett Settlement liabilities. As a result, the City's NPO includes the effects of the Corbett Settlement.

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

As of the issuance of this report, the City has provided the real property collateral in addition to approximately $142,600 of additional payments to SDCERS, in an attempt to meet the terms of the McGuigan Settlement. This leaves an outstanding obligation resulting from the McGuigan Settlement of approximately $35,000, including interest. The McGuigan Settlement was partially funded through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, additional employee "pick up" savings, and City contributions made in addition to the ARC. This contribution is further discussed in the Funding Contracts: Union Agreements section above.

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

d. Funding Policy and Contribution Rates

City Charter Article IX Section 143 requires employees and employers to contribute to the retirement plan. The Charter section, which was amended in fiscal year 2005, stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances, may the City and Board enter into any multi-year funding agreements that delay full funding of the retirement plan. The Charter requires that employer contributions be substantially equal to employee contributions (SDCERS' legal counsel has opined that this requirement applies to the normal cost contribution only). Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed annual required contribution as well as percentages of annual covered payroll. The entire expense of SDCERS' administration is charged against the earnings and plan assets of SDCERS.

The following table shows the City's contribution rates for fiscal year 2007, based on the valuation ended June 30, 2005, expressed as percentages of active payroll:

	Employer Contribution Rates	
	General Members	Safety Members
Normal Cost*	11.28%	19.74%
Amortization Payment*	9.91%	20.88%
Normal Cost Adjusted for Amortization Payment*	21.19%	40.62%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	20.39%	39.08%

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

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

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

Members are required to contribute a percentage of their annual salary to the Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2007, the City employee contribution rates as a percentage of annual covered payroll, averaged 9.86% for general members and 12.07% for safety members. A portion of the employee's share, depending on the employee's member class, is paid by the City. In fiscal year 2007, the amount paid by the City ranges from 2.4% to 5.89% of covered payroll for general members and the rate for safety plan members ranges from 4.1% to 4.3%. Employee contributions paid by the City, amounting to approximately $18,270 in fiscal year 2007, are made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process and reduced the amount of the employee contribution paid for by the City. In accordance with agreements with the labor unions, any and all savings realized by these agreements must be set aside and ultimately leveraged to reduce the pension system's UAAL.

On August 29, 2008, Council approved O-19781 which amended Chapter 2, Article 4, Division 15 of the San Diego Municipal Code. The intent of the amendment was to eliminate the concept of "Surplus Earnings" (earnings in excess of those earned using the assumed actuarial rate of return) which was the historical term for the funds used to pay for supplemental and contingent benefits. In accordance with these revised SDMC sections, annual distributions of these benefits are paid from Plan assets and take place in priority order. The Plan assets are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: First, Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which is currently 8%, to the Employer and Employee Contribution Reserves and DROP member accounts. Second, Plan assets are used to fund the SDCERS Annual Budget. Third, Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) Annual Supplement Benefit Payment ("13th Check") paid to retirees generally equal to approximately $30 (whole dollars) times the number of years of employment. 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue to the next year and remain an obligation of SDCERS until paid). 3) Crediting interest to the Reserve for Supplemental Cost of Living Adjustment ("COLA").

Beginning in fiscal year 2005 when the reserve fund for healthcare benefits was depleted, the City funded the remaining retiree health benefits expense for fiscal year 2005 and the expenses for fiscal years 2006 and 2007 by transferring from the general and non-general funds into the retiree healthcare trust fund (discussed further in Note 13).

In November 2004, voters changed the City Charter and the mix of Board members requiring that a majority of the Board be independent of the City. Also, the Charter now requires that a 15-year amortization period be used for the UAAL beginning in fiscal year 2009; however, the SDCERS Board, in conjunction with the actuary, is using a

20-year amortization period with no negative amortization and has taken the position that the Board is legally responsible for establishing the valuation parameters, including the amortization period. City management agrees that the use of a 15-year amortization assumption with negative amortization instead of a 20-year amortization assumption with no negative amortization would increase the ARC if calculated as part of the fiscal year 2007 valuation.

e. Annual Pension Cost and Net Pension Obligation

Annual Pension Costs

The normal cost (i.e. the actuarial present value of pension plan benefits allocated to the current year) and the UAAL amortization cost (i.e. the portion of the pension plan payment designed to amortize the UAAL) were determined using the Projected Unit Credit (PUC) actuarial funding method. The following are the principal actuarial assumptions used for the 2005 valuation (additional assumptions were used regarding a variety of other factors):

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

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

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. In fiscal year 2007, the SDCERS Board approved a different asset smoothing method by marking the actuarial value of assets to market value in the fiscal year 2006 actuarial valuation. The method used by the actuary in fiscal year 2005 was not a commonly used method. The expected asset value asset smoothing method commenced with the fiscal year 2007 valuation. The UAAL for funding purposes, pursuant to the Gleason Settlement, is being amortized over a fixed 30-year period for the fiscal years 2006, 2007, and 2008. As of June 30, 2005, the valuation year used to compute the fiscal year 2007 annually required contribution, there were 28 years remaining in the amortization period. For valuations effective June 30, 2007, SDCERS' Board of Administration decided to use a 20-year amortization schedule. Beginning with the valuation dated June 30, 2007, the normal cost and UAAL amortization cost will be determined using the Entry Age Normal actuarial method, the result of which will cause the UAAL used in the determination of the fiscal year 2009 ARC to increase by approximately $252,200.

The following table shows the City's annual pension cost ("APC") and the percentage of APC contributed for the fiscal year ended June 30, 2007 and two preceding years (in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2005	$ 179,743	67.92%	$ 290,190
2006	175,879	154.28%	194,720
2007	169,762	99.63%	195,356

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, 2007, the City's NPO is approximately $195,356 and is reported in accordance with GASB 27. See table above.

The change to NPO is derived by first calculating the City's Annual Required Contribution ("ARC"). The ARC is

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

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

ARC [Fiscal Year 2007]	$	165,222
Contributions [Fiscal Year 2007]		(169,126)
Interest on NPO		15,556
ARC Adjustment		(11,016)
Change in NPO		636
NPO Beginning of Year [July 1, 2006]		194,720
NPO End of Year [June 30, 2007]	$	195,356

NPO Components related to Retiree Health

The City's annual contribution to SDCERS pension trust fund, for the fiscal years ended June 30, 2005, 2004, and 2003, included amounts that were contributed to the 401(h) Fund for healthcare benefits and are reported net of this contribution. Annual realized earnings, as determined by the SDMC Sections 24.1501 and 24.1502, in the pension trust fund were withdrawn and used to offset the portion of the City's contribution that went to healthcare benefits instead of being retained in the pension trust fund. This funding mechanism is a violation of the Internal Revenue Code (IRC) Section 401(a). SDCERS hired counsel to make a filing to the IRS to correct this operational failure and IRC violation. (See Contingencies Note 18 for additional disclosures). The amounts paid from the pension trust fund for healthcare benefits were approximately $7,900 in fiscal year 2005, $12,800 in fiscal year 2004, and $11,500 in fiscal year 2003. These payments have been removed from the City contribution amounts and resulted in an increase to the City's NPO. The cumulative impact to the City's NPO related to the diversion of assets to fund retiree health is approximately $79,000. The City's contribution related to retiree health for the fiscal year 2007 was placed in a Retiree Health Trust Fund which is paid from the City's operating funds. (See Other Post Employment Benefits Note 13 for further details.)

NPO Components related to Employee Offset Liabilities

In fiscal year 1998, the City set aside $37,800 in funds from the pension trust fund's undistributed earnings to fund the Employee Contribution Rate Reserve, and in accordance with SDMC §24.1502, annually added 8% interest earnings to this reserve. This employee contribution reserve was to pay for the City's share (offset) of the employee's retirement contribution. The amount of NPO related to the employee offset as of June 30, 2007 is $34,500. This reserve was depleted in fiscal year 2006. As noted in the Funding Contracts: Union Agreements section above, the agreements with labor unions resulted in the reduction of City "pick-up" of the employee pension contribution, followed by employees paying for the contribution upon depletion of the reserve.

NPO Components related to Corbett Settlement and Subsequent Benefit Increases

The City is amortizing the unfunded liability incurred as a result of the benefit increases pursuant to the Corbett Settlement. The City interprets GASB 27 to require that the amortization methods used in calculating funding for the Plan to be consistent with the method used to calculate Plan expense. Thus, the previous amortization method of 40 years open for expensing plan costs was found to be incorrect. The impact on the NPO related to Corbett as of June 30, 2007 is approximately $32,000.

NPO Components related to the Under Funding of Plan Contributions

As a result of the MP-1 and MP-2 funding contracts, the City's contributions for fiscal years 1996-2003 were less than the annual required contribution as determined by the actuary. The impact on the NPO related to the under funding of plan contributions as of June 30, 2007 is approximately $49,900.

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

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

In fiscal years 2006 and 2007, the City contributed $115,300 in addition to the ARC through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, and additional employee "pick up" savings. In fiscal year 2008, the City contributed approximately $27,300 in addition to the ARC which resulted in a total cumulative payment in addition to the ARC of approximately $142,600 for the fiscal years 2006 through 2008. These contributions are the same as those discussed in the Funding Contracts: Union Agreements section discussed previously.

DEFINED CONTRIBUTION PLANS

a. Supplemental Pension Savings Plan - City

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

The following table details plan participation as of June 30, 2007:

Plan	Participants
SPSP	8,461
SPSP – H	4,181

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

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

In fiscal year 2007, the City and the covered employees contributed approximately $23,372 and $23,360, respectively. As of June 30, 2007, the fair value of plan assets totaled approximately $542,777. SPSP is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund.

b. 401(k) Plan - City

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

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed approximately $27,025 during the fiscal year ended June 30, 2007. There is no City contribution towards the 401(k) Plan.

As of June 30, 2007, the fair value of plan assets totaled approximately $234,883. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

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

CCDC has a Money Purchase Pension Plan covering all full-time permanent employees (the "CCDC Plan"). The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each year, CCDC contributes semi-monthly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service. CCDC's total payroll in fiscal year 2007 was approximately $3,900. CCDC contributions were calculated using the base salary amount of approximately $3,544. CCDC made the required 8% contribution amounting to approximately $284 (net of forfeitures) for fiscal year 2007.

In addition, CCDC has a Tax Deferred Annuity Plan covering all full-time permanent employees. The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan by the employer and the employees, plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. CCDC's contributions for each employee are fully vested at time of contribution. The Tax Deferred Annuity Plan includes amounts deposited by employees prior to CCDC becoming a contributor to the CCDC Plan. CCDC made the required 16% contribution amounting to approximately $567 for fiscal year 2007.

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

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

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

A plan year is defined as a calendar year. SDCCC's balance for each eligible employee is vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. Forfeitures and

SDCCC Plan expenses are allocated in accordance with Plan provisions. A trustee bank holds the SDCCC Plan assets. The City does not act in a trustee or agency capacity for the SDCCC plan; therefore, these assets are not reported within the City's basic financial statements.

For the year ended June 30, 2007, pension expenditures for the SDCCC Plan amounted to $1,269. 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, 2007, the balance in the account was $140.

The balance at June 30, 2007 consisted of the total estimated liability plus interest earned on the account since its establishment in fiscal year 1991.

In addition, SDDPC has in effect a Money Purchase Pension Plan (the "SDDPC Plan") covering substantially all employees. The SDDPC Plan is a defined contribution plan, wherein benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC contributions for each employee are fully vested after four years of continuing service. The City does not act in a trustee or agency capacity for the SDDPC Plan; therefore, these assets are not reported within the City's basic financial statements. In fiscal year 2007, SDDPC made the required 20% contribution, amounting to approximately $3,483.

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

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

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (the "SDHC Plan"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce the SDHC's current-period contribution requirement. SDHC's covered payroll in fiscal year 2007 was approximately $11,514. SDHC made the required 14% contribution, amounting to approximately $1,614 for fiscal year 2007. 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 Economic Development Corporation (SEDC)

SEDC has an optional Simplified Employee Pension Plan covering all full-time permanent employees (the "SEDC Plan"). The SEDC Plan is a defined contribution plan administered by James Kerr & Associates, Inc and Morgan Stanley Dean Witter is the investment advisor. Under section 212 of the SEDC Employee Handbook, employees are eligible to participate six months after their date of employment, and SEDC contributes a monthly amount equal to 12% of the employees' base salary, or 15% of management employees' base salary. Such contributions are fully vested upon contribution. SEDC's total payroll in fiscal year 2007 was approximately $1,009. SEDC contributions were calculated using the base salary amount of approximately $889. SEDC made the required contribution, amounting to approximately $118 for fiscal year 2007. SEDC Plan members contributed an additional $3.6.

13. OTHER POSTEMPLOYMENT BENEFITS (In Thousands)

a. Plan Description

The City provides certain healthcare benefits to a variety of retired employees through SDCERS, as provided for in San Diego Municipal Code (SDMC) Sections 24.1201 through 24.1204. Currently, the benefits are primarily for health eligible retirees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Health eligible retirees can obtain health insurance coverage with the plan of their choice, including any City sponsored, union sponsored, or privately secured health plan. In fiscal year 2007, health eligible retirees who are also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $7.8 per year, in addition to reimbursement/payment for Medicare Part B premiums, limited to approximately $1.1 per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $7.3 per year. Non-health eligible employees who retired or terminated prior to October 6, 1980 and who are otherwise eligible for retirement allowances are also eligible for reimbursement/payment of healthcare benefits limited to a total of $1.2 per year.

b. Contributions

Expenses for postemployment healthcare benefits were paid for on a pay-as-you-go basis through fiscal year 2007. In fiscal year 2007, approximately 4,400 retirees received either City paid insurance or were reimbursed for other health insurance costs incurred amounting to approximately $27,100. Approximately $20,400 was paid by the City and approximately $6,700 was paid by retirees for beneficiary health benefits. These contributions were placed into a trust fund called the Retiree Health Trust Fund, and all retiree healthcare expenses are paid directly from this fund by SDCERS.

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. In preparation to meet the requirements of GASB 45, the City entered into an agreement on January 18, 2008 to pre-fund expenses related to postemployment healthcare benefits. The investment trust, administered by CalPERS, requires the City to pre-fund the trust in an amount not less than $5 annually. The City has already submitted partial ARC contributions to CalPERS for fiscal years 2008 and 2009, amounting to approximately $30,129 and $23,911, respectively. Beginning in fiscal year 2008, the postemployment healthcare actuarial accrued liability of approximately $882,646, all of which is unfunded, will be reported in the notes to the financial statements as well as in the required supplemental information in a manner similar to pension obligations.

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

Interfund Working Capital Advance (WCA) balances are the result of loans between funds that are expected to be repaid in excess of one year. The majority of the advances, approximately $7,700, are advances from the Housing and Urban Development (HUD) Section 108 and Naval Training Center Section 108 grant funds to RDA. Interfund WCA balances at June 30, 2007 are as follows:

	Benefiting Fund (Payable)
Contributing Fund (Receivable)	Nonmajor Governmental
General Fund	$ 300
Nonmajor Governmental	8,252
Total	$ 8,552

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year. The majority of these short-term loans, approximately $6,000, represents Transient Occupancy Tax (TOT) Fund loans to expenditure-driven grant funds that have temporary cash shortfalls pending reimbursement from the Federal Government and the State. Interfund receivable/payable balances at June 30, 2007 are as follows:

	Benefiting Fund (Payable)		
Contributing Fund (Receivable)	Nonmajor Governmental	Internal Service	Total
General Fund	$ 75	$ 1,400	$ 1,475
Nonmajor Governmental	6,563	-	6,563
Nonmajor Enterprise	3,326	-	3,326
Total	$ 9,964	$ 1,400	$ 11,364

The Sewer Utility Fund has an interfund loan receivable of $3,487, and the Black Mountain Ranch FBA Fund, a capital projects fund, has a corresponding interfund payable of $3,487 for advanced FBA project funding. The Sewer Fund agreed to finance the Carmel Valley Trunk Sewer project to facilitate earlier construction, of which a portion was deemed the responsibility of the Carmel Valley area developers and is intended to be reimbursed in fiscal year 2010 from FBA Fund assessment revenue.

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT, Storm Drain, and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for the capital projects and debt service needs during the fiscal year. Interfund transfer balances for the year ended June 30, 2007 are as follows:

	Benefiting Fund							
Contributing Fund	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	Capital Asset Transfers (Governmental)	Total
General Fund	$ -	$ 46,018	$ -	$ -	$ 3	$ 1,370	$ -	$ 47,391
Nonmajor Governmental	86,980	158,536	80	84	1,235	774	-	247,689
Sewer Utility	-	2,161	-	-	-	220	1	2,382
Water Utility	-	1,365	-	-	-	234	348	1,947
NonMajor Enterprise	1,608	801	-	-	-	-	11	2,420
Internal Service	2,573	1,001	7,738	352	666	9	-	12,339
Capital Asset Transfers (Gov)	-	-	-	-	396	-	-	396
Total	$ 91,161	$ 209,882	$ 7,818	$ 436	$ 2,300	$ 2,607	$ 360	$ 314,564

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) for amounts up to $50,000. The City's self-insurance retention amount is $5,000.

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

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

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2007 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 all public liability claims have been recorded in the Government-wide Statement of Net Assets as well as in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund.

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

	Public Liability	Workers' Comp & Long-Term Disability	Total
Balance, July 1, 2005	$ 102,349	$ 163,406	$ 265,755
Claims and Changes in Estimates	11,623	28,832	40,455
Claim Payments	(28,563)	(24,786)	(53,349)
Balance, June 30, 2006	85,409	167,452	252,861
Claims and Changes in Estimates	50,667	31,753	82,420
Claim Payments	(31,832)	(23,407)	(55,239)
Balance, June 30, 2007	$ 104,244	$ 175,798	$ 280,042

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

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

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

During fiscal year 2007, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, the settlements have not exceeded insurance coverage.

See Contingencies, Note 18, for additional information.

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

The Grants Fund (Special Revenue) and the Capital Outlay Fund (Capital Projects) have net deficits of approximately ($8,971) and ($6,533), respectively, due to the large number of reimbursement grants accounted for within these funds. With reimbursement grants, the resources remain the property of the grantor until allowable costs are incurred. The grants revenues are recognized as soon as all eligibility criteria have been met and the amounts become available. This results in a deficit fund balance in these funds.

The Self Insurance Fund (Internal Service) has a net deficit of approximately ($178,686), which represents unfunded estimated claims and claim settlements related to Public Liability, Workers' Compensation, and Long-Term Disability. It is anticipated that individual claim settlements will be funded through future user charges subsequent to the filing of a claim and prior to its settlement. In addition to user charges, in January 2008, the Mayor's office presented a five-year financial outlook to the City Council that outlines a proposal to fund the Self Insurance Fund by contributing an additional $5,000 to the Public Liability Reserves in fiscal year 2008, $10,000 in fiscal year 2009, and an additional $5,000 to workers compensation in fiscal year 2009. On November 13, 2007 the City Council also approved the formal City Reserve Policy. This policy contains a "Risk Management Reserve Policy" for the self insurance funds which addresses funding reserves for both the Public Liability and Worker's Compensation funds in the future.

Publishing Services (Internal Service) has a net deficit of ($944), due to a decline in work production, and outdated pricing for services which are not fully cost recoverable. Publishing services is restructuring their rates to ensure full cost recovery.

Special Engineering (Internal Service) has a net deficit of ($1,005) which is primarily the result of the net pension costs incurred in the fund. Rates will be restructured to ensure this fund is fully cost recoverable.

17. COMMITMENTS (In Thousands)

As of June 30, 2007, the City's business-type activities contractual commitments are as follows:

Airports	$	1,864
Environmental Services		15,403
Sewer Utility		59,515
Water Utility		53,373
Other		5,706
Total Contractual Commitments	$	135,861

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

Consent Decree

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

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

The EPA, the City and the environmental groups reached an agreement on additional requirements to reduce sewer spills, which are set forth in a Consent Decree (the "Consent Decree"). The Consent Decree requires increased sewer spill response and tracking, increased root control, replacement or rehabilitation of 250 miles of pipeline, a canyon economic and environmental analysis, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The estimated average annual cost of this commitment is $108,000 per year in capital projects and $47,000 per year in operational maintenance to the sewer system through the term of the settlement; however, the costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. No civil penalty payment was required, though stipulated penalties ranging from $375 (in whole dollars) to $20,000 (in whole dollars) per occurrence are included for subsequent violations of the Consent Decree. The Consent Decree was approved by the Court on October 9, 2007, settling all remaining issues in the case.

Four sewer rate increases were approved for FY 2007 through FY 2010 to partially fund the obligations of the Consent Decree. However, additional rate increases will be necessary (likely beginning in year 2011) to completely fund the Consent Decree. The City funds the Capital Projects in the Consent Decree through the issuance of notes and bonds which are repaid by the sewer system's revenues.

California Department of Public Health Compliance Order

In 1994, the City of San Diego entered into a compliance agreement with the State of California Department of Public Health ("DPH") with the approval of City Council, after the DPH Drinking Water Field Operations Branch conducted a sanitary survey of the City's water system. This agreement required the City to correct operational deficiencies and begin necessary capital improvements. The City was notified in January of 1997 that it was not in compliance with this agreement. At that time, the DPH issued a compliance order. The January 1997 Compliance Order was last amended in May of 2007 ("Amendment 11"), and included additional items that were not in the original Compliance Order. The DPH Compliance Order will remain in effect until the required projects are completed.

Presently, the Water Department is meeting all of the requirements of the DPH Compliance Order, including the ongoing obligation to provide DPH with quarterly progress reports. On February 26, 2007, the City authorized an increase in water rates and charges to continue funding projects mandated in the DPH Compliance Order as well as other Capital Improvement Program projects. In addition, on October 8, 2007, the City authorized a "pass-through" rate increase to account for the higher cost of water purchased from the San Diego County Water Authority. The pass-through rate increase took effect on January 1, 2008 and will help preserve the funds previously committed to DPH Compliance Order projects.

DPH has the authority to impose civil penalties if the City fails to meet DPH Compliance Order deadlines, although DPH has not imposed such penalties to date. Violation of the DPH Compliance Order may be subject to judicial action, including civil penalties specified in California Health and Safety Code, Section 116725. Section 116725 penalties for violating a schedule of compliance for a primary drinking water standard can go as high as $25,000 (in whole dollars) per day for each violation; for violating other standards, such as turbidity, the penalties can reach $5,000 (in whole dollars) per day. There are a number of additional enforcement tools prescribed by law, including mandatory water conservation, litigation and service connection moratoriums.

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

Total Projects	FY07	FY08 - FY11	FY12 - FY19	TOTAL
DPH & EPA Requirements	$ 28,292	$ 345,747	$ 214,877	$ 588,916
DPH Related Projects	4,614	137,191	315,245	457,050

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

Convention Center Dewatering

The City is responsible for the disposition and monitoring of the quality of groundwater from the parking structure at the San Diego Convention Center located adjacent to San Diego Bay. The Convention Center includes a subterranean parking garage, which is subject to infiltration of groundwater, much of which originates from the bay. This groundwater must be continually pumped from the parking structure to prevent it from being inundated. Approximately 500,000 gallons of groundwater is pumped daily from the parking structure. Until March 26, 2008 this water was discharged into San Diego Bay. The City held a National Pollutant Discharge Elimination System ("NPDES") permit for the discharge, issued by the Regional Water Quality Control Board ("RWQCB"). The discharge had been failing to consistently meet water quality standards set forth in the permit, potentially exposing the City to fines and penalties of

up to $25,000 (in whole dollars) per day.

Monthly groundwater discharge sample results have not met the standards dictated by the NPDES permit since the end of calendar year 2005. This triggered the implementation of work to cease effluent violations within twenty seven months (from the end of March 2008), pursuant to an order of the RWQCB.

To achieve compliance with groundwater discharge requirements, the City retained an engineering consultant in 2006 to review all previous work and develop the most cost-effective engineering solution to achieve compliance. The consultant's final report was received in August 2007. This report determined that the most cost effective method to comply with the RWQCB Order in the near term was to divert the discharge from the bay to the sewer system. The cost for implementing this solution is estimated to be $709,488 (in whole dollars) for FY 2009, with subsequent annual increases based on approved sewer rates, for operational and sewer service charges. There is also a one-time sewer capacity charge of $5,904,930 (in whole dollars) that is due after the first year of diversion to the sewer. The City's General Fund is responsible for the funding, although the San Diego Port District, which owns the Convention Center property, may also be partially responsible.

The City of San Diego established the diversion to the sewer effective March 26, 2008 in compliance with the RWQCB Order. On May 19, 2008, the City requested permission from the EPA to make diversion of the groundwater into the sewer system permanent. As of the issuance of this report, the EPA is considering this request.

18. CONTINGENCIES (In Thousands)

FEDERAL AND STATE GRANTS

Grant monies received as reimbursement for costs incurred in Federal and State programs administered by the City are recognized as revenue. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audits for fiscal years ended June 30, 2004, 2005 and 2006 were completed by Macias Gini & O'Connell LLP and have been received and filed by the City Council.

Additionally, the local unit of the U.S. Department of Housing and Urban Development (HUD) has recently conducted an audit survey of the City's Community Development Block Grant (CDBG) program. The overall objective of the audit survey was to determine whether management complied with applicable laws, regulations, and requirements of HUD's CDBG program. After reviewing the program, HUD indicated that the City may not be in compliance with CFR 85.25. Specifically, HUD is concerned with CDBG loans to RDA, "Re-Loans", and other program eligibility issues.

The Office of the Inspector General (OIG) subsequently began an audit which focused on CDBG loans with RDA. As part of the audit process HUD has recommended that the City and RDA ensure timely payments of both principal and interest on CDBG loans made from the City to RDA. The total amount of the loans identified by HUD was $139,202. These loans are reported as a component of loans payable and accrued interest payable to the City in the long-term liabilities footnote of the Redevelopment Agency Financial Statements with an "unscheduled" maturity date. OIG has indicated a need to establish a repayment schedule; however, did not stipulate a proposed time period for repayment. Depending on the outcome of negotiations with HUD, repayment of the loans by RDA could impact RDA's liquidity. These loans do not appear in the City's CAFR as they represent interfund loans between two governmental funds in which repayment is not expected in a reasonable amount of time. Therefore, these loans are reported as interfund transfers in the fund level statements, and then eliminated as interfund activity in the government wide statements per GASB 34.

It is currently uncertain what, if any, other action HUD will take concerning potential non-compliance regulations over the use of federal funds. HUD also plans to proceed with another audit focusing on other CDBG activities, and this is scheduled to begin in October 2008.

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 not been able to satisfy its contractual obligations to provide to the national repositories audited financial statements, or financial information and operating data derived from the financial statements, for fiscal years 2003 through 2007 on a timely basis. At the time of each deadline, the City, as required by its continuing disclosure contractual obligations, provided to the national repositories a notice of the failure to file the audited annual financial statements information.

REGULATORY AND OTHER INDEPENDENT INVESTIGATIONS

In November 2006, the Securities and Exchange Commission (SEC) entered an Order sanctioning the City of San Diego for committing securities fraud by failing to disclose, in 2002 and 2003, material information about its pension and retiree health care obligations in connection with disclosures relating to the sale of its municipal bonds. To settle the action, the City

agreed to cease and desist from future securities fraud violations and to retain an independent consultant for three years to foster compliance with its disclosure obligations under the federal securities laws.

The SEC made the following determinations in the Order (figures are as of the date of the Order unless otherwise noted):

- The City failed to disclose that the City's unfunded liability to its pension plan was projected to increase to an estimated $2 billion at the beginning of fiscal year 2009, and that the City knew and failed to disclose that its health care liability would be in excess of $1.1 billion. (The information presented in the SDCERS actuarial valuation for the fiscal year ended June 30, 2007, which will be incorporated in the City's fiscal year 2009 financial statements, reported the unfunded actuarial liability to be $1.183 billion.)

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

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

- The City made these misleading statements through three different means:

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

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

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

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

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

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

Many of the recommendations contained in the V&E report were adopted by the City in October 2004. However, the City's accounting firm, KPMG, 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. (Kroll) and the law firm Willkie, Farr and Gallagher LLP, to act in the capacity of an audit committee. Kroll took over the investigation. The independent investigations

concluded when Kroll presented its final report to the City on August 8, 2006. The Kroll report concluded that there were numerous failures on the part of City government to conform to law, to adhere to principles of sound governance and financial reporting, and to protect the financial integrity of the City's pension system. The Kroll report was more fully summarized in the City's fiscal year 2003 financial report. The City's fiscal year 2003 financial report, and the entire Kroll report including interview summaries and footnotes, as well as the V&E report, are available at: www.sandiego.gov.

REMEDIATION OF CITY DISCLOSURE DEFICIENCIES

The City has taken a variety of remedial actions in the wake of the disclosure deficiencies identified by V&E, Kroll and the SEC. In response to the V&E Report, the City amended the municipal code to address certain control environment issues. The Disclosure Ordinance created the Disclosure Practices Working Group composed of City officials and outside disclosure counsel to review the form and content of all financial disclosures by the City and its related entities and a finance and disclosure unit within the City Attorney's Office. Pursuant to the Ordinance, the Auditor and Comptroller is required to annually review and report on internal controls within the City. In addition, mandatory training is required for City staff and officials, including the City Council and Mayor, regarding their obligations under federal and state securities laws.

Further reforms were proposed by the Mayor to address deficiencies identified in the Kroll Report. A monitor, who also serves as the Independent Consultant pursuant to the Order, was appointed on January 26, 2007, to oversee the implementation of the Mayor's remediation plan. Structural changes were made to the City's Finance Department to enhance accountability to the City's Chief Financial Officer, who also serves as the Auditor and Comptroller. The City Council amended the Municipal Code to create an Audit Committee comprised of three Councilmembers, which provides legislative oversight of the City's accounting and financial reporting processes and internal audit function.

In Fall 2007, an Internal Auditor was appointed by the Mayor, in consultation with the Audit Committee. The Internal Auditor reports to both the Chief Operating Officer and the Audit Committee. The City has also retained an independent actuary to provide periodic analysis of SDCERS' actuarial reporting and of the fiscal impact of pension and benefit related decisions. An Enterprise Resource Planning ("ERP") system has been purchased to enhance the timeliness and accuracy of the City's operational reporting; the first ERP modules are scheduled for activation in October 2008.

Certain recommendations included in the Kroll Report and the Mayor's remediation plan require further action by the City or the voters. An ordinance imposing criminal penalties for City employees who improperly influence the City's outside consultants has not been presented to the City Council for consideration. Changes to the City Charter to enhance the independence of both the Internal Auditor and the Audit Committee were approved with the passage of Proposition C (Prop C) in the June 3, 2008 election and are discussed in more detail below and in Note 22.

INDEPENDENT CONSULTANT'S ANNUAL REVIEW

The Independent Consultant required by the SEC Order has several specific mandates. Among these are annual reviews, for a three year period, of the City's policies, procedures and internal controls regarding financial disclosures. The Independent Consultant is also required to make recommendations concerning the City's policies, procedures and internal controls and to assess the City's adoption and implementation of these recommendations.

On June 7, 2007, the Independent Consultant issued an interim report to the City and the SEC to provide a preliminary review and assessment of the City's policies, procedures and internal controls over financial reporting. This report was not an annual review, but intended to provide an initial update of the City's progress. The SEC issued a letter acknowledging this initial report on July 23, 2007, recognizing the recommendations outlined and indicating that subsequent reports would provide more complete, specific and concrete recommendations with specific deadlines. The City responded to the SEC

letter on September 25, 2007, citing actions already taken by the City to strengthen internal controls over financial reporting and confirming the City's intent to continue working with the Independent Consultant in the near future.

On March 25, 2008 the Independent Consultant issued his first annual report to the City of San Diego which was received by the City Council on April 1, 2008. This report focused solely on the City's ongoing disclosure efforts and future compliance with disclosure obligations under federal securities laws. His recommendations are summarized below:

- Reconstitute the Audit Committee to be independent from financial management, which has the requisite expertise to perform its oversight functions, and has a sufficient relationship with the City Council to engender its confidence in view of the Council's role in the City's financial reporting. This recommendation was consistent with the June 3, 2008 Prop C charter revision which approved an Audit Committee consisting of two Councilmembers, one of whom would be chair, and three public members who must have at least 10 years of professional finance experience.
- Creation of an internal audit department separate from the Auditor and Comptroller's Office which directly reports to the Audit Committee. This recommendation was implemented with the approval of Prop C.
- Significantly increase staffing of the internal audit department.
- Involve the Audit Committee with hotline activity involving improper financial conduct and fraud.
- Establish a clear Chief Financial Officer position in the City Charter. This recommendation was implemented with the approval of Prop C.
- Better integrate and coordinate ERP and Internal Controls over Financial Reporting (ICFR) process to align objective and maximize resources. Devote additional resources to the ICFR process, and develop period end financial reporting routines. Also, report quarterly to the Audit Committee on the progress of these efforts.
- There were also several recommendations regarding the Audit Committee's procedures over CAFR review; consideration of a shelf-like disclosure system with the DPWG; review of the DPWG practices and functions; and others.

The complete report is available at: www.sandiego.gov.

GENERAL INVESTIGATIONS

The City Attorney is currently being investigated by the California State Bar. Bar investigations are confidential and the scope, nature, and likely outcome of the investigation are not known.

LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City has received approximately 2,300 notices of claims in fiscal year 2007.

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

Significant individual lawsuits are described below.

SDCERS v. City of San Diego

In 1996 and 2002, SDCERS, the City and various labor unions entered into agreements wherein the City of San Diego contributed less to the pension system than what was actuarially required. SDCERS has filed a complaint claiming the benefits are legal and should continue to be paid by the City. The City Attorney filed a cross-complaint alleging the benefits were not legal; however, that case was dismissed in December 2006. The City Attorney is currently appealing the case before the Court of Appeals.

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

On October 25, 2005, the SDPOA (SDPOA #2) filed a lawsuit against the City alleging failure to pay for overtime work under the Fair Labor Standards Act. The likelihood of an unfavorable outcome is reasonably possible and the liability is estimated to be in the range of $0 - $15,000.

Wayne Akeson, et al. v. City of San Diego

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

Ace Properties v. City of San Diego

On October 2, 2006, Ace Properties entered into an inverse condemnation case against the City of San Diego. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $3,000.

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

California Regional Water Quality Board Administrative Proceeding

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

IRS Voluntary Correction Program Settlement

SDCERS is operated as a qualified governmental defined benefit plan under Internal Revenue Code (IRC) §§ 401(a) and 414(d). In light of various concerns raised in investigative reports regarding practices of SDCERS that could have jeopardized its status as a qualified governmental defined benefit plan, SDCERS requested its outside tax counsel, Ice Miller LLP, to perform a comprehensive document compliance review, prepare submissions in accordance with the IRS Voluntary Correction Program (VCP), and work with the IRS to finalize a compliance statement to resolve SDCERS' compliance issues. A comprehensive settlement was reached between the IRS and SDCERS on December 20, 2007 (Settlement). The Settlement required the City and SCDERS to take certain corrective actions, some of which required Council approval, regarding certain provisions of its retirement plan within 150 days of December 20, 2007. The Settlement

did not require the City to pay any penalty payments or to make any additional contributions to the retirement system. On April 15, 2008, Council approved Ordinance O-2008-133 to comply with the IRS requirements outlined in the Settlement.

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

The practice of using pension plan assets, and later a bifurcation of City contributions to the pension plan to fund retirement healthcare benefits, resulted in the most significant plan violation in monetary terms. The compliance statement identified that from 1983 through 1991, retiree health benefits were paid by SDCERS when the plan document did not provide for such benefits. Additionally, the compliance statement states that the plan was not appropriately reimbursed for administrative expenses related to the provision of retiree health benefits from 1993 to 2006. Both of these failures were related to non-compliance with IRC § 401(a)(2). The cumulative value of improper payments associated with this failure was approximately $34 million. In a separate failure, the compliance statement also identified that from 1998 through 2005, the terms of the Plan did not comply with all of the provisions of IRC §§ 401(a)2 and 401(h) as it relates to the plan's administration of retirement health benefits and the use of plan earnings to fund the benefits. The compliance statement indicated that the manner in which the benefits were funded "made it extremely difficult, if not impossible to resolve that there was no inappropriate use of the Plan Assets." In this regard, and for the purposes of presenting fairly the effect on net assets, the City has estimated that from 1988 through 2006, the cumulative effect of the improper funding and administration of Retiree Health Benefits was approximately $77.1 million. These amounts will be treated as a reduction to City contributions against its Annually Required Contribution during the year in which the expenditures occurred and instead recorded as part of the City's Net Pension Obligation.

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

The estimated actuarially accrued liability related to excess benefits for eligible active members of the system, amounting to approximately $22.8 million, has been excluded from the actuarial valuation of the 401(a) retirement plan beginning in fiscal year 2006 (this liability is estimated to be approximately $30.4 million in the fiscal year 2007 actuarial valuation). Additionally, the liability for retired members of the Preservation of Benefit Plan, amounting to approximately $6.4 million, has been excluded from the fiscal year 2007 actuarial valuation of the 401(a) retirement plan. Accordingly, the liability related to excess benefits for retired members is reflected in the actuarial liabilities of the 401(a) plan in the actuarial

valuation dated June 30, 2006 as well as in the ARC payable in fiscal year 2008.

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

City Attorney Concerns with Pension System

The City Attorney has concluded that, in his opinion, the retirement benefits paid in excess of IRC § 415(b) limits referenced above, require voter approval as such benefits constitute a distinct pension plan not authorized under the City Charter. Therefore, it is also his opinion that the retirement benefits paid in excess of IRC § 415(b) limits are illegal and that the City should immediately discontinue payment. Other members of management believe that this issue has yet to be resolved in court related to lawsuits previously filed by the City Attorney. As such, the City intends to continue to treat these benefits as legal obligations until instructed to do otherwise by a court of law. In the opinion of management, a decision to terminate such benefits would expose the City's residents to unnecessary and costly legal fees.

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

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

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

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

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

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

[2] As of issuance of this report, this concern has not been involved in any type of litigation.

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

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

19. THIRD PARTY DEBT (In Thousands)

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

Mortgage and Revenue Bonds

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

Industrial Development Revenue Bonds

Industrial Development Revenue bonds have been issued to provide financial assistance for the acquisition, construction, and installation of privately-owned facilities for industrial, commercial or business purposes to mutually benefit the citizens of the City of San Diego. The final payments on all outstanding Industrial Development Revenue bonds occurred on November 6, 2006, accordingly, there was no balance outstanding as of June 30, 2007.

As of June 30, 2007, the status of all third party bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2007
Mortgage Revenue	$ 132,390	$ 32,530
Industrial Development Revenue	345,805	-
Total	$ 478,195	$ 32,530

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

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

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

The $16,935 reported as landfill closure and post closure care liability at June 30, 2007 represents the cumulative amount reported to date based on the use of 84% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post closure care of $3,216 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, 2007. 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, 2007, cash or equity in pooled cash and investments of $34,389 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

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

Under the agreement, SDDPC provides information technology services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental agency clients. Included in SDDPC's services revenue is approximately $2,833 related to ARJIS for the year ended June 30, 2007.

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

On July 1, 1997, the City entered into an operating agreement with Rural/Metro Corporation, a provider of emergency medical transport services, to form San Diego Medical Services Enterprise, LLC (SDMSE) for the purpose of providing the City with emergency medical services and to provide for "911" emergency calls. The operating agreement and related contracts to provide such services were renewed on July 1, 2002 and again on July 1, 2005. On July 1, 2008 operations were extended until December 31, 2008 under a separate extension agreement while a competitive bidding process is being conducted. The operating agreement will expire on December 31, 2008 unless SDMSE is awarded a new contract after the competitive bidding process.

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 2, 2007, the City privately placed a fiscal year 2007-2008 Tax Revenue Anticipation Note in the amount of $116,000 to meet general fund cash flow needs of the City on a thirteen month term. The fiscal year 2007-2008 Tax Revenue Anticipation Note was repaid on August 1, 2008.

On July 12, 2007, PFFA issued $17,230 of Series 2007A taxable pooled financing bonds for Southcrest, Central Imperial and Mount Hope Redevelopment Projects and $17,755 of Series 2007B tax-exempt pooled financing Bonds for Southcrest and Central Imperial Redevelopment Projects. The Series 2007A and Series 2007B bonds were issued to make loans to RDA for financing and refinancing redevelopment activities in the Southcrest, Central Imperial and Mount Hope Redevelopment Project areas. The issuance was through a public offering. The Series 2007A and 2007B bonds are secured by a Loan Agreement, a Second Supplemental Trust Agreement (Central Imperial Redevelopment Project Area), a Third Supplemental Trust Agreement (Southcrest Redevelopment Project Area), and a Fourth Supplemental Trust Agreement (Mount Hope Redevelopment Area), and are payable solely from the tax increment revenues derived from each project area. The fixed rate on the term bonds range from 4.0% to 6.65%, and the final maturity date is October 1, 2037.

On July 17, 2007, a breach of contract lawsuit was filed against the City of San Diego. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $2,000.

On July 26, 2007, RDA executed six separate non-revolving secured three-year term taxable and tax-exempt lines of credit with San Diego National Bank. Four taxable lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas for an aggregate of $34,000. The two remaining lines of credit are for non-housing or general purposes, one of which is a taxable line of credit in the amount of $20,000 for City Heights, and the other is for the NTC Redevelopment Project, which is taxable for $6,000 and tax-exempt for $10,000. RDA may elect to have the taxable advance bear interest at a fixed rate equal to the United States Three-Year Treasury Constant Maturities Index plus 1.90%, which will remain fixed for the entire period of such advance, or elect to have the interest set at a fixed rate equal to the One-Month LIBOR Rate plus 1.10%. Tax-exempt advances will bear interest at a fixed rate determined by adding .70% to the product of the One-Month LIBOR Rate multiplied by 90%. Interest will be payable quarterly in arrears along with a .45% per annum loan fee on the unused commitment. Principal is due at maturity with no prepayment penalty.

On September 28, 2007, several current firefighters for the City of San Diego filed suit against the City of San Diego Fire Department alleging sexual harassment, failure to prevent harassment, retaliation, emotional distress, and violation of freedom of speech experienced during the 2007 Gay Pride Parade in San Diego. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $3,000.

On October 21, 2007, multiple wild fires began burning throughout the county of San Diego. Fueled by dry Santa Ana winds, these fires prompted the evacuation of an estimated 500,000 residents. As of the issuance of this report, the City estimates that the fire related costs are approximately $24,000. The City has received cash advances of $5,800 to reimburse a portion of these costs and expects to receive additional reimbursements from federal and state agencies and other sources ranging from $0 - $16,000.

In December, 2007 the City of San Diego submitted an application to the EPA to request a renewal of a modified permit for the Point Loma Wastewater Treatment Plant. Point Loma successfully received a modified permit (also known as a waiver) in 1995, which was renewed in 2002. This will be the City's second renewal request. The application is currently under review and a tentative decision is expected in late November or December 2008. In the event the waiver is not approved for renewal the current cost estimate is $1,500,000 to the City, assuming the City cannot access land from the Navy or the United States Park Service. This estimate includes all financing and interest costs. There would also be an estimated increase in operating and maintenance costs of approximately $40,000 per year.

On January 18, 2008, the City Council approved, by majority vote, to enter into a trust arrangement to pre-fund expenses related to Other Post Employment Benefits. The trust, administered by CalPERS, requires the City to pre-fund the post employment benefits in an amount not less than $5 annually.

On February 28, 2008, PFFA sold, on a private placement basis, $150,000 of Subordinated Water Revenue Notes to finance the acquisition and construction of the City's water system and to reimburse for previous costs incurred. The Series 2008A Notes are secured by and payable solely from net system revenues of the Water Utility Fund. The 2008A Notes bear an interest rate of 3.28%, and the maturity date is August 28, 2009.

On April 1, 2008, the City Council approved, by majority vote, the tri-party Compliance Statement between the City of San Diego, SDCERS, and the Internal Revenue Service, which resolves SDCERS' Voluntary Correction Plan submissions. The Compliance Statement requires City Council to adopt certain Technical Tax ordinance amendments in order for SDCERS to maintain their qualified tax exempt status. On April 15, 2008, O-19740 was approved unanimously by City Council to amend the Tax Ordinance Retirement Plan consistent with the Compliance Statement.

On April 10, 2008, the City issued $3,950 of Community Facilities District No. 3 (Liberty Station) Special Tax Bonds, Series 2008A. Proceeds of the bonds were used to finance various public improvements needed to develop property located within the District. The 2008 bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are special, limited obligations of the district. The bonds are structured as serial and term bonds and were issued on a fixed rate basis. The interest rate on the bonds range from 3.5% to 6.1%, and the final maturity date is September 1, 2036.

On June 3, 2008, the voters of San Diego approved Proposition C (Prop C). Prop C amends the City Charter to separate the City's internal auditing function from supervision of the Manager (Mayor) by creating the new office of the City Auditor, which will be supervised by a restructured Audit Committee. The Audit Committee will consist of two Council members, one being chair, and three public members. The public members must have at least 10 years of professional finance experience, and will be appointed from candidates recommended from a screening committee comprised of the CFO, the IBA, one Council member, and two outside experts. Prop C also provides that the Manager (Mayor) will appoint, with Council confirmation, the CFO, who will assume the City's accounting responsibilities and oversee the City Treasurer. The measure also makes the Office of the IBA permanent, which would otherwise expire if the strong-mayor form of government does not get approved permanently in the year 2010.

On June 5, 2008, RDA issued $69,000 of Housing Tax Allocation Bonds for the purpose of financing certain improvements relating to, or increasing the supply of, low and moderate income housing in the Centre City Redevelopment Project and such other areas as authorized by the Redevelopment Law. The Series 2008A bonds are payable from, secured equally and are on parity with, outstanding Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004C, Series 2004D and 2006B bonds, by a charge and lien on the pledged housing tax revenues derived by RDA from the Redevelopment Project. The bond issuance is structured as serial and term bonds and has an interest rate that ranges from 3.74% to 6.30%, with a final maturity date of September 1, 2020.

On July 1, 2008, the City privately placed a fiscal year 2008-2009 Tax Revenue Anticipation Note in the amount of $135,000 to meet the general fund cash flow needs of the City on a fifteen month term.

Effective July 1, 2008, the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (TransNet Extension Ordinance) took effect based on the November 4, 2004 ballot approved by voters of San Diego County. The TransNet Extension Ordinance provides that SANDAG, acting as the Regional Transportation Commission, shall approve a multi-year program of projects submitted by local jurisdictions, identifying those transportation projects eligible to use transportation sales tax (TransNet) funds. The five-year period covered by the 2008 Regional Transportation Improvement Program (RTIP) includes fiscal years 2009 through 2013 and requires that annually, the amount of local discretionary funding for streets and roads be budgeted per the most recently established minimum maintenance of effort requirement adopted by SANDAG. The TransNet Extension Ordinance also requires an extraction of two thousand dollars from the private sector for each newly constructed residential housing unit in each jurisdiction to comply with the provisions of the Regional Transportation Congestion Improvement Program (RTCIP). On June 17, 2008, the City Council authorized the Mayor, or his designee, to make a submission for the 2008 RTIP for the City of San Diego.

On July 23, 2008, the President of SEDC was terminated by the Board of SEDC under allegations of misconduct. There currently is litigation over the appropriateness of the severance package awarded and also seeking to recover misappropriated assets. In September, an audit report was released publicly that documented suspected incidences of fraudulent activity related to, among other things, executive compensation. On September 10, 2008, the Mayor

requested that the District Attorney investigate this audit finding to determine if there was any criminal conduct involved.

On July 24, 2008, the President of CCDC resigned. During the months preceding and also subsequent to the resignation, allegations of misconduct stemming from potential violations of City and State of California conflict of interest laws became public. CCDC has since suspended activity on the projects associated with the alleged conflict of interest violations. Depending on the extent to which the counterparty was aware of conflicts of interest, CCDC could potentially be subject to litigation arising from construction delays or project cancellations. The full nature and extent of the misconduct along with the extent of any possible liability to the City or CCDC is currently unknown.

On August 21, 2008, the City issued $12,365 of Community Facilities District No. 4 (Black Mountain Ranch Villages) Special Tax Bonds to finance public improvements required in connection with the district. The Series 2008A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are limited obligations of the district. The bonds were structured as serial and term bonds, and were issued on a fixed rate basis. The fixed rate on the bonds range from 3.125% to 6.0%, and the final maturity date is September 1, 2037.

On September 22, 2008, the State passed its fiscal year 2008-2009 budget. This budget included a one-year, one-time ERAF shift of $350,000 from all California redevelopment agencies. ERAF is the Educational Revenue Anticipation Fund which is used by the County to accumulate property tax amounts shifted from local governments back to the State. These funds will not be repaid. The negative impact to RDA is projected to be $11,675 across all project areas.

The recent turmoil in the financial markets has been unprecedented. SDCERS has advised the City that as of June 30, 2008 the fair value of the Retirement System's total portfolio was approximately $4,687,989 (unaudited), excluding securities lending and transactions in transit. As of September 30, 2008, SDCERS has estimated the fair value to be $4,320,007 (unaudited), which represents a decrease of $367,982, or 7.8%, during the first quarter in fiscal year 2009 (all values are based on available unaudited information). Changes in the value of the Retirement System assets are the result of gains and losses in investments and the variability of cash flows. The market continues to be volatile after September 30, 2008, but this cutoff date was chosen because it is the most recently closed period in SDCERS management's monthly investment reporting process and a reasonable cut off period for disclosure of subsequent events to the fiscal year 2007 financial statements.

As is the case with most retirement systems, SDCERS is exposed to general market risk. This general market risk is reflected in asset valuations fluctuating with market volatility. Any impact from market volatility on the Retirement System depends in large measure on how deep the market downturn is, how long it lasts, and how it fits within fiscal year reporting periods. The resulting market risk and associated realized and unrealized gains and losses could impact the financial condition of the Retirement System and the City's required contribution to the Retirement System. The reader of these financial statements is advised that financial markets continue to be volatile and are experiencing significant changes on almost a daily basis.

The City Treasurer's Investment Policy limits the composition of the holdings within the City's Equity in Pooled Cash and Investments held in City Treasury. The City Treasurer's Investment staff continues to focus investment decisions in accordance with Investment Policy primary objectives, which are preservation of principal and liquidity and therefore any potential loss of principal on any of the City's pooled investments is limited.

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 (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
6/30/2005 *	$ 2,983,080	$ 4,436,017	$ 1,452,937	67.25%	$ 557,631	260.56%
6/30/2006	3,981,932	4,982,700	1,000,768	79.92%	534,103	187.37%
6/30/2007 **	4,413,411	5,597,653	1,184,242	78.84%	512,440	231.10%

Source: Cheiron, Inc.

* For fiscal year 2005, the actuarial accrued liability, UAAL, and funded ratio has been adjusted to reflect the impact of the Corbett contingent benefit. The actuarial valuation provided by the actuary for this year does not include this contingent benefit in the funded ratio. However, the valuations prepared by the actuary for fiscal years 2006 and 2007 do include the impact of the Corbett contingent benefit.

** The actuarial accrued liability was calculated using the Entry Age Normal (EAN) method beginning in fiscal year 2007. Prior to fiscal year 2007, the Projected Unit Credit (PUC) method was used.

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Required Supplementary Information - General Fund

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GENERAL FUND

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

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

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

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Tax	$ 344,824	$ 355,348	$ 361,062	$ 5,714
Sales Tax	243,070	243,070	233,385	(9,685)
Transient Occupancy Tax	72,863	72,863	80,703	7,840
Other Local Taxes	79,655	79,656	74,069	(5,587)
Licenses and Permits	30,808	31,119	31,475	356
Fines, Forfeitures and Penalties	34,548	37,950	40,346	2,396
Revenue from Use of Money and Property	35,435	41,143	42,157	1,014
Revenue from Federal Agencies	3,433	3,433	5,066	1,633
Revenue from Other Agencies	25,506	25,506	16,644	(8,862)
Charges for Current Services	94,209	94,574	85,026	(9,548)
Other Revenue	3,456	3,349	2,730	(619)
TOTAL REVENUES	967,807	988,011	972,663	(15,348)
EXPENDITURES				
Current:				
General Government and Support	226,412	231,157	202,910	28,247
Public Safety - Police	355,277	360,403	349,364	11,039
Public Safety - Fire and Life Safety and Homeland Security	171,147	174,015	173,005	1,010
Parks, Recreation, Culture and Leisure	121,907	122,534	116,352	6,182
Transportation	76,524	70,003	68,090	1,913
Sanitation and Health	40,670	42,708	40,393	2,315
Neighborhood Services	20,477	21,577	20,276	1,301
Debt Service:				
Principal Retirement	-	2,604	2,604	-
Interest	2,000	6,529	6,519	10
TOTAL EXPENDITURES	1,014,414	1,031,530	979,513	52,017
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(46,607)	(43,519)	(6,850)	36,669
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	2,215	2,215	4,181	1,966
Transfers from Other Funds	53,310	53,356	86,980	33,624
Transfers to Proprietary Funds	(199)	(1,373)	(1,373)	-
Transfers to Other Funds	(27,842)	(46,018)	(46,018)	-
Net Income from Joint Venture	-	-	35	35
TOTAL OTHER FINANCING SOURCES (USES)	27,484	8,180	43,805	35,625
NET CHANGE IN FUND BALANCE	(19,123)	(35,339)	36,955	72,294
Fund Balance Undesignated at July 1, 2006	39,884	39,884	39,884	-
Reserved for Encumbrances at July 1, 2006	18,916	18,916	18,916	-
Reserved for Minority Interest in Joint Venture at July 1, 2006	-	-	2,063	2,063
Reserved for Minority Interest in Joint Venture at June 30, 2007	-	-	(2,097)	(2,097)
Designated for Subsequent Years' Expenditures at July 1, 2006	469	469	469	-
Designated for Subsequent Years' Expenditures at June 30, 2007	-	-	(1,159)	(1,159)
FUND BALANCE UNDESIGNATED AT JUNE 30, 2007	$ 40,146	$ 23,930	$ 95,031	$ 71,101

The accompanying note is an integral part of the financial statements.

Note to Required Supplementary Information
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Budgetary Data

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

- General Fund
- Special Revenue Funds:
  - -City of San Diego:
    - -Acquisition, Improvement and Operations
    - -Environmental Growth Funds:
      - -Two-Thirds Requirement
      - -One-Third Requirement
    - -Police Decentralization
    - -Public Transportation
    - -Qualcomm Stadium Operations
    - -Special Gas Tax Street Improvement
    - -Street Division Operations
    - -Transient Occupancy Tax
    - -Underground Surcharge
    - -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

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

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

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations.

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

The following is a reconciliation of the net change in fund balance prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2007 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	$ 70,407
Add (Deduct):	
Encumbrances Outstanding, June 30, 2007	(33,452)
Reserved for Advances, June 30, 2007	(309)
Reserved for Advances, June 30, 2006	309
Net Change in Fund Balances - Budgetary Basis	$ 36,955

b. Encumbrances

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

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

Supplementary Information - General Fund

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GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAX					
One Percent Property Tax Allocation	$ -	$ -	$ -	$ 354,720	$ (354,720)
Current Year - Secured	225,927	-	225,927	-	225,927
Current Year Supplemental - Secured	17,723	-	17,723	-	17,723
Current Year - Unsecured	8,722	-	8,722	-	8,722
Current Unsecured Supplemental Roll	386	-	386	-	386
Homeowners' Exemptions - Secured	2,732	-	2,732	-	2,732
Homeowners' Exemptions - Unsecured	2	-	2	-	2
Prior Years' - Secured	6,198	-	6,198	628	5,570
Prior Years' - Unsecured	(324)	-	(324)	-	(324)
In-Lieu Vehicle License Fees	92,793	-	92,793	-	92,793
Interest and Penalties on Delinquent Taxes	922	-	922	-	922
Escapes - Secured	394	-	394	-	394
Escapes - Unsecured	307	-	307	-	307
Other Property Taxes	1,436	-	1,436	-	1,436
State Secured Unitary	3,844	-	3,844	-	3,844
TOTAL PROPERTY TAX	361,062	-	361,062	355,348	5,714
SALES TAX	233,385	-	233,385	243,070	(9,685)
TRANSIENT OCCUPANCY TAX	80,703	-	80,703	72,863	7,840
OTHER LOCAL TAXES					
Franchises	64,762	-	64,762	64,783	(21)
Property Transfer Tax	9,307	-	9,307	14,873	(5,566)
TOTAL OTHER LOCAL TAXES	74,069	-	74,069	79,656	(5,587)
LICENSES AND PERMITS					
General Business Licenses	7,191	-	7,191	7,312	(121)
Refuse Collection Business Licenses	2,040	-	2,040	1,700	340
Other Regulatory Business Licenses	3,727	-	3,727	3,360	367
Rental Unit Tax	6,758	-	6,758	6,730	28
Parking Meter Revenue	7,363	-	7,363	7,179	184
Street and Curb Permits	99	-	99	126	(27)
Other Licenses and Permits	4,297	-	4,297	4,712	(415)
TOTAL LICENSES AND PERMITS	31,475	-	31,475	31,119	356
FINES, FORFEITURES AND PENALTIES					
California Vehicle Code Violations	29,780	-	29,780	29,948	(168)
Other City Ordinance Code Violations	10,565	-	10,565	8,002	2,563
Other California Statutory Violations	1	-	1	-	1
TOTAL FINES, FORFEITURES AND PENALTIES	40,346	-	40,346	37,950	2,396
REVENUE FROM USE OF MONEY AND PROPERTY					
Interest on Investments	6,092	-	6,092	7,152	(1,060)
Balboa Park Rents and Concessions	695	-	695	569	126
Mission Bay Park Rents and Concessions	27,858	-	27,858	26,149	1,709
Other Rents and Concessions	7,512	-	7,512	7,273	239
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	42,157	-	42,157	41,143	1,014
REVENUE FROM FEDERAL AGENCIES	5,066	-	5,066	3,433	1,633

Continued on Next Page

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM OTHER AGENCIES					
State Motor Vehicle License Fees	$ 8,101	$ -	$ 8,101	$ 9,255	$ (1,154)
Local Relief	5,416	-	5,416	5,303	113
Tobacco Revenue	76	-	76	9,334	(9,258)
State Grants	3,051	-	3,051	1,614	1,437
TOTAL REVENUE FROM OTHER AGENCIES	16,644	-	16,644	25,506	(8,862)
CHARGES FOR CURRENT SERVICES					
Administrative Services to Other Agencies	22	-	22	112	(90)
Cemetery Revenue	715	-	715	911	(196)
Engineering Services	433	-	433	807	(374)
Fire Services	10,173	-	10,173	11,992	(1,819)
Library Revenue	1,422	-	1,422	1,366	56
Miscellaneous Recreation Revenue	3,570	-	3,570	2,568	1,002
Other Services	474	-	474	239	235
Paramedic Services	165	-	165	131	34
Planning and Miscellaneous Filing Fees	205	-	205	267	(62)
Police Services	5,049	-	5,049	3,828	1,221
Swimming Pools Revenue	1,119	-	1,119	1,575	(456)
Services Rendered to Other Funds for:					
General Government and Financial	29,360	-	29,360	40,974	(11,614)
Engineering	19,970	-	19,970	20,025	(55)
Park Design	2,664	-	2,664	3,124	(460)
Miscellaneous Services	9,685	-	9,685	6,655	3,030
TOTAL CHARGES FOR CURRENT SERVICES	85,026	-	85,026	94,574	(9,548)
OTHER REVENUE					
Other Refunds of Prior Years' Expenditures	509	-	509	340	169
Repairs and Damage Recoveries	633	-	633	322	311
Sale of Personal Property	202	-	202	136	66
Miscellaneous Revenue	1,386	-	1,386	2,551	(1,165)
TOTAL OTHER REVENUE	2,730	-	2,730	3,349	(619)
TOTAL REVENUES	972,663	-	972,663	988,011	(15,348)
TRANSFERS FROM PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Environmental Services	-	-	-	607	(607)
Golf Course	1,608	-	1,608	1,608	-
Internal Service Funds:					
City of San Diego:					
Central Garage and Machine Shop	416	-	416	-	416
Central Stores	24	-	24	-	24
Self Insurance	1,798	-	1,798	-	1,798
Miscellaneous Internal Service	335	-	335	-	335
TOTAL TRANSFERS FROM PROPRIETARY FUNDS	4,181	-	4,181	2,215	1,966

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSFERS FROM OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement, & Operations	17	-	17	-	17
Environmental Growth Fund	8,570	-	8,570	8,792	(222)
Police Decentralization	182	-	182	-	182
Special Gas Tax Street Improvement	22,714	-	22,714	22,642	72
Street Division Operations	2,878	-	2,878	-	2,878
Transient Occupancy Tax	852	-	852	276	576
Zoological Exhibits	84	-	84	-	84
Other Special Revenue-Budgeted	17,277	-	17,277	5,462	11,815
Grants	128	-	128	-	128
Other Special Revenue-Unbudgeted	13,235	-	13,235	228	13,007
Redevelopment Agency	-	-	-	500	(500)
Capital Projects Funds:					
City of San Diego:					
TransNet	9,353	-	9,353	15,048	(5,695)
Other Construction	11,337	-	11,337	-	11,337
Redevelopment Agency	-	-	-	33	(33)
Permanent Funds:					
Cemetery Perpetuity	353	-	353	375	(22)
TOTAL TRANSFERS FROM OTHER FUNDS	86,980	-	86,980	53,356	33,624
NET INCOME FROM JOINT VENTURE	35	-	35	-	35
TOTAL REVENUE AND TRANSFERS	$ 1,063,859	$ -	$ 1,063,859	$ 1,043,582	$ 20,277

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT AND SUPPORT					
Departmental:					
Mayor					
Salaries and Wages	$ 115	$ -	$ 115	$ 115	$ -
Non-Personnel	114	-	114	126	12
Total Mayor	229	-	229	241	12
City Council District 1					
Salaries and Wages	507	-	507	507	-
Non-Personnel	432	12	444	444	-
Total City Council District 1	939	12	951	951	-
City Council District 2					
Salaries and Wages	514	-	514	514	-
Non-Personnel	364	-	364	364	-
Total City Council District 2	878	-	878	878	-
City Council District 3					
Salaries and Wages	563	-	563	563	-
Non-Personnel	424	-	424	424	-
Total City Council District 3	987	-	987	987	-
City Council District 4					
Salaries and Wages	533	-	533	533	-
Non-Personnel	415	-	415	415	-
Total City Council District 4	948	-	948	948	-
City Council District 5					
Salaries and Wages	470	-	470	470	-
Non-Personnel	373	-	373	373	-
Total City Council District 5	843	-	843	843	-
City Council District 6					
Salaries and Wages	487	-	487	487	-
Non-Personnel	372	-	372	372	-
Total City Council District 6	859	-	859	859	-
City Council District 7					
Salaries and Wages	515	-	515	515	-
Non-Personnel	381	1	382	382	-
Total City Council District 7	896	1	897	897	-
City Council District 8					
Salaries and Wages	564	-	564	564	-
Non-Personnel	417	-	417	417	-
Total City Council District 8	981	-	981	981	-
Council Administration					
Salaries and Wages	1,544	-	1,544	1,620	76
Non-Personnel	1,090	97	1,187	1,202	15
Total Council Administration	2,634	97	2,731	2,822	91
City Attorney					
Salaries and Wages	22,165	-	22,165	22,431	266
Non-Personnel	15,424	482	15,906	15,907	1
Total City Attorney	37,589	482	38,071	38,338	267

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 115	$ -	$ 115	$ 115	$ -
6	-	6	6	-	120	-	120	132	12
6	-	6	6	-	235	-	235	247	12
-	-	-	-	-	507	-	507	507	-
-	-	-	-	-	432	12	444	444	-
-	-	-	-	-	939	12	951	951	-
-	-	-	-	-	514	-	514	514	-
-	-	-	-	-	364	-	364	364	-
-	-	-	-	-	878	-	878	878	-
-	-	-	-	-	563	-	563	563	-
-	-	-	-	-	424	-	424	424	-
-	-	-	-	-	987	-	987	987	-
-	-	-	-	-	533	-	533	533	-
-	2	2	2	-	415	2	417	417	-
-	2	2	2	-	948	2	950	950	-
-	-	-	-	-	470	-	470	470	-
-	-	-	-	-	373	-	373	373	-
-	-	-	-	-	843	-	843	843	-
-	-	-	-	-	487	-	487	487	-
-	-	-	-	-	372	-	372	372	-
-	-	-	-	-	859	-	859	859	-
-	-	-	-	-	515	-	515	515	-
-	-	-	-	-	381	1	382	382	-
-	-	-	-	-	896	1	897	897	-
-	-	-	-	-	564	-	564	564	-
-	-	-	-	-	417	-	417	417	-
-	-	-	-	-	981	-	981	981	-
-	-	-	-	-	1,544	-	1,544	1,620	76
-	-	-	-	-	1,090	97	1,187	1,202	15
-	-	-	-	-	2,634	97	2,731	2,822	91
-	-	-	-	-	22,165	-	22,165	22,431	266
79	11	90	94	4	15,503	493	15,996	16,001	5
79	11	90	94	4	37,668	493	38,161	38,432	271

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Departmental (Continued):					
City Auditor and Comptroller					
Salaries and Wages	$ 5,680	$ -	$ 5,680	$ 6,942	$ 1,262
Non-Personnel	3,915	183	4,098	4,169	71
Total City Auditor and Comptroller	9,595	183	9,778	11,111	1,333
City Clerk					
Salaries and Wages	2,066	-	2,066	2,245	179
Non-Personnel	1,835	35	1,870	1,871	1
Total City Clerk	3,901	35	3,936	4,116	180
City Manager					
Salaries and Wages	1,896	-	1,896	1,921	25
Non-Personnel	1,057	-	1,057	1,057	-
Total City Manager	2,953	-	2,953	2,978	25
Office of the CIO					
Salaries and Wages	-	-	-	-	-
Non-Personnel	10,044	156	10,200	11,581	1,381
Total Office of the CIO	10,044	156	10,200	11,581	1,381
Engineering and Capital Projects Administration					
Salaries and Wages	304	-	304	304	-
Non-Personnel	179	-	179	179	-
Total Engineering and Capital Projects Administration	483	-	483	483	-
Field Engineering					
Salaries and Wages	8,022	-	8,022	9,197	1,175
Non-Personnel	4,979	77	5,056	5,057	1
Total Field Engineering	13,001	77	13,078	14,254	1,176
Public Buildings & Parks					
Salaries and Wages	2,218	-	2,218	3,727	1,509
Non-Personnel	1,319	140	1,459	1,468	9
Total Public Buildings & Parks	3,537	140	3,677	5,195	1,518
Budget and Management Services					
Salaries and Wages	1,484	-	1,484	1,816	332
Non-Personnel	939	-	939	1,190	251
Total Budget and Management Services	2,423	-	2,423	3,006	583
City Treasurer					
Salaries and Wages	5,119	-	5,119	6,913	1,794
Non-Personnel	6,322	675	6,997	6,997	-
Total City Treasurer	11,441	675	12,116	13,910	1,794
Financing Services					
Salaries and Wages	734	-	734	1,149	415
Non-Personnel	537	15	552	626	74
Total Financing Services	1,271	15	1,286	1,775	489
General Services - Administration					
Salaries and Wages	265	-	265	305	40
Non-Personnel	140	6	146	146	-
Total General Services - Administration	405	6	411	451	40
Station 38					
Salaries and Wages	353	-	353	353	-
Non-Personnel	203	-	203	203	-
Total Station 38	556	-	556	556	-

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 5,680	$ -	$ 5,680	$ 6,942	$ 1,262
72	-	72	76	4	3,987	183	4,170	4,245	75
72	-	72	76	4	9,667	183	9,850	11,187	1,337
-	-	-	-	-	2,066	-	2,066	2,245	179
1	31	32	33	1	1,836	66	1,902	1,904	2
1	31	32	33	1	3,902	66	3,968	4,149	181
-	-	-	-	-	1,896	-	1,896	1,921	25
-	-	-	-	-	1,057	-	1,057	1,057	-
-	-	-	-	-	2,953	-	2,953	2,978	25
-	-	-	-	-	-	-	-	-	-
(36)	36	-	-	-	10,008	192	10,200	11,581	1,381
(36)	36	-	-	-	10,008	192	10,200	11,581	1,381
-	-	-	-	-	304	-	304	304	-
-	6	6	6	-	179	6	185	185	-
-	6	6	6	-	483	6	489	489	-
-	-	-	-	-	8,022	-	8,022	9,197	1,175
10	8	18	69	51	4,989	85	5,074	5,126	52
10	8	18	69	51	13,011	85	13,096	14,323	1,227
-	-	-	-	-	2,218	-	2,218	3,727	1,509
135	47	182	182	-	1,454	187	1,641	1,650	9
135	47	182	182	-	3,672	187	3,859	5,377	1,518
-	-	-	-	-	1,484	-	1,484	1,816	332
-	-	-	-	-	939	-	939	1,190	251
-	-	-	-	-	2,423	-	2,423	3,006	583
-	-	-	-	-	5,119	-	5,119	6,913	1,794
132	1,001	1,133	1,204	71	6,454	1,676	8,130	8,201	71
132	1,001	1,133	1,204	71	11,573	1,676	13,249	15,114	1,865
-	-	-	-	-	734	-	734	1,149	415
-	1	1	1	-	537	16	553	627	74
-	1	1	1	-	1,271	16	1,287	1,776	489
-	-	-	-	-	265	-	265	305	40
-	-	-	1	1	140	6	146	147	1
-	-	-	1	1	405	6	411	452	41
-	-	-	-	-	353	-	353	353	-
1	-	1	1	-	204	-	204	204	-
1	-	1	1	-	557	-	557	557	-

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Departmental (Continued):					
Facilities Maintenance					
Salaries and Wages	$ 6,096	$ -	$ 6,096	$ 6,531	$ 435
Non-Personnel	9,306	398	9,704	9,902	198
Total Facilities Maintenance	15,402	398	15,800	16,433	633
Purchasing					
Salaries and Wages	1,207	-	1,207	1,207	-
Non-Personnel	832	4	836	863	27
Total Purchasing	2,039	4	2,043	2,070	27
Storm Water					
Salaries and Wages	1,286	-	1,286	1,517	231
Non-Personnel	2,472	5,642	8,114	8,115	1
Total Storm Water	3,758	5,642	9,400	9,632	232
Governmental Relations					
Non-Personnel	-	-	-	-	-
Human Resources					
Salaries and Wages	630	-	630	807	177
Non-Personnel	611	1	612	745	133
Total Human Resources	1,241	1	1,242	1,552	310
Organizational Effectiveness Program					
Non-Personnel	-	-	-	2	2
Personnel					
Salaries and Wages	3,621	-	3,621	4,055	434
Non-Personnel	2,454	248	2,702	2,927	225
Total Personnel	6,075	248	6,323	6,982	659
Real Estate Assets					
Salaries and Wages	1,959	-	1,959	2,881	922
Non-Personnel	1,374	514	1,888	1,888	-
Total Real Estate Assets	3,333	514	3,847	4,769	922
Special Projects					
Salaries and Wages	296	-	296	296	-
Non-Personnel	407	31	438	438	-
Total Special Projects	703	31	734	734	-
Ethics Commission					
Salaries and Wages	392	-	392	652	260
Non-Personnel	238	10	248	355	107
Total Ethics Commission	630	10	640	1,007	367
Business and Grant Administration					
Salaries and Wages	469	-	469	469	-
Non-Personnel	292	-	292	292	-
Total Business and Grant Administration	761	-	761	761	-

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 6,096	$ -	$ 6,096	$ 6,531	$ 435
99	4	103	291	188	9,405	402	9,807	10,193	386
99	4	103	291	188	15,501	402	15,903	16,724	821
-	-	-	-	-	1,207	-	1,207	1,207	-
-	-	-	-	-	832	4	836	863	27
-	-	-	-	-	2,039	4	2,043	2,070	27
-	-	-	-	-	1,286	-	1,286	1,517	231
1,035	471	1,506	1,593	87	3,507	6,113	9,620	9,708	88
1,035	471	1,506	1,593	87	4,793	6,113	10,906	11,225	319
-	43	43	43	-	-	43	43	43	-
-	-	-	-	-	630	-	630	807	177
-	-	-	1	1	611	1	612	746	134
-	-	-	1	1	1,241	1	1,242	1,553	311
6	4	10	10	-	6	4	10	12	2
-	-	-	-	-	3,621	-	3,621	4,055	434
200	119	319	476	157	2,654	367	3,021	3,403	382
200	119	319	476	157	6,275	367	6,642	7,458	816
-	-	-	-	-	1,959	-	1,959	2,881	922
45	33	78	188	110	1,419	547	1,966	2,076	110
45	33	78	188	110	3,378	547	3,925	4,957	1,032
-	-	-	-	-	296	-	296	296	-
41	5	46	48	2	448	36	484	486	2
41	5	46	48	2	744	36	780	782	2
-	-	-	-	-	392	-	392	652	260
-	12	12	12	-	238	22	260	367	107
-	12	12	12	-	630	22	652	1,019	367
-	-	-	-	-	469	-	469	469	-
-		-		-	292	-	292	292	-
-	-	-	-	-	761	-	761	761	-

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Departmental (Continued):					
Purchasing and Contracting/Contracts Processing					
Salaries and Wages	$ 1,325	$ -	$ 1,325	$ 2,090	$ 765
Non-Personnel	925	126	1,051	1,811	760
Total Purchasing and Contracting/Contracts Processing	2,250	126	2,376	3,901	1,525
Business Office					
Salaries and Wages	457	-	457	578	121
Non-Personnel	326	147	473	487	14
Total Business Office	783	147	930	1,065	135
Community and Legislative Services					
Salaries and Wages	1,886	-	1,886	2,027	141
Non-Personnel	1,925	127	2,052	2,443	391
Total Community and Legislative Services	3,811	127	3,938	4,470	532
Office of Ethics and Integrity					
Salaries and Wages	493	-	493	541	48
Non-Personnel	473	120	593	652	59
Total Office of Ethics and Integrity	966	120	1,086	1,193	107
Department of Finance					
Salaries and Wages	150	-	150	193	43
Non-Personnel	112	-	112	178	66
Total Department of Finance	262	-	262	371	109
Land Use and Economic Development					
Salaries and Wages	155	-	155	155	-
Non-Personnel	82	-	82	83	1
Total Land Use and Economic Development	237	-	237	238	1
Public Works					
Salaries and Wages	297	-	297	297	-
Non-Personnel	150	-	150	150	-
Total Public Works	447	-	447	447	-
Public Safety					
Salaries and Wages	200	-	200	574	374
Non-Personnel	344	17	361	361	-
Total Public Safety	544	17	561	935	374
Customer & Neighborhood Services					
Salaries and Wages	250	-	250	250	-
Non-Personnel	129	-	129	129	-
Total Customer & Neighborhood Services	379	-	379	379	-
Customer Service					
Salaries and Wages	977	-	977	978	1
Non-Personnel	907	59	966	966	-
Total Customer Service	1,884	59	1,943	1,944	1
Total Departmental	152,898	9,323	162,221	177,046	14,825
Citywide Program:					
Reserve Contribution					
Non-Personnel	-	-	-	7,200	7,200
Assessments to Public Property					
Non-Personnel	522	-	522	522	-
Citywide Elections					
Non-Personnel	509	4	513	513	-

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 1,325	$ -	$ 1,325	$ 2,090	$ 765
19	7	26	26	-	944	133	1,077	1,837	760
19	7	26	26	-	2,269	133	2,402	3,927	1,525
-	-	-	-	-	457	-	457	578	121
-		-		-	326	147	473	487	14
-	-	-	-	-	783	147	930	1,065	135
-	-	-	-	-	1,886	-	1,886	2,027	141
-	-	-	-	-	1,925	127	2,052	2,443	391
-	-	-	-	-	3,811	127	3,938	4,470	532
-	-	-	-	-	493	-	493	541	48
-	-	-	-	-	473	120	593	652	59
-	-	-	-	-	966	120	1,086	1,193	107
-	-	-	-	-	150	-	150	193	43
-	-	-	-	-	112	-	112	178	66
-	-	-	-	-	262	-	262	371	109
-	-	-	-	-	155	-	155	155	-
-	-	-	-	-	82	-	82	83	1
-	-	-	-	-	237	-	237	238	1
-	-	-	-	-	297	-	297	297	-
-	-	-	-	-	150	-	150	150	-
-	-	-	-	-	447	-	447	447	-
-	-	-	-	-	200	-	200	574	374
-	-	-	-	-	344	17	361	361	-
-	-	-	-	-	544	17	561	935	374
-	-	-	-	-	250	-	250	250	-
		-		-	129	-	129	129	-
-	-	-	-	-	379	-	379	379	-
-	-	-	-	-	977	-	977	978	1
		-		-	907	59	966	966	-
-	-	-	-	-	1,884	59	1,943	1,944	1
1,845	1,841	3,686	4,363	677	154,743	11,164	165,907	181,409	15,502
	-	-	-	-	-	-	-	7,200	7,200
25	35	60	60	-	547	35	582	582	-
-	168	168	170	2	509	172	681	683	2

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Citywide Program (Continued):					
Employee Personal Property Damage					
Non-Personnel	$ 5	$ -	$ 5	$ 5	$ -
Financing Services					
Non-Personnel	76	7	83	83	-
Financial Accounting Systems					
Non-Personnel	-	-	-	-	-
Independent Audit					
Non-Personnel	-	-	-	-	-
Insurance					
Non-Personnel	1,082	-	1,082	1,082	-
Memberships					
Non-Personnel	604	-	604	606	2
Municipal Activities					
Non-Personnel	-	-	-	-	-
Property Tax Administration					
Non-Personnel	3,017	-	3,017	3,028	11
Public Liability					
Non-Personnel	19,379	-	19,379	19,380	1
Public Works Projects					
Non-Personnel	-	-	-	-	-
Random Drug Testing					
Non-Personnel	-	-	-	-	-
Reimbursement to Capital Outlay					
Non-Personnel	14	-	14	15	1
Special Consulting					
Non-Personnel	773	215	988	1,443	455
San Diego Geographic Information Source					
Non-Personnel	-	-	-	-	-
Space Rental					
Non-Personnel	6,925	121	7,046	7,046	-
Other Special Projects					
Non-Personnel	1,008	1,573	2,581	6,361	3,780
Total Citywide Program	33,914	1,920	35,834	47,284	11,450
TOTAL GENERAL GOVERNMENT AND SUPPORT	186,812	11,243	198,055	224,330	26,275

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 5	$ -	$ 5	$ 5	$ -
-	-	-	-	-	76	7	83	83	-
-	-	-	19	19	-	-	-	19	19
127	1	128	519	391	127	1	128	519	391
-	-	-	76	76	1,082	-	1,082	1,158	76
-	-	-	-	-	604	-	604	606	2
-	24	24	24	-	-	24	24	24	-
		-		-	3,017	-	3,017	3,028	11
-	-	-	-	-	19,379	-	19,379	19,380	1
26	170	196	296	100	26	170	196	296	100
25	17	42	61	19	25	17	42	61	19
-	-	-	-	-	14	-	14	15	1
-	-	-	-	-	773	215	988	1,443	455
75	11	86	132	46	75	11	86	132	46
-	-	-	564	564	6,925	121	7,046	7,610	564
269	196	465	543	78	1,277	1,769	3,046	6,904	3,858
547	622	1,169	2,464	1,295	34,461	2,542	37,003	49,748	12,745
2,392	2,463	4,855	6,827	1,972	189,204	13,706	202,910	231,157	28,247

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PUBLIC SAFETY - POLICE					
Departmental:					
Police					
Salaries and Wages	$ 194,389	$ -	$ 194,389	$ 203,316	$ 8,927
Non-Personnel	148,297	3,273	151,570	152,491	921
Total Police	342,686	3,273	345,959	355,807	9,848
Citywide Program:					
Police Review Board					
Non-Personnel	-	-	-	-	-
TOTAL PUBLIC SAFETY - POLICE	342,686	3,273	345,959	355,807	9,848
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY					
Departmental:					
Fire-Rescue					
Salaries and Wages	100,313	-	100,313	100,313	-
Non-Personnel	69,237	1,116	70,353	70,354	1
Total Fire-Rescue	169,550	1,116	170,666	170,667	1
Homeland Security					
Salaries and Wages	549	-	549	907	358
Non-Personnel	514	-	514	577	63
Total Homeland Security	1,063	-	1,063	1,484	421
Citywide Program:					
Emergency Medical Services					
Non-Personnel	-	-	-	-	-
Total Citywide Program	-	-	-	-	-
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY	170,613	1,116	171,729	172,151	422
PARKS, RECREATION, CULTURE AND LEISURE					
Departmental:					
Reservoir Concessions					
Salaries and Wages	14	-	14	14	-
Non-Personnel	1,509	-	1,509	1,509	-
Total Reservoir Concessions	1,523	-	1,523	1,523	-
Parks and Recreation-Administrative Services					
Salaries and Wages	757	-	757	757	-
Non-Personnel	497	22	519	519	-
Total Parks and Recreation - Administration Services	1,254	22	1,276	1,276	-
Community Parks I					
Salaries and Wages	5,205	-	5,205	5,669	464
Non-Personnel	9,376	470	9,846	9,848	2
Total Community Parks I	14,581	470	15,051	15,517	466
Community Parks II					
Salaries and Wages	8,632	-	8,632	8,654	22
Non-Personnel	10,378	441	10,819	10,838	19
Total Community Parks II	19,010	441	19,451	19,492	41

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 194,389	$ -	$ 194,389	$ 203,316	$ 8,927
3,716	(314)	3,402	4,593	1,191	152,013	2,959	154,972	157,084	2,112
3,716	(314)	3,402	4,593	1,191	346,402	2,959	349,361	360,400	11,039
3	-	3	3	-	3	-	3	3	-
3,719	(314)	3,405	4,596	1,191	346,405	2,959	349,364	360,403	11,039
-	-	-	-	-	100,313	-	100,313	100,313	-
481	771	1,252	1,836	584	69,718	1,887	71,605	72,190	585
481	771	1,252	1,836	584	170,031	1,887	171,918	172,503	585
-	-	-	-	-	549	-	549	907	358
-	1	1	1	-	514	1	515	578	63
-	1	1	1	-	1,063	1	1,064	1,485	421
23	-	23	27	4	23	-	23	27	4
23	-	23	27	4	23	-	23	27	4
504	772	1,276	1,864	588	171,117	1,888	173,005	174,015	1,010
-	-	-	-	-	14	-	14	14	-
-	3	3	3	-	1,509	3	1,512	1,512	-
-	3	3	3	-	1,523	3	1,526	1,526	-
-	-	-	-	-	757	-	757	757	-
		-		-	497	22	519	519	-
-	-	-	-	-	1,254	22	1,276	1,276	-
-	-	-	-	-	5,205	-	5,205	5,669	464
384	14	398	699	301	9,760	484	10,244	10,547	303
384	14	398	699	301	14,965	484	15,449	16,216	767
		-		-	8,632	-	8,632	8,654	22
68	(47)	21	164	143	10,446	394	10,840	11,002	162
68	(47)	21	164	143	19,078	394	19,472	19,656	184

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Parks, Recreation, Culture and Leisure Departmental (Continued):					
Developed Regional Parks					
Salaries and Wages	$ 12,622	$ -	$ 12,622	$ 12,907	$ 285
Non-Personnel	19,406	881	20,287	20,341	54
Total Developed Regional Parks	32,028	881	32,909	33,248	339
Open Space Division					
Salaries and Wages	1,711	-	1,711	1,711	-
Non-Personnel	3,067	704	3,771	3,771	-
Total Open Space Division	4,778	704	5,482	5,482	-
Park and Planning Development					
Salaries and Wages	2,559	-	2,559	2,559	-
Non-Personnel	1,501	-	1,501	1,502	1
Total Park and Planning Development	4,060	-	4,060	4,061	1
Library					
Salaries and Wages	17,890	-	17,890	19,169	1,279
Non-Personnel	16,919	479	17,398	17,561	163
Total Library	34,809	479	35,288	36,730	1,442
Total Departmental	112,043	2,997	115,040	117,329	2,289
Citywide Program:					
Parks and Recreation Programs					
Non-Personnel	15	3	18	2,265	2,247
TOTAL PARKS, RECREATION CULTURE AND LEISURE	112,058	3,000	115,058	119,594	4,536
TRANSPORTATION					
Department					
Streets					
Salaries and Wages	12,819	-	12,819	12,819	-
Non-Personnel	30,556	7,708	38,264	38,645	381
Total Streets	43,375	7,708	51,083	51,464	381
Parking Management					
Non-Personnel	(79)	-	(79)	(79)	-
Transportation Design					
Salaries and Wages	4,291	-	4,291	4,728	437
Non-Personnel	2,530	91	2,621	2,700	79
Total Transportation Design	6,821	91	6,912	7,428	516
Traffic Engineering					
Salaries and Wages	3,507	-	3,507	3,638	131
Non-Personnel	3,402	146	3,548	3,670	122
Total Traffic Engineering	6,909	146	7,055	7,308	253
Total Departmental	57,026	7,945	64,971	66,121	1,150
Citywide Program:					
Transportation					
Non-Personnel	278	-	278	278	-
TOTAL TRANSPORTATION	57,304	7,945	65,249	66,399	1,150

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
	$ -	$ -		$ -	$ 12,622	$ -	$ 12,622	$ 12,907	$ 285
78	3	81	674	593	19,484	884	20,368	21,015	647
78	3	81	674	593	32,106	884	32,990	33,922	932
-	-	-	-	-	1,711	-	1,711	1,711	-
162	77	239	694	455	3,229	781	4,010	4,465	455
162	77	239	694	455	4,940	781	5,721	6,176	455
-	-	-	-	-	2,559	-	2,559	2,559	-
14	278	292	327	35	1,515	278	1,793	1,829	36
14	278	292	327	35	4,074	278	4,352	4,388	36
-		-		-	17,890	-	17,890	19,169	1,279
203	57	260	379	119	17,122	536	17,658	17,940	282
203	57	260	379	119	35,012	536	35,548	37,109	1,561
909	385	1,294	2,940	1,646	112,952	3,382	116,334	120,269	3,935
-	-	-	-	-	15	3	18	2,265	2,247
909	385	1,294	2,940	1,646	112,967	3,385	116,352	122,534	6,182
	-	-		-	12,819	-	12,819	12,819	-
1,600	510	2,110	2,430	320	32,156	8,218	40,374	41,075	701
1,600	510	2,110	2,430	320	44,975	8,218	53,193	53,894	701
257	40	297	431	134	178	40	218	352	134
-	-	-	-	-	4,291	-	4,291	4,728	437
1	74	75	75	-	2,531	165	2,696	2,775	79
1	74	75	75	-	6,822	165	6,987	7,503	516
-	-	-	-	-	3,507	-	3,507	3,638	131
203	5	208	517	309	3,605	151	3,756	4,187	431
203	5	208	517	309	7,112	151	7,263	7,825	562
2,061	629	2,690	3,453	763	59,087	8,574	67,661	69,574	1,913
151	-	151	151	-	429	-	429	429	-
2,212	629	2,841	3,604	763	59,516	8,574	68,090	70,003	1,913

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
SANITATION AND HEALTH					
Departmental:					
Collection Services					
Salaries and Wages	$ 6,394	$ -	$ 6,394	$ 7,862	$ 1,468
Non-Personnel	28,711	374	29,085	29,085	-
Total Collection Services	35,105	374	35,479	36,947	1,468
Environmental Protection					
Salaries and Wages	375	-	375	392	17
Non-Personnel	504	-	504	537	33
Total Environmental Protection	879	-	879	929	50
Resource Management					
Salaries and Wages	731	-	731	731	-
Non-Personnel	915	30	945	945	-
Total Resource Management	1,646	30	1,676	1,676	-
Mt. Hope Cemetery					
Salaries and Wages	369	-	369	566	197
Non-Personnel	989	156	1,145	1,251	106
Total Mt. Hope Cemetery	1,358	156	1,514	1,817	303
Total Departmental	38,988	560	39,548	41,369	1,821
Citywide Program:					
Animal Regulation					
Non-Personnel	-	-	-	-	-
Health Services Furnished by County					
Non-Personnel	40	-	40	40	-
Refuse Container Fund					
Non-Personnel	-	-	-	-	-
Energy Conservation Fund					
Non-Personnel	-	-	-	-	-
Total Citywide Program	40	-	40	40	-
TOTAL SANITATION AND HEALTH	39,028	560	39,588	41,409	1,821
NEIGHBORHOOD SERVICES:					
Departmental:					
Community and Economic Development					
Salaries and Wages	2,459	-	2,459	2,519	60
Non-Personnel	2,525	1,109	3,634	3,916	282
Total Community and Economic Development	4,984	1,109	6,093	6,435	342
Family Justice Center					
Salaries and Wages	346	-	346	346	-
Non-Personnel	270	17	287	323	36
Total Family Justice Center	616	17	633	669	36
Neighborhood Code Compliance					
Salaries and Wages	3,165	-	3,165	3,756	591
Non-Personnel	2,759	92	2,851	2,930	79
Total Neighborhood Code Compliance	5,924	92	6,016	6,686	670

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 6,394	$ -	$ 6,394	$ 7,862	$ 1,468
206	319	525	641	116	28,917	693	29,610	29,726	116
206	319	525	641	116	35,311	693	36,004	37,588	1,584
-	-	-	-	-	375	-	375	392	17
-	-	-	-	-	504	-	504	537	33
-	-	-	-	-	879	-	879	929	50
-	-	-	-	-	731	-	731	731	-
-	-	-	-	-	915	30	945	945	-
-	-	-	-	-	1,646	30	1,676	1,676	-
-	-	-	-	-	369	-	369	566	197
58	7	65	136	71	1,047	163	1,210	1,387	177
58	7	65	136	71	1,416	163	1,579	1,953	374
264	326	590	777	187	39,252	886	40,138	42,146	2,008
96	86	182	477	295	96	86	182	477	295
3	30	33	33	-	43	30	73	73	-
-	-	-	1	1	-	-	-	1	1
-	-	-	11	11	-	-	-	11	11
99	116	215	522	307	139	116	255	562	307
363	442	805	1,299	494	39,391	1,002	40,393	42,708	2,315
-	-	-	-	-	2,459	-	2,459	2,519	60
48	527	575	626	51	2,573	1,636	4,209	4,542	333
48	527	575	626	51	5,032	1,636	6,668	7,061	393
				-	346	-	346	346	-
-	-	-	-	-	270	17	287	323	36
-	-	-	-	-	616	17	633	669	36
-	-	-	-	-	3,165	-	3,165	3,756	591
28	2	30	41	11	2,787	94	2,881	2,971	90
28	2	30	41	11	5,952	94	6,046	6,727	681

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Neighborhood Services Departmental (Continued):					
Planning					
Salaries and Wages	$ 3,852	$ -	$ 3,852	$ 4,032	$ 180
Non-Personnel	2,884	82	2,966	2,966	-
Total Planning	6,736	82	6,818	6,998	180
Total Departmental	18,260	1,300	19,560	20,788	1,228
Citywide Program:					
Community and Economic Development Special Projects					
Non-Personnel	-	-	-	11	11
Development Services					
Non-Personnel	-	-	-	-	-
Total Citywide Program	-	-	-	11	11
TOTAL NEIGHBORHOOD SERVICES	18,260	1,300	19,560	20,799	1,239
DEBT SERVICE:					
Principal	2,604	-	2,604	2,604	-
Interest	6,519	-	6,519	6,529	10
TOTAL DEBT SERVICE	9,123	-	9,123	9,133	10
TOTAL EXPENDITURES	935,884	28,437	964,321	1,009,622	45,301
TRANSFERS TO PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Recycling Enterprise Fund	3	-	3	3	-
Internal Service Funds:					
City of San Diego:					
Central Garage and Machine Shop	1,346	-	1,346	1,346	-
Central Stores	24	-	24	24	-
Total Internal Service Funds	1,370	-	1,370	1,370	-
TOTAL TRANSFERS TO PROPRIETARY FUNDS	1,373	-	1,373	1,373	-
TRANSFERS TO OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement and Operations	829	-	829	829	-
Police Decentralization	9,061	-	9,061	9,061	-
Qualcomm Stadium Operations	12		12	12	-
Other Special Revenue - Budgeted	3,422	-	3,422	3,422	-
Grants	220	-	220	220	-
Other Special Revenue - Unbudgeted	13,678	-	13,678	13,678	-
Total Special Revenue Funds	27,222	-	27,222	27,222	-
Capital Projects Funds:					
City of San Diego:					
Capital Outlay	828	-	828	828	-
Other Construction	17,968	-	17,968	17,968	-
Total Capital Projects Funds	18,796	-	18,796	18,796	-
TOTAL TRANSFERS TO OTHER FUNDS	46,018	-	46,018	46,018	-
TOTAL EXPENDITURES AND TRANSFERS	$ 983,275	$ 28,437	$ 1,011,712	$ 1,057,013	$ 45,301

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 3,852	$ -	$ 3,852	$ 4,032	$ 180
3	60	63	63	-	2,887	142	3,029	3,029	-
3	60	63	63	-	6,739	142	6,881	7,061	180
79	589	668	730	62	18,339	1,889	20,228	21,518	1,290
-	-	-	-	-	-	-	-	11	11
-	48	48	48	-	-	48	48	48	-
-	-	-	-	-	-	-	-	11	11
79	637	716	778	62	18,339	1,937	20,276	21,577	1,301
		-		-	2,604	-	2,604	2,604	-
-	-	-	-	-	6,519	-	6,519	6,529	10
-	-	-	-	-	9,123	-	9,123	9,133	10
10,178	5,014	15,192	21,908	6,716	946,062	33,451	979,513	1,031,530	52,017
-	-	-	-	-	3	-	3	3	-
-	-	-		-	1,346	-	1,346	1,346	-
-	-	-	-	-	24	-	24	24	-
-	-	-	-	-	1,370	-	1,370	1,370	-
-	-	-	-	-	1,373	-	1,373	1,373	-
	-	-		-	829	-	829	829	-
-	-	-	-	-	9,061	-	9,061	9,061	-
	-	-		-	12	-	12	12	-
-	-	-	-	-	3,422	-	3,422	3,422	-
-	-	-	-	-	220	-	220	220	-
-	-	-	-	-	13,678	-	13,678	13,678	-
-	-	-	-	-	27,222	-	27,222	27,222	-
-	-	-	-	-	828	-	828	828	-
-		-		-	17,968	-	17,968	17,968	-
-	-	-	-	-	18,796	-	18,796	18,796	-
-	-	-	-	-	46,018	-	46,018	46,018	-
$ 10,178	$ 5,014	$ 15,192	$ 21,908	$ 6,716	$ 993,453	$ 33,451	$ 1,026,904	$ 1,078,921	$ 52,017

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Non-major Governmental Funds

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 482,187	$ -	$ 534,229	$ 1,240	$ 1,017,656
Receivables:					
Taxes - Net	13,840	23	1,650	-	15,513
Accounts	8,166	5,201	486	15	13,868
Claims - Net	18	-	-	-	18
Special Assessments - Net	556	764	33	-	1,353
Notes	61,127	-	8,872	-	69,999
Accrued Interest	4,150	311	3,809	49	8,319
Grants	12,351	-	21,218	-	33,569
From Other Funds	5,963	-	600	-	6,563
Advances to Other Funds	7,652	-	600	-	8,252
Advances to Other Agencies	3,449	-	-	-	3,449
Land Held for Resale	25,309	-	22,310	-	47,619
Prepaid Items	640	-	1,159	-	1,799
Restricted Cash and Investments	-	127,205	-	16,456	143,661
TOTAL ASSETS	$ 625,408	$ 133,504	$ 594,966	$ 17,760	$ 1,371,638
LIABILITIES					
Accounts Payable	$ 17,223	$ 417	$ 17,642	$ -	$ 35,282
Accrued Wages and Benefits	616	-	-	-	616
Other Accrued Liabilities	53	-	-	-	53
Due to Other Funds	9,364	-	600	-	9,964
Due to Other Agencies	487	-	1,074	-	1,561
Unearned Revenue	24,348	-	7,182	-	31,530
Deferred Revenue	15,507	5,826	22,634	-	43,967
Interfund Loan Payable	-	-	3,487	-	3,487
Advances from Other Funds	2,550	-	6,002	-	8,552
Sundry Trust Liabilities	92	-	2,819	-	2,911
TOTAL LIABILITIES	70,240	6,243	61,440	-	137,923
FUND EQUITY:					
Fund Balances:					
Reserved for Land Held for Resale	25,309	-	22,310	-	47,619
Reserved for Notes Receivable	60,141	-	8,872	-	69,013
Reserved for Encumbrances	93,803	6	124,096	2	217,907
Reserved for Advances and Deposits	11,101	-	600	-	11,701
Reserved for Low and Moderate Income Housing	14,718	-	-	-	14,718
Reserved for Permanent Endowments	-	-	-	16,509	16,509
Reserved for Debt Service	-	127,226	-	-	127,226
Unreserved:					
Designated for Unrealized Gains	1,003	21	3	1,240	2,267
Designated for Debt Service	164,587	8	-	-	164,595
Designated for Subsequent Years' Expenditures	50,052	-	282,857	3	332,912
Undesignated	134,454	-	94,788	6	229,248
TOTAL FUND EQUITY	555,168	127,261	533,526	17,760	1,233,715
TOTAL LIABILITIES AND FUND EQUITY	$ 625,408	$ 133,504	$ 594,966	$ 17,760	$ 1,371,638

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	$ 158,388	$ 2,284	$ -	$ -	$ 160,672
Special Assessments	19,564	16,262	759	-	36,585
Sales Taxes	-	-	31,202	-	31,202
Transient Occupancy Taxes	72,871	-	-	-	72,871
Other Local Taxes	83,977	-	-	-	83,977
Licenses and Permits	1,259	-	8,691	-	9,950
Fines, Forfeitures and Penalties	2,586	-	-	-	2,586
Revenue from Use of Money and Property	37,476	6,560	29,561	1,798	75,395
Revenue from Federal Agencies	70,223	-	4,446	-	74,669
Revenue from Other Agencies	17,981	9,770	17,582	-	45,333
Revenue from Private Sources	6,114	-	53,435	-	59,549
Charges for Current Services	74,777	-	2	72	74,851
Other Revenue	21,914	-	6,383	-	28,297
TOTAL REVENUES	567,130	34,876	152,061	1,870	755,937
EXPENDITURES					
Current:					
General Government and Support	59,941	97	18,220	-	78,258
Public Safety - Police	30,353	-	4	-	30,357
Public Safety - Fire and Life Safety	29,439	-	1,475	-	30,914
Parks, Recreation, Culture and Leisure	68,273	-	925	32	69,230
Transportation	63,921	-	15,906	6	79,833
Sanitation and Health	3,780	-	1,558	-	5,338
Neighborhood Services	49,809	-	17,396	-	67,205
Capital Projects	10,334	-	96,184	-	106,518
Debt Service:					
Principal Retirement	5,000	55,270	5,286	-	65,556
Interest	2,989	73,203	217	-	76,409
Cost of Issuance	-	3,621	1,524	-	5,145
TOTAL EXPENDITURES	323,839	132,191	158,695	38	614,763
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	243,291	(97,315)	(6,634)	1,832	141,174
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	5,268	-	60	-	5,328
Transfers from Other Funds	49,831	98,644	56,079	-	204,554
Transfers to Proprietary Funds	(1,661)	-	(512)	-	(2,173)
Transfers to Other Funds	(197,671)	(4,297)	(43,037)	(511)	(245,516)
Transfers to Escrow Agent	-	(159,690)	-	-	(159,690)
Capital Leases	6,167	-	-	-	6,167
Notes Issued	-	-	2,180	-	2,180
Loans Issued	-	-	10,823	-	10,823
Proceeds from Land Sales	5,982	-	5,745	1,215	12,942
Special Assessment Bonds Issued	-	1,134	14,866	-	16,000
Revenue Refunding Bonds Issued	-	156,560	-	-	156,560
Premium on Bonds Issued	-	9,768	-	-	9,768
TOTAL OTHER FINANCING SOURCES (USES)	(132,084)	102,119	46,204	704	16,943
NET CHANGE IN FUND BALANCES	111,207	4,804	39,570	2,536	158,117
Fund Balances at Beginning of Year	443,961	122,457	493,956	15,224	1,075,598
FUND BALANCES AT END OF YEAR	$ 555,168	$ 127,261	$ 533,526	$ 17,760	$ 1,233,715

Non-major Governmental Funds - Special Revenue

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SPECIAL REVENUE FUNDS

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

CITY OF SAN DIEGO

ACQUISITION, IMPROVEMENT AND OPERATIONS

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

ENVIRONMENTAL GROWTH

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

POLICE DECENTRALIZATION

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

PUBLIC TRANSPORTATION

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

QUALCOMM STADIUM OPERATIONS

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

SPECIAL GAS TAX STREET IMPROVEMENT

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

STREET DIVISION OPERATIONS

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

TRANSIENT OCCUPANCY TAX

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

UNDERGROUND SURCHARGE

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

ZOOLOGICAL EXHIBITS

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

OTHER SPECIAL REVENUE - BUDGETED

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

GRANTS

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

OTHER SPECIAL REVENUE FUND - UNBUDGETED

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

BLENDED COMPONENT UNITS

CENTRE CITY DEVELOPMENT CORPORATION

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

PUBLIC FACILITIES FINANCING AUTHORITY

This Fund was established to account for the activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City and RDA, facilitates the financing, acquisition, and construction of public capital facility improvements of RDA and the City. PFFA'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 (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The special revenue account is used to account for funds restricted for the benefit of low and moderate income housing. Funding is primarily from property tax increment revenues and the City of San Diego.

SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

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

SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

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

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the Tobacco Settlement Revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City of San Diego.

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2007
(In Thousands)

	City of San Diego	Centre City Development Corporation
ASSETS		
Cash and Investments	$ 243,001	$ 511
Receivables:		
Taxes - Net	10,141	-
Accounts	7,251	768
Claims - Net	18	-
Special Assessments - Net	556	-
Notes	986	-
Accrued Interest	1,846	-
Grants	12,351	-
From Other Funds	5,963	-
Advances to Other Funds	7,652	-
Advances to Other Agencies	3,449	-
Land Held for Resale	-	-
Prepaid Items	629	2
TOTAL ASSETS	$ 293,843	$ 1,281
LIABILITIES		
Accounts Payable	$ 17,019	$ 28
Accrued Wages and Benefits	616	-
Other Accrued Liabilities	-	53
Due to Other Funds	9,362	-
Due to Other Agencies	487	-
Unearned Revenue	24,348	-
Deferred Revenue	15,507	-
Advances from Other Funds	300	-
Sundry Trust Liabilities	-	-
TOTAL LIABILITIES	67,639	81
FUND EQUITY:		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Notes Receivable	-	-
Reserved for Encumbrances	31,523	-
Reserved for Advances and Deposits	11,101	-
Reserved for Low and Moderate Income Housing	-	-
Unreserved:		
Designated for Unrealized Gains	1,003	-
Designated for Debt Service	-	-
Designated for Subsequent Years' Expenditures	49,876	-
Undesignated	132,701	1,200
TOTAL FUND EQUITY	226,204	1,200
TOTAL LIABILITIES AND FUND EQUITY	$ 293,843	$ 1,281

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
$ 184	$ 238,080	$ 58	$ 144	$ 209	$ 482,187
-	3,699	-	-	-	13,840
-	-	-	147	-	8,166
-	-	-	-	-	18
-	-	-	-	-	556
-	60,141	-	-	-	61,127
1	2,302	-	-	1	4,150
-	-	-	-	-	12,351
-	-	-	-	-	5,963
-	-	-	-	-	7,652
-	-	-	-	-	3,449
-	25,309	-	-	-	25,309
-	-	-	9	-	640
$ 185	$ 329,531	$ 58	$ 300	$ 210	$ 625,408
$ -	$ 176	$ -	$ -	$ -	$ 17,223
-	-	-	-	-	616
-	-	-	-	-	53
2	-	-	-	-	9,364
-	-	-	-	-	487
-	-	-	-	-	24,348
-	-	-	-	-	15,507
-	2,250	-	-	-	2,550
-	92	-	-	-	92
2	2,518	-	-	-	70,240
-	25,309	-	-	-	25,309
-	60,141	-	-	-	60,141
22	62,258	-	-	-	93,803
-	-	-	-	-	11,101
-	14,718	-	-	-	14,718
-	-	-	-	-	1,003
-	164,587	-	-	-	164,587
161	-	15	-	-	50,052
-	-	43	300	210	134,454
183	327,013	58	300	210	555,168
$ 185	$ 329,531	$ 58	$ 300	$ 210	$ 625,408

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
(In Thousands)

	City of San Diego	Centre City Development Corporation
REVENUES		
Property Taxes	$ 8,558	$ -
Special Assessments	19,564	-
Transient Occupancy Taxes	72,871	-
Other Local Taxes	83,977	-
Licenses and Permits	1,259	-
Fines, Forfeitures and Penalties	2,586	-
Revenue from Use of Money and Property	26,030	1
Revenue from Federal Agencies	70,223	-
Revenue from Other Agencies	17,981	-
Revenue from Private Sources	5,571	-
Charges for Current Services	65,946	6,976
Other Revenue	21,858	24
TOTAL REVENUES	396,424	7,001
EXPENDITURES		
Current:		
General Government and Support	28,493	7,001
Public Safety - Police	30,353	-
Public Safety - Fire and Life Safety	29,439	-
Parks, Recreation, Culture and Leisure	68,273	-
Transportation	63,921	-
Sanitation and Health	3,780	-
Neighborhood Services	35,262	-
Capital Projects	10,334	-
Debt Service:		
Principal Retirement	5,000	-
Interest	2,989	-
TOTAL EXPENDITURES	277,844	7,001
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	118,580	-
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	5,268	-
Transfers from Other Funds	45,272	340
Transfers to Proprietary Funds	(1,661)	-
Transfers to Other Funds	(129,365)	-
Proceeds from Land Sales	-	-
Capital Leases	6,167	-
TOTAL OTHER FINANCING SOURCES (USES)	(74,319)	340
NET CHANGE IN FUND BALANCES	44,261	340
Fund Balances at Beginning of Year	181,943	860
FUND BALANCES AT END OF YEAR	$ 226,204	$ 1,200

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
$ -	$ 149,830	$ -	$ -	$ -	$ 158,388
-	-	-	-	-	19,564
-	-	-	-	-	72,871
-	-	-	-	-	83,977
-	-	-	-	-	1,259
-	-	-	-	-	2,586
5	11,428	2	-	10	37,476
-	-	-	-	-	70,223
-	-	-	-	-	17,981
-	543	-	-	-	6,114
-	-	-	1,855	-	74,777
-	32	-	-	-	21,914
5	161,833	2	1,855	10	567,130
146	22,449	-	1,852	-	59,941
-	-	-	-	-	30,353
-	-	-	-	-	29,439
-	-	-	-	-	68,273
-	-	-	-	-	63,921
-	-	-	-	-	3,780
-	14,547	-	-	-	49,809
-	-	-	-	-	10,334
-	-	-	-	-	5,000
-	-	-	-	-	2,989
146	36,996	-	1,852	-	323,839
(141)	124,837	2	3	10	243,291
-	-	-	-	-	5,268
265	3,954	-	-	-	49,831
-	-	-	-	-	(1,661)
-	(68,306)	-	-	-	(197,671)
-	5,982	-	-	-	5,982
-	-	-	-	-	6,167
265	(58,370)	-	-	-	(132,084)
124	66,467	2	3	10	111,207
59	260,546	56	297	200	443,961
$ 183	$ 327,013	$ 58	$ 300	$ 210	$ 555,168

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	City of San Diego	
	Actual on Budgetary Basis	Final Budget
REVENUES		
Property Taxes	$ 8,479	$ 8,423
Special Assessments	19,564	19,805
Sales Taxes	-	9,061
Transient Occupance Taxes	72,871	66,381
Other Local Taxes	83,851	85,661
Licenses and Permits	1,259	-
Fines, Forfeitures and Penalties	1,117	1,165
Revenue from Use of Money and Property	6,876	12,560
Revenue from Federal Agencies	1,820	800
Revenue from Other Agencies	5,850	4,790
Revenue from Private Sources	305	210
Charges for Current Services	39,235	30,527
Other Revenue	2,218	2,025
TOTAL REVENUES	243,445	241,408
EXPENDITURES		
Current:		
General Government and Support	12,500	15,219
Public Safety - Police	17,806	19,435
Public Safety - Fire and Life Safety	6,866	8,396
Parks, Recreation, Culture and Leisure	70,629	86,492
Transportation	38,715	38,936
Sanitation and Health	2,827	3,654
Neighborhood Services	12,093	13,176
Capital Projects	17,171	24,933
Debt Service:		
Principal Retirement	777	172
Interest	262	46
TOTAL EXPENDITURES	179,646	210,459
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	63,799	30,949
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	1,534	1,129
Transfers from Other Funds	24,663	64,160
Transfers to Proprietary Funds	(773)	(773)
Transfers to Other Funds	(108,145)	(151,715)
TOTAL OTHER FINANCING SOURCES (USES)	(76,554)	(81,032)
NET CHANGE IN FUND BALANCES	(12,755)	(50,083)
Fund Balances Undesignated at July 1, 2006	85,952	85,952
Reserved for Encumbrances at July 1, 2006	13,796	13,796
Designated for Subsequent Years' Expenditures at July 1, 2006	6,275	6,275
Designated for Subsequent Years' Expenditures at June 30, 2007	(14,849)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2007	$ 78,419	$ 55,940

Centre City Development Corporation		Southeastern Economic Development Corporation		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ 8,479	$ 8,423	$ 56
-	-	-	-	19,564	19,805	(241)
-	-	-	-	-	9,061	(9,061)
-	-	-	-	72,871	66,381	6,490
-	-	-	-	83,851	85,661	(1,810)
-	-	-	-	1,259	-	1,259
-	-	-	-	1,117	1,165	(48)
1	-	-	-	6,877	12,560	(5,683)
-	-	-	-	1,820	800	1,020
-	8,102	1,855	1,924	7,705	14,816	(7,111)
-	-	-	-	305	210	95
6,976	-	-	-	46,211	30,527	15,684
24	5	-	-	2,242	2,030	212
7,001	8,107	1,855	1,924	252,301	251,439	862
7,001	8,107	1,852	1,924	21,353	25,250	3,897
-	-	-	-	17,806	19,435	1,629
-	-	-	-	6,866	8,396	1,530
-	-	-	-	70,629	86,492	15,863
-	-	-	-	38,715	38,936	221
-	-	-	-	2,827	3,654	827
-	-	-	-	12,093	13,176	1,083
-	-	-	-	17,171	24,933	7,762
-	-	-	-	777	172	(605)
-	-	-	-	262	46	(216)
7,001	8,107	1,852	1,924	188,499	220,490	31,991
-	-	3	-	63,802	30,949	32,853
-	-	-	-	1,534	1,129	405
340	-	-	-	25,003	64,160	(39,157)
-	-	-	-	(773)	(773)	-
-	-	-	-	(108,145)	(151,715)	43,570
340	-	-	-	(82,381)	(87,199)	4,818
340	-	3	-	(18,579)	(56,250)	37,671
860	860	297	297	87,109	87,109	-
-	-	-	-	13,796	13,796	-
-	-	-	-	6,275	6,275	-
-	-	-	-	(14,849)	-	(14,849)
$ 1,200	$ 860	$ 300	$ 297	$ 73,752	$ 50,930	$ 22,822

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2007
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
ASSETS					
Cash and Investments	$ 21,647	$ 2,786	$ 1,478	$ 2,701	$ 5,287
Receivables:					
Taxes - Net	-	3,135	-	-	-
Accounts	386	-	-	-	547
Claims - Net	16	-	-	-	-
Special Assessments - Net	464	-	-	-	-
Notes	-	-	-	-	-
Accrued Interest	211	102	-	17	26
Grants	-	-	-	-	-
From Other Funds	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Advances to Other Agencies	1,173	-	-	-	-
Prepaid Items	-	-	-	-	6
TOTAL ASSETS	$ 23,897	$ 6,023	$ 1,478	$ 2,718	$ 5,866
LIABILITIES					
Accounts Payable	$ 1,194	$ 21	$ 876	$ -	$ 271
Accrued Wages and Benefits	53	-	-	-	49
Due to Other Funds	-	-	-	-	-
Due to Other Agencies	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Deferred Revenue	745	-	-	-	344
Advances from Other Funds	-	-	-	-	-
TOTAL LIABILITIES	1,992	21	876	-	664
FUND EQUITY:					
Fund Balances:					
Reserved for Encumbrances	1,404	427	-	-	593
Reserved for Advances and Deposits	1,173	-	-	-	-
Unreserved:					
Designated for Unrealized Gains	-	-	-	-	-
Designated for Subsequent Years' Expenditures	1,129	2,414	-	-	2,119
Undesignated	18,199	3,161	602	2,718	2,490
TOTAL FUND EQUITY	21,905	6,002	602	2,718	5,202
TOTAL LIABILITIES AND FUND EQUITY	$ 23,897	$ 6,023	$ 1,478	$ 2,718	$ 5,866

						Unbudgeted		
Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Other Special Revenue	Total
$ 3,589	$ 966	$ 32,314	$ 18,296	$ 1,311	$ 15,302	$ 15,007	$ 122,317	$ 243,001
-	-	6,929	-	77	-	-	-	10,141
2,162	-	1,439	-	-	1,541	48	1,128	7,251
2	-	-	-	-	-	-	-	18
-	-	-	-	-	-	-	92	556
-	-	-	-	-	-	-	986	986
136	4	170	181	-	159	63	777	1,846
-	-	-	-	-	-	12,351	-	12,351
-	-	5,961	-	-	-	-	2	5,963
-	-	-	-	-	-	-	7,652	7,652
-	-	1,996	-	-	-	157	123	3,449
-	-	139	-	-	475	8	1	629
$ 5,889	$ 970	$ 48,948	$ 18,477	$ 1,388	$ 17,477	$ 27,634	$ 133,078	$ 293,843
$ -	$ -	$ 1,696	$ 8,149	$ -	$ 252	$ 3,719	$ 841	$ 17,019
4	-	18	21	-	451	14	6	616
-	-	-	-	-	75	5,961	3,326	9,362
-	-	-	-	-	-	487	-	487
-	-	-	-	-	-	15,599	8,749	24,348
42	-	1,439	-	-	175	10,825	1,937	15,507
-	-	-	-	-	-	-	300	300
46	-	3,153	8,170	-	953	36,605	15,159	67,639
-	13	5,094	9,273	-	4,015	2	10,702	31,523
-	-	1,996	-	-	-	157	7,775	11,101
-	-	-	-	-	-	-	1,003	1,003
50	554	7,301	1,034	-	248	212	34,815	49,876
5,793	403	31,404	-	1,388	12,261	(9,342)	63,624	132,701
5,843	970	45,795	10,307	1,388	16,524	(8,971)	117,919	226,204
$ 5,889	$ 970	$ 48,948	$ 18,477	$ 1,388	$ 17,477	$ 27,634	$ 133,078	$ 293,843

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	19,564	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	13,105	-	-	-
Licenses and Permits	1,259	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	948	320	182	128	99
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	2,999	-	-	-	11,809
Other Revenue	139	-	-	-	-
TOTAL REVENUES	24,909	13,425	182	128	11,908
EXPENDITURES					
Current:					
General Government and Support	1,763	-	-	-	-
Public Safety - Police	-	-	8,863	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	12,315	2,094	-	-	9,765
Transportation	-	-	-	24	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	8,990	-	-	-	-
Capital Projects	81	792	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	185
Interest	-	-	-	-	33
TOTAL EXPENDITURES	23,149	2,886	8,863	24	9,983
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,760	10,539	(8,681)	104	1,925
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	20	12	-	-	-
Transfers from Other Funds	2,296	-	9,061	4,079	5,512
Transfers to Proprietary Funds	(19)	-	-	-	-
Transfers to Other Funds	(68)	(9,493)	(182)	(3,658)	(5,289)
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,229	(9,481)	8,879	421	223
NET CHANGE IN FUND BALANCES	3,989	1,058	198	525	2,148
Fund Balances at Beginning of Year	17,916	4,944	404	2,193	3,054
FUND BALANCES AT END OF YEAR	$ 21,905	$ 6,002	$ 602	$ 2,718	$ 5,202

						Unbudgeted		
Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Other Special Revenue	Total
$ -	$ -	$ -	$ -	$ 8,479	$ -	$ -	$ 79	$ 8,558
-	-	-	-	-	-	-	-	19,564
-	-	72,871	-	-	-	-	-	72,871
23,842	-	-	46,904	-	-	-	126	83,977
-	-	-	-	-	-	-	-	1,259
-	-	-	-	-	1,117	-	1,469	2,586
546	167	2,590	711	84	1,101	(152)	19,306	26,030
-	-	-	-	-	1,820	68,000	403	70,223
-	-	4,500	-	-	1,350	10,872	1,259	17,981
-	-	305	-	-	-	-	5,266	5,571
15	-	191	-	-	24,221	104	26,607	65,946
-	-	5	-	-	2,074	1,794	17,846	21,858
24,403	167	80,462	47,615	8,563	31,683	80,618	72,361	396,424
168	-	281	887	-	9,113	2,378	13,903	28,493
-	-	-	-	-	8,803	12,355	332	30,353
-	-	-	-	-	6,549	22,062	828	29,439
-	-	31,369	-	8,400	195	1,150	2,985	68,273
18	1,215	-	36,749	-	120	-	25,795	63,921
-	-	167	-	-	2,386	1,142	85	3,780
-	-	-	-	-	3,033	16,387	6,852	35,262
11	362	1,271	1,902	-	-	1,186	4,729	10,334
-	-	-	-	-	592	1,818	2,405	5,000
-	-	-	-	-	229	1,420	1,307	2,989
197	1,577	33,088	39,538	8,400	31,020	59,898	59,221	277,844
24,206	(1,410)	47,374	8,077	163	663	20,720	13,140	118,580
351	-	-	-	-	1,151	-	3,734	5,268
-	-	-	-	-	3,715	700	19,909	45,272
-	-	-	-	-	(754)	-	(888)	(1,661)
(23,939)	(2,878)	(43,596)	(8)	(84)	(18,950)	(309)	(20,911)	(129,365)
-	-	-	-	-	6,167	-	-	6,167
(23,588)	(2,878)	(43,596)	(8)	(84)	(8,671)	391	1,844	(74,319)
618	(4,288)	3,778	8,069	79	(8,008)	21,111	14,984	44,261
5,225	5,258	42,017	2,238	1,309	24,532	(30,082)	102,935	181,943
$ 5,843	$ 970	$ 45,795	$ 10,307	$ 1,388	$ 16,524	$ (8,971)	$ 117,919	$ 226,204

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Acquisition, Improvement and Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	19,564	-	19,564	19,805	(241)
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	1,259	-	1,259	-	1,259
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	948	-	948	221	727
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	20	(20)
Charges for Current Services	2,999	-	2,999	3,358	(359)
Other Revenue	139	-	139	58	81
TOTAL REVENUES	24,909	-	24,909	23,462	1,447
EXPENDITURES					
Current:					
General Government and Support	1,763	2	1,765	2,887	1,122
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	12,315	1,434	13,749	26,801	13,052
Transportation	-	-	-	2	2
Sanitation and Health	-	-	-	-	-
Neighborhood Services	8,990	70	9,060	9,858	798
Capital Projects	81	-	81	1,230	1,149
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	23,149	1,506	24,655	40,778	16,123
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,760	(1,506)	254	(17,316)	17,570
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	20	-	20	-	20
Transfers from Other Funds	2,296	-	2,296	6,142	(3,846)
Transfers to Proprietary Funds	(19)	-	(19)	(19)	-
Transfers to Other Funds	(68)	-	(68)	(195)	127
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,229	-	2,229	5,928	(3,699)
NET CHANGE IN FUND BALANCES	$ 3,989	$ (1,506)	2,483	(11,388)	13,871
Fund Balances Undesignated at July 1, 2006			15,158	15,158	-
Reserved for Encumbrances at July 1, 2006			949	949	-
Designated for Subsequent Years' Expenditures at July 1, 2006			738	738	-
Designated for Subsequent Years' Expenditures at June 30, 2007			(1,129)	-	(1,129)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2007			$ 18,199	$ 5,457	$ 12,742

Environmental Growth					Police Decentralization				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	9,061	(9,061)
-	-	-	-	-	-	-	-	-	-
13,105	-	13,105	11,446	1,659	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
320	-	320	107	213	182	-	182	182	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
13,425	-	13,425	11,553	1,872	182	-	182	9,243	(9,061)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,863	-	8,863	9,111	248
-	-	-	-	-	-	-	-	-	-
2,094	167	2,261	2,261	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
792	260	1,052	3,466	2,414	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,886	427	3,313	5,727	2,414	8,863	-	8,863	9,111	248
10,539	(427)	10,112	5,826	4,286	(8,681)	-	(8,681)	132	(8,813)
12	-	12	-	12	-	-	-	-	-
-	-	-	-	-	9,061	-	9,061	-	9,061
-	-	-	-	-	-	-	-	-	-
(9,493)	-	(9,493)	(9,596)	103	(182)	-	(182)	(182)	-
-	-	-	-	-	-	-	-	-	-
(9,481)	-	(9,481)	(9,596)	115	8,879	-	8,879	(182)	9,061
$ 1,058	$ (427)	631	(3,770)	4,401	$ 198	$ -	198	(50)	248
		3,899	3,899	-			404	404	-
		379	379	-			-	-	-
		666	666	-			-	-	-
		(2,414)	-	(2,414)			-	-	-
		$ 3,161	$ 1,174	$ 1,987			$ 602	$ 354	$ 248

Continued on Next Page

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Public Transportation				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	128	-	128	-	128
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	128	-	128	-	128
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	24	-	24	455	431
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	24	-	24	455	431
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	104	-	104	(455)	559
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	4,079	-	4,079	4,079	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(3,658)	-	(3,658)	(4,079)	421
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	421	-	421	-	421
NET CHANGE IN FUND BALANCES	$ 525	$ -	525	(455)	980
Fund Balances Undesignated at July 1, 2006			2,188	2,188	-
Reserved for Encumbrances at July 1, 2006			5	5	-
Designated for Subsequent Years' Expenditures at July 1, 2006			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2007			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2007			$ 2,718	$ 1,738	$ 980

Qualcomm Stadium Operations					Special Gas Tax Street Improvement				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	23,842	-	23,842	23,774	68
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
99	-	99	10,181	(10,082)	546	-	546	344	202
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
11,809	-	11,809	-	11,809	15	-	15	-	15
-	-	-	10	(10)	-	-	-	-	-
11,908	-	11,908	10,191	1,717	24,403	-	24,403	24,118	285
-	-	-	-	-	168	-	168	170	2
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
9,765	593	10,358	11,491	1,133	-	-	-	-	-
-	-	-	-	-	18	-	18	16	(2)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	11	-	11	16	5
185	-	185	172	(13)	-	-	-	-	-
33	-	33	46	13	-	-	-	-	-
9,983	593	10,576	11,709	1,133	197	-	197	202	5
1,925	(593)	1,332	(1,518)	2,850	24,206	-	24,206	23,916	290
-	-	-	-	-	351	-	351	-	351
5,512	-	5,512	5,500	12	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(5,289)	-	(5,289)	(6,522)	1,233	(23,939)	-	(23,939)	(24,001)	62
-	-	-	-	-	-	-	-	-	-
223	-	223	(1,022)	1,245	(23,588)	-	(23,588)	(24,001)	413
$ 2,148	$ (593)	1,555	(2,540)	4,095	$ 618	$ -	618	(85)	703
		1,765	1,765	-			5,146	5,146	-
		451	451	-			28	28	-
		838	838	-			51	51	-
		(2,119)	-	(2,119)			(50)	-	(50)
		$ 2,490	$ 514	$ 1,976			$ 5,793	$ 5,140	$ 653

Continued on Next Page

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Street Division Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	167	-	167	-	167
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	167	-	167	-	167
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	1,215	-	1,215	1,463	248
Sanitation and Health	-	-	-	95	95
Neighborhood Services	-	-	-	-	-
Capital Projects	362	13	375	437	62
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	1,577	13	1,590	1,995	405
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,410)	(13)	(1,423)	(1,995)	572
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(2,878)	-	(2,878)	(2,878)	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,878)	-	(2,878)	(2,878)	-
NET CHANGE IN FUND BALANCES	$ (4,288)	$ (13)	(4,301)	(4,873)	572
Fund Balances Undesignated at July 1, 2006			669	669	-
Reserved for Encumbrances at July 1, 2006			3,791	3,791	-
Designated for Subsequent Years' Expenditures at July 1, 2006			798	798	-
Designated for Subsequent Years' Expenditures at June 30, 2007			(554)	-	(554)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2007			$ 403	$ 385	$ 18

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)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
72,871	-	72,871	66,381	6,490	-	-	-	-	-
-	-	-	-	-	46,904	-	46,904	50,441	(3,537)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,590	-	2,590	1,319	1,271	711	-	711	-	711
-	-	-	-	-	-	-	-	-	-
4,500	-	4,500	4,570	(70)	-	-	-	-	-
305	-	305	190	115	-	-	-	-	-
191	-	191	20	171	-	-	-	-	-
5	-	5	22	(17)	-	-	-	-	-
80,462	-	80,462	72,502	7,960	47,615	-	47,615	50,441	(2,826)
281	16	297	385	88	887	51	938	1,585	647
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
31,369	4,296	35,665	37,298	1,633	-	-	-	-	-
-	-	-	-	-	36,749	589	37,338	37,000	(338)
167	47	214	175	(39)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,271	735	2,006	5,757	3,751	1,902	8,633	10,535	10,551	16
		-							
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
33,088	5,094	38,182	43,615	5,433	39,538	9,273	48,811	49,136	325
47,374	(5,094)	42,280	28,887	13,393	8,077	(9,273)	(1,196)	1,305	(2,501)
-	-	-	-	-	-	-	-	-	-
-	-	-	44,831	(44,831)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(43,596)	-	(43,596)	(85,216)	41,620	(8)	-	(8)	(8)	-
-	-	-	-	-	-	-	-	-	-
(43,596)	-	(43,596)	(40,385)	(3,211)	(8)	-	(8)	(8)	-
$ 3,778	$ (5,094)	(1,316)	(11,498)	10,182	$ 8,069	$ (9,273)	(1,204)	1,297	(2,501)
		31,724	31,724	-			-	-	-
		5,333	5,333	-			2,020	2,020	-
		2,964	2,964	-			218	218	-
		(7,301)	-	(7,301)			(1,034)	-	(1,034)
		$ 31,404	$ 28,523	$ 2,881			$ -	$ 3,535	$ (3,535)

Continued on Next Page

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Zoological Exhibits				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ 8,479	$ -	$ 8,479	$ 8,423	$ 56
Special Assessments	-	-	-	-	-
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	84	-	84	84	-
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	8,563	-	8,563	8,507	56
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	8,400	-	8,400	8,423	23
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	8,400	-	8,400	8,423	23
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	163	-	163	84	79
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(84)	-	(84)	(84)	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(84)	-	(84)	(84)	-
NET CHANGE IN FUND BALANCES	$ 79	$ -	79	-	79
Fund Balances Undesignated at July 1, 2006			1,309	1,309	-
Reserved for Encumbrances at July 1, 2006			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2006			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2007			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2007			$ 1,388	$ 1,309	$ 79

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)
$ -	$ -	$ -	$ -	$ -	$ 8,479	$ -	$ 8,479	$ 8,423	$ 56
-	-	-	-	-	19,564	-	19,564	19,805	(241)
-	-	-	-	-	-	-	-	9,061	(9,061)
-	-	-	-	-	72,871	-	72,871	66,381	6,490
-	-	-	-	-	83,851	-	83,851	85,661	(1,810)
-	-	-	-	-	1,259	-	1,259	-	1,259
1,117	-	1,117	1,165	(48)	1,117	-	1,117	1,165	(48)
1,101	-	1,101	122	979	6,876	-	6,876	12,560	(5,684)
1,820	-	1,820	800	1,020	1,820	-	1,820	800	1,020
1,350	-	1,350	220	1,130	5,850	-	5,850	4,790	1,060
-	-	-	-	-	305	-	305	210	95
24,221	-	24,221	27,149	(2,928)	39,235	-	39,235	30,527	8,708
2,074	-	2,074	1,935	139	2,218	-	2,218	2,025	193
31,683	-	31,683	31,391	292	243,445	-	243,445	241,408	2,037
9,113	219	9,332	10,192	860	12,212	288	12,500	15,219	2,719
8,803	140	8,943	10,324	1,381	17,666	140	17,806	19,435	1,629
6,549	317	6,866	8,396	1,530	6,549	317	6,866	8,396	1,530
195	1	196	218	22	64,138	6,491	70,629	86,492	15,863
120	-	120	-	(120)	38,126	589	38,715	38,936	221
2,386	227	2,613	3,384	771	2,553	274	2,827	3,654	827
3,033	-	3,033	3,318	285	12,023	70	12,093	13,176	1,083
-	3,111	3,111	3,476	365	4,419	12,752	17,171	24,933	7,762
592	-	592	-	(592)	777	-	777	172	(605)
229	-	229	-	(229)	262	-	262	46	(216)
31,020	4,015	35,035	39,308	4,273	158,725	20,921	179,646	210,459	30,813
663	(4,015)	(3,352)	(7,917)	4,565	84,720	(20,921)	63,799	30,949	32,850
1,151	-	1,151	1,129	22	1,534	-	1,534	1,129	405
3,715	-	3,715	3,608	107	24,663	-	24,663	64,160	(39,497)
(754)	-	(754)	(754)	-	(773)	-	(773)	(773)	-
(18,950)	-	(18,950)	(18,954)	4	(108,145)	-	(108,145)	(151,715)	43,570
6,167	-	6,167	6,167	-	6,167	-	6,167	6,167	0
(8,671)	-	(8,671)	(8,804)	133	(76,554)	-	(76,554)	(81,032)	4,478
$ (8,008)	$ (4,015)	(12,023)	(16,721)	4,698	$ 8,166	$ (20,921)	(12,755)	(50,083)	37,328
		23,690	23,690	-			85,952	85,952	-
		840	840	-			13,796	13,796	-
		2	2	-			6,275	6,275	-
		(248)	-	(248)			(14,849)	-	(14,849)
		$ 12,261	$ 7,811	$ 4,450			$ 78,419	$ 55,940	$ 22,479

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING BALANCE SHEET
JUNE 30, 2007
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
ASSETS			
Cash and Investments	$ 1,694	$ 1,092	$ 2,786
Receivables:			
Taxes - Net	2,090	1,045	3,135
Accrued Interest	76	26	102
TOTAL ASSETS	$ 3,860	$ 2,163	$ 6,023
LIABILITIES			
Accounts Payable	$ -	$ 21	$ 21
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	199	228	427
Unreserved:			
Designated for Subsequent Years' Expenditures	1,571	843	2,414
Undesignated	2,090	1,071	3,161
TOTAL FUND EQUITY	3,860	2,142	6,002
TOTAL LIABILITIES AND FUND EQUITY	$ 3,860	$ 2,163	$ 6,023

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
REVENUES			
Other Local Taxes	$ 8,735	$ 4,370	$ 13,105
Revenue from Use of Money and Property	237	83	320
TOTAL REVENUES	8,972	4,453	13,425
EXPENDITURES			
Current:			
Parks, Recreation, Culture and Leisure	-	2,094	2,094
Capital Projects	730	62	792
TOTAL EXPENDITURES	730	2,156	2,886
EXCESS OF REVENUES OVER EXPENDITURES	8,242	2,297	10,539
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	8	4	12
Transfers to Other Funds	(7,815)	(1,678)	(9,493)
NET CHANGE IN FUND BALANCES	435	623	1,058
Fund Balances at Beginning of Year	3,425	1,519	4,944
FUND BALANCES AT END OF YEAR	$ 3,860	$ 2,142	$ 6,002

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Two-Thirds Requirement				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Other Local Taxes	$ 8,735	$ -	$ 8,735	$ 7,631	$ 1,104
Revenue from Use of Money and Property	237	-	237	53	184
TOTAL REVENUES	8,972	-	8,972	7,684	1,288
EXPENDITURES					
Current:					
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Capital Projects	730	199	929	2,500	1,571
TOTAL EXPENDITURES	730	199	929	2,500	1,571
EXCESS OF REVENUES OVER EXPENDITURES	8,242	(199)	8,043	5,184	2,859
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	8	-	8	-	8
Transfers to Other Funds	(7,815)	-	(7,815)	(7,815)	-
NET CHANGE IN FUND BALANCES	$ 435	$ (199)	236	(2,631)	2,867
Fund Balances Undesignated at July 1, 2006			3,425	3,425	-
Reserved for Encumbrances at July 1, 2006			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2006			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2007			(1,571)	-	(1,571)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2007			$ 2,090	$ 794	$ 1,296

One-Third Requirement					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ 4,370	$ -	$ 4,370	$ 3,815	$ 555	$ 13,105	$ -	$ 13,105	$ 11,446	$ 1,659
83	-	83	54	29	320	-	320	107	213
4,453	-	4,453	3,869	584	13,425	-	13,425	11,553	1,872
2,094	167	2,261	2,261	-	2,094	167	2,261	2,261	-
62	61	123	966	843	792	260	1,052	3,466	2,414
2,156	228	2,384	3,227	843	2,886	427	3,313	5,727	2,414
2,297	(228)	2,069	642	1,427	10,539	(427)	10,112	5,826	4,286
4	-	4	-	4	12	-	12	-	12
(1,678)	-	(1,678)	(1,781)	103	(9,493)	-	(9,493)	(9,596)	103
$ 623	$ (228)	395	(1,139)	1,534	$ 1,058	$ (427)	631	(3,770)	4,401
		474	474	-			3,899	3,899	-
		379	379	-			379	379	-
		666	666	-			666	666	-
		(843)	-	(843)			(2,414)	-	(2,414)
		$ 1,071	$ 380	$ 691			$ 3,161	$ 1,174	$ 1,987

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Non-major Governmental Funds - Debt Service

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DEBT SERVICE FUNDS

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

CITY OF SAN DIEGO

PUBLIC SAFETY COMMUNICATIONS PROJECT

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

OTHER SPECIAL ASSESSMENTS

This fund was established to account for the payment of principal and interest for bonds issued under the Improvement Bond Act of 1915 and the Mello-Roos Community Facilities Act of 1982. These bonds are serviced by assessments and special taxes levied on property owners within each district.

BLENDED COMPONENT UNITS

CITY OF SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY

This fund was established to account for the debt service activities of the City of San Diego Metropolitan Transit Development Board Authority (MTDB). MTDB was created to acquire and construct mass public transit guideways, systems and related facilities. MTDB's debt service fund is used to account for the payment of long-term debt principal and interest. This fund is serviced by investment income, lease payments from the City of San Diego, and proceeds from lease revenue bonds and certificates of participation.

CONVENTION CENTER EXPANSION FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Convention Center Expansion Financing Authority (CCEFA). CCEFA, created by the City of San Diego and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the existing convention center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing, acquisition and construction of public capital facility improvements of RDA or the City. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

REDEVELOPMENT AGENCY

This fund was established to account for the debt service activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. This fund is serviced by property tax increments, sale of real estate, and investment income.

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the debt service activities of the San Diego Facilities and Equipment Leasing Corporation (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. The City makes lease payments from annual appropriations payable out of any source of legally available funds.

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1

This fund was established for the purpose of acquiring open space properties to implement the Open Space element of the City of San Diego General Plan, and accounts for financial resources accumulated for the payment of long-term debt principal and interest. This fund is serviced by City contributions and investment income.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the debt service activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

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NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2007
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority	Public Facilities Financing Authority
ASSETS				
Receivables:				
Taxes - Net	$ 23	$ -	$ -	$ -
Accounts	-	-	-	-
Special Assessments - Net	764	-	-	-
Accrued Interest	134	11	-	40
Restricted Cash and Investments	31,678	5,757	24	12,724
TOTAL ASSETS	$ 32,599	$ 5,768	$ 24	$ 12,764
LIABILITIES				
Accounts Payable	$ -	$ -	$ -	$ -
Deferred Revenue	625	-	-	-
TOTAL LIABILITIES	625	-	-	-
FUND EQUITY				
Fund Balances:				
Reserved for Encumbrances	6	-	-	-
Reserved for Debt Service	31,968	5,768	24	12,743
Unreserved:				
Designated for Unrealized Gains	-	-	-	21
Designated for Debt Service	-	-	-	-
TOTAL FUND EQUITY	31,974	5,768	24	12,764
TOTAL LIABILITIES AND FUND EQUITY	$ 32,599	$ 5,768	$ 24	$ 12,764

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007
(In Thousands)

REVENUES				
Property Taxes	$ 2,284	$ -	$ -	$ -
Special Assessments	16,262	-	-	-
Revenue from Use of Money and Property	1,299	210	65	1,438
Revenue from Other Agencies	-	-	-	-
TOTAL REVENUES	19,845	210	65	1,438
EXPENDITURES				
Current:				
General Government and Support	96	-	-	1
Debt Service:				
Principal Retirement	5,595	2,990	4,870	13,870
Interest	8,567	1,028	8,829	19,272
Cost of Issuance	-	-	-	3,059
TOTAL EXPENDITURES	14,258	4,018	13,699	36,202
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,587	(3,808)	(13,634)	(34,764)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	61	3,658	13,646	24,502
Transfers to Other Funds	(3,849)	-	-	(92)
Transfers to Escrow Agent	-	-	-	(159,690)
Special Assessment Bonds Issued	1,134	-	-	-
Revenue Refunding Bonds Issued	-	-	-	156,560
Premium on Bonds Issued	-	-	-	9,768
TOTAL OTHER FINANCING SOURCES (USES)	(2,654)	3,658	13,646	31,048
NET CHANGE IN FUND BALANCES	2,933	(150)	12	(3,716)
Fund Balances at Beginning of Year	29,041	5,918	12	16,480
FUND BALANCES AT END OF YEAR	$ 31,974	$ 5,768	$ 24	$ 12,764

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	San Diego Open Space Park Facilities District #1	Tobacco Settlement Revenue Funding Corporation	Total
$ -	$ -	$ -	$ -	$ 23
-	-	-	5,201	5,201
-	-	-	-	764
110	-	2	14	311
63,574	4	660	12,784	127,205
$ 63,684	$ 4	$ 662	$ 17,999	$ 133,504
$ 417	$ -	$ -	$ -	$ 417
-	-	-	5,201	5,826
417	-	-	5,201	6,243
-	-	-	-	6
63,259	4	662	12,798	127,226
-	-	-	-	21
8	-	-	-	8
63,267	4	662	12,798	127,261
$ 63,684	$ 4	$ 662	$ 17,999	$ 133,504
$ -	$ -	$ -	$ -	$ 2,284
-	-	-	-	16,262
2,921	7	13	607	6,560
-	-	-	9,770	9,770
2,921	7	13	10,377	34,876
-	-	-	-	97
20,025	4,850	370	2,700	55,270
26,613	1,709	92	7,093	73,203
-	-	-	562	3,621
46,638	6,559	462	10,355	132,191
(43,717)	(6,552)	(449)	22	(97,315)
49,509	6,553	715	-	98,644
(134)	-	-	(222)	(4,297)
-	-	-	-	(159,690)
-	-	-	-	1,134
-	-	-	-	156,560
-	-	-	-	9,768
49,375	6,553	715	(222)	102,119
5,658	1	266	(200)	4,804
57,609	3	396	12,998	122,457
$ 63,267	$ 4	$ 662	$ 12,798	$ 127,261

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2007
(In Thousands)

	City of San Diego	
	Actual on Budgetary Basis	**Final Budget**
REVENUES		
Property Taxes	$ 2,284	$ 2,284
Revenue from Use of Money and Property	73	73
TOTAL REVENUES	2,357	2,357
EXPENDITURES		
Current:		
General Government and Support	1	1
Debt Service:		
Principal Retirement	1,615	1,615
Interest	715	715
TOTAL EXPENDITURES	2,331	2,331
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	26	26
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	26	26
Reserved for Debt Service at July 1, 2006	2,405	2,405
Reserved for Debt Service at June 30, 2007	(2,431)	(2,431)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2007	$ -	$ -

San Diego Open Space Park Facilities District #1		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ 2,284	$ 2,284	$ -
13	54	86	127	(41)
13	54	2,370	2,411	(41)
-	-	1	1	-
370	370	1,985	1,985	-
92	68	807	783	(24)
462	438	2,793	2,769	(24)
(449)	(384)	(423)	(358)	(65)
715	715	715	715	-
715	715	715	715	-
266	331	292	357	(65)
396	396	2,801	2,801	-
(662)	(662)	(3,093)	(3,093)	-
$ -	$ 65	$ -	$ 65	$ (65)

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2007
(In Thousands)

	Budgeted	Unbudgeted	
	Public Safety Communications Project	Other Special Assessments	Total
ASSETS			
Receivables:			
Taxes - Net	$ 23	$ -	$ 23
Special Assessments - Net	-	764	764
Accrued Interest	20	114	134
Restricted Cash and Investments	2,388	29,290	31,678
TOTAL ASSETS	$ 2,431	$ 30,168	$ 32,599
LIABILITIES			
Deferred Revenue	$ -	$ 625	$ 625
TOTAL LIABILITIES	-	625	625
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	-	6	6
Reserved for Debt Service	2,431	29,537	31,968
TOTAL FUND EQUITY	2,431	29,543	31,974
TOTAL LIABILITIES AND FUND EQUITY	$ 2,431	$ 30,168	$ 32,599

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007
(In Thousands)

REVENUES			
Property Taxes	$ 2,284	$ -	$ 2,284
Special Assessments	-	16,262	16,262
Revenue from Use of Money and Property	73	1,226	1,299
TOTAL REVENUES	2,357	17,488	19,845
EXPENDITURES			
Current:			
General Government and Support	1	95	96
Debt Service:			
Principal Retirement	1,615	3,980	5,595
Interest	715	7,852	8,567
TOTAL EXPENDITURES	2,331	11,927	14,258
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	26	5,561	5,587
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	61	61
Transfers to Other Funds	-	(3,849)	(3,849)
Special Assessment Bonds Issued	-	1,134	1,134
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,654)	(2,654)
NET CHANGE IN FUND BALANCES	26	2,907	2,933
Fund Balances at Beginning of Year	2,405	26,636	29,041
FUND BALANCES AT END OF YEAR	$ 2,431	$ 29,543	$ 31,974

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2007
(In Thousands)

	Public Safety Communications Project				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ 2,284	$ -	$ 2,284	$ 2,284	$ -
Revenue from Use of Money and Property	73	-	73	73	-
TOTAL REVENUES	2,357	-	2,357	2,357	-
EXPENDITURES					
Current:					
General Government and Support	1	-	1	1	-
Debt Service:					
Principal Retirement	1,615	-	1,615	1,615	-
Interest	715	-	715	715	-
TOTAL EXPENDITURES	2,331	-	2,331	2,331	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	26	-	26	26	-
NET CHANGE IN FUND BALANCES	$ 26	$ -	26	26	-
Reserved for Debt Service at July 1, 2006			2,405	2,405	-
Reserved for Debt Service at June 30, 2007			(2,431)	(2,431)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2007			$ -	$ -	$ -

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Non-major Governmental Funds - Capital Projects

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CAPITAL PROJECTS FUNDS

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

CITY OF SAN DIEGO

CAPITAL OUTLAY

This fund was established per Section 77 of the City Charter to account for the acquisition, construction and completion of permanent public improvements and real property. Capital outlay fund revenues are derived from the sale of City-owned real property supplemented by sales tax revenue.

PARK & RECREATION DISTRICTS

This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City of San Diego Municipal Code. Fee assessments are only to be used for park purposes within a Community Park Service District to purchase land, facilities, or reimburse those who have donated more than their proportionate responsibilities.

FACILITIES BENEFIT ASSESSMENTS

This fund was established to account for building permit fees collected at the time of permit issuance and is mandated by the City Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

IMPACT FEES

This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

SPECIAL ASSESSMENT/SPECIAL TAX BONDS

This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issues limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

TRANSNET

This fund was established to account for transportation improvements funded by a local sales tax approved by voters in the County of San Diego. Funds are to help relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

OTHER CONSTRUCTION

This fund was established to account for a variety of capital projects such as park and street improvements and construction of public facilities in new development areas. Revenues in this fund are derived from such sources as contributions from developers, grants from Federal, State and other governmental agencies, special assessments, special taxes, fees, and interest derived there from.

BLENDED COMPONENT UNITS

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing and construction of public capital improvements of the City or RDA. Revenues are derived from the issuance of bonds and interest earnings on investments.

REDEVELOPMENT AGENCY

This fund was established to account for the capital improvement activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. Funds are derived from the City of San Diego, from the issuance of bonds for specific redevelopment projects, sale of real estate and investment income.

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 (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. 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, 2007
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
ASSETS		
Cash and Investments	$ 319,676	$ 2,506
Receivables:		
Taxes Net	1,650	-
Accounts	486	-
Special Assesments	33	-
Notes	-	-
Accrued Interest	2,904	13
Grants	21,218	-
From Other Funds	600	-
Advances to Other Funds	600	-
Land Held for Resale	-	-
Prepaid Items	-	-
TOTAL ASSETS	$ 347,167	$ 2,519
LIABILITIES		
Accounts Payable	$ 11,893	$ 6
Due to Other Funds	600	-
Due to Other Agencies	1,074	-
Unearned Revenue	7,182	-
Deferred Revenue	22,634	-
Interfund Loan Payable	3,487	-
Advances from Other Funds	600	-
Sundry Trust Liabilities	-	-
TOTAL LIABILITIES	47,470	6
FUND EQUITY		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Notes Receivable	-	-
Reserved for Encumbrances	60,790	748
Reserved for Advances and Deposits	600	-
Unreserved:		
Designated for Unrealized Gains	1	2
Designated for Subsequent Years' Expenditures	143,518	1,763
Undesignated	94,788	-
TOTAL FUND EQUITY	299,697	2,513
TOTAL LIABILITIES AND FUND EQUITY	$ 347,167	$ 2,519

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ 212,043	$ 4	$ 534,229
-	-	1,650
-	-	486
-	-	33
8,872	-	8,872
892	-	3,809
-	-	21,218
-	-	600
-	-	600
22,310	-	22,310
1,159	-	1,159
$ 245,276	$ 4	$ 594,966
$ 5,743	$ -	$ 17,642
-	-	600
-	-	1,074
-	-	7,182
-	-	22,634
-	-	3,487
5,402	-	6,002
2,819	-	2,819
13,964	-	61,440
22,310	-	22,310
8,872	-	8,872
62,558	-	124,096
-	-	600
-	-	3
137,572	4	282,857
-	-	94,788
231,312	4	533,526
$ 245,276	$ 4	$ 594,966

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
REVENUES		
Special Assessments	$ 759	$ -
Sales Taxes	31,202	-
Licenses and Permits	8,691	-
Revenue from Use of Money and Property	16,103	156
Revenue from Federal Agencies	4,446	-
Revenue from Other Agencies	17,582	-
Revenue from Private Sources	39,075	-
Charges for Current Services	2	-
Other Revenue	6	-
TOTAL REVENUES	117,866	156
EXPENDITURES		
Current:		
General Government and Support	2,729	-
Public Safety - Police	4	-
Public Safety - Fire & Life Safety	1,475	-
Parks, Recreation, Culture and Leisure	925	-
Transportation	15,906	-
Sanitation and Health	1,558	-
Neighborhood Services	53	-
Capital Projects	75,078	435
Debt Service:		
Principal Retirement	5,286	-
Interest	217	-
Cost of Issuance	1,524	-
TOTAL EXPENDITURES	104,755	435
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,111	(279)
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	60	-
Transfers from Other Funds	31,017	88
Transfers to Proprietary Funds	(512)	-
Transfers to Other Funds	(28,170)	(1,580)
Proceeds from Land Sales	5,745	-
Notes Issued	-	-
Loans Issued	2,154	-
Special Assessment Bonds Issued	14,866	-
TOTAL OTHER FINANCING SOURCES (USES)	25,160	(1,492)
NET CHANGE IN FUND BALANCES	38,271	(1,771)
Fund Balances at Beginning of Year	261,426	4,284
FUND BALANCES AT END OF YEAR	$ 299,697	$ 2,513

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ -	$ -	$ 759
-	-	31,202
-	-	8,691
13,302	-	29,561
-	-	4,446
-	-	17,582
14,360	-	53,435
-	-	2
6,377	-	6,383
34,039	-	152,061
15,491	-	18,220
-	-	4
-	-	1,475
-	-	925
-	-	15,906
-	-	1,558
17,343	-	17,396
20,671	-	96,184
-	-	5,286
-	-	217
-	-	1,524
53,505	-	158,695
(19,466)	-	(6,634)
-	-	60
24,974	-	56,079
-	-	(512)
(13,287)	-	(43,037)
-	-	5,745
2,180	-	2,180
8,669	-	10,823
-	-	14,866
22,536	-	46,204
3,070	-	39,570
228,242	4	493,956
$ 231,312	$ 4	$ 533,526

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2007
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments
ASSETS			
Cash and Investments	$ 77	$ 8,279	$ 162,686
Receivables:			
Taxes Net	-	-	-
Accounts	42	-	-
Special Assesments	-	-	-
Accrued Interest	44	84	1,729
Grants	21,088	-	-
From Other Funds	-	-	-
Advances to Other Funds	600	-	-
TOTAL ASSETS	$ 21,851	$ 8,363	$ 164,415
LIABILITIES			
Accounts Payable	$ 1,797	$ -	$ 4,612
Due to Other Funds	600	-	-
Due to Other Agencies	288	-	-
Unearned Revenue	5,563	-	-
Deferred Revenue	20,136	-	-
Interfund Loan Payable	-	-	3,487
Advances from Other Funds	-	-	-
TOTAL LIABILITIES	28,384	-	8,099
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	445	1,995	41,707
Reserved for Advances and Deposits	600	-	-
Unreserved:			
Designated for Unrealized Gains	-	-	-
Designated for Subsequent Years' Expenditures	2,648	2,440	80,803
Undesignated	(10,226)	3,928	33,806
TOTAL FUND EQUITY	(6,533)	8,363	156,316
TOTAL LIABILITIES AND FUND EQUITY	$ 21,851	$ 8,363	$ 164,415

Impact Fees	Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ 41,058	$ 17,886	$ 25,240	$ 64,450	$ 319,676
-	-	1,650	-	1,650
-	-	4	440	486
-	33	-	-	33
417	99	245	286	2,904
-	-	-	130	21,218
-	-	600	-	600
-	-	-	-	600
$ 41,475	$ 18,018	$ 27,739	$ 65,306	$ 347,167
$ 172	$ -	$ 1,251	$ 4,061	11,893
-	-	-	-	600
-	-	-	786	1,074
-	-	-	1,619	7,182
-	28	1,622	848	22,634
-	-	-	-	3,487
-	-	-	600	600
172	28	2,873	7,914	47,470
3,293	252	6,442	6,656	60,790
-	-	-	-	600
-	-	-	1	1
6,744	119	18,424	32,340	143,518
31,266	17,619	-	18,395	94,788
41,303	17,990	24,866	57,392	299,697
$ 41,475	$ 18,018	$ 27,739	$ 65,306	$ 347,167

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments
REVENUES			
Special Assessments	$ -	$ -	$ -
Sales Taxes	-	-	-
Licenses and Permits	-	-	-
Revenue from Use of Money and Property	(72)	429	8,999
Revenue from Federal Agencies	4,446	-	-
Revenue from Other Agencies	14,831	-	-
Revenue from Private Sources	-	77	25,891
Charges for Current Services	-	-	-
Other Revenue	1	-	-
TOTAL REVENUES	19,206	506	34,890
EXPENDITURES			
Current:			
General Government and Support	399	-	1,217
Public Safety - Police	4	-	-
Public Safety - Fire & Life Safety	14	-	1,353
Parks, Recreation, Culture and Leisure	552	3	67
Transportation	847	-	-
Sanitation and Health			1,516
Neighborhood Services	53	-	-
Capital Projects	13,430	24	39,400
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Cost of Issuance	-	-	-
TOTAL EXPENDITURES	15,299	27	43,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,907	479	(8,663)
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	-	-	-
Transfers from Other Funds	5,881	-	3,595
Transfers to Proprietary Funds	(18)	-	-
Transfers to Other Funds	(3,595)	-	(3,486)
Proceeds from Land Sales	5,745	-	-
Loans Issued	-	-	-
Special Assessment Bonds Issued	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	8,013	-	109
NET CHANGE IN FUND BALANCES	11,920	479	(8,554)
Fund Balances at Beginning of Year	(18,453)	7,884	164,870
FUND BALANCES AT END OF YEAR	$ (6,533)	$ 8,363	$ 156,316

Impact Fees	Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ -	$ 759	$ -	$ -	$ 759
-	-	31,202	-	31,202
8,670	-	-	21	8,691
2,038	1,045	1,059	2,605	16,103
-	-	-	-	4,446
-	-	-	2,751	17,582
-	-	-	13,107	39,075
-	-	-	2	2
5	-	-	-	6
10,713	1,804	32,261	18,486	117,866
397	76	150	490	2,729
-	-	-	-	4
67	-	-	41	1,475
84	-	31	188	925
-	11,837	1,827	1,395	15,906
		-	42	1,558
-	-	-	-	53
3,895	19	10,397	7,913	75,078
-	-	5,068	218	5,286
-	-	217	-	217
-	1,524	-	-	1,524
4,443	13,456	17,690	10,287	104,755
6,270	(11,652)	14,571	8,199	13,111
-	-	-	60	60
-	86	3,186	18,269	31,017
-	-	(494)	-	(512)
-	(33)	(9,413)	(11,643)	(28,170)
-	-	-	-	5,745
-	-	-	2,154	2,154
-	14,866	-	-	14,866
-	14,919	(6,721)	8,840	25,160
6,270	3,267	7,850	17,039	38,271
35,033	14,723	17,016	40,353	261,426
$ 41,303	$ 17,990	$ 24,866	$ 57,392	$ 299,697

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Non-major Governmental Funds - Permanent

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PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

CARMEL VALLEY SEWER MAINTENANCE

This fund was established to fund the City's share of maintenance costs for a private sewer system in the Carmel Valley community. The original contribution was received from a developer and interest earnings derived there from will finance a fifty-year maintenance period.

CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

EFFIE SERGEANT

This fund was established to account for a donation to benefit the North Park Branch Library. Investment earnings are used to finance library services and programs.

FIGG ESTATE ENDOWMENT

This fund was established to account for a donation received for the planting and maintenance of jacaranda trees in the public rights of way throughout the City of San Diego. Investment earnings are used for planting and maintenance as well.

GLADYS EDNA PETERS

This fund was established to account for a donation to benefit the Rancho Bernardo Branch Library. Investment earnings are used to procure and maintain a collection of large print books and periodicals.

JANE CAMERON ESTATE

This fund was established to account for a donation to benefit the La Jolla/Riford Branch Library. Investment earnings are used to finance library services and programs.

LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

MONTEZUMA ROAD MEDIAN MAINTENANCE

This fund was established to account for an endowment from San Diego State University. Investment earnings derived there from are used to finance the maintenance of medians along Montezuma Road.

SOUTHCREST PARK ESTATES II

This fund was established to finance the City's landscape maintenance costs for the Southcrest Park Estates II, a residential development within the Southcrest Redevelopment project area. The original contribution was received from a developer, and investment earnings derived there from will finance the permanent maintenance costs.

SYCAMORE ESTATES

This fund was established to account for an endowment agreement between the City and Sycamore Estates, LLC. Investment earnings from the endowment shall be used exclusively for the long-term maintenance of conserved property within Sycamore Estates.

ZOOLOGICAL SOCIETY – MISSION TRAILS

This fund was established to account for the Fortuna Mountain Conservation Bank endowment. Investment earnings derived from the endowment shall be used to fund the permanent management of the Fortuna Mountain Conservation Bank within Mission Trails Regional Park.

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CITY OF SAN DIEGO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
JUNE 30, 2007
(In Thousands)

	Carmel Valley Sewer Maintenance	Cemetery Perpetuity	Effie Sergeant
ASSETS			
Cash and Investments	$ -	$ 841	$ 50
Receivables:			
Accounts - Net	-	15	-
Accrued Interest	-	20	-
Restricted Cash and Investments	45	9,591	500
TOTAL ASSETS	$ 45	$ 10,467	$ 550
FUND EQUITY:			
Fund Balances:			
Reserved for Encumbrances	$ -	$ -	$ -
Reserved for Permanent Endowments	45	9,626	500
Unreserved:			
Designated for Unrealized Gains	-	841	50
Designated for Subsequent Years' Expenditures	-	-	-
Undesignated	-	-	-
TOTAL FUND EQUITY	$ 45	$ 10,467	$ 550

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006
(In Thousands)

REVENUES			
Revenue from Use of Money and Property	$ 2	$ 1,085	$ 77
Revenue from Private Sources	-	-	-
Charges for Current Services	-	72	-
TOTAL REVENUES	2	1,157	77
EXPENDITURES			
Current:			
Parks, Recreation, Culture and Leisure	-	-	12
Transportation	-	-	-
TOTAL EXPENDITURES	-	-	12
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2	1,157	65
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	-	(353)	-
Proceeds from Land Sales	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(353)	-
NET CHANGE IN FUND BALANCES	2	804	65
Fund Balances at Beginning of Year	43	9,663	485
FUND BALANCES AT END OF YEAR	$ 45	$ 10,467	$ 550

Figg Estate Endowment	Gladys Edna Peters	Jane Cameron Estate	Los Penasquitos Canyon	Montezuma Road Median Maintenance	Southcrest Park Estates II	Sycamore Estates	Zoological Society - Mission Trails	Total
$ -	$ 42	$ -	$ 307	$ -	$ -	$ -	$ -	$ 1,240
-	-	-	-	-	-	-	-	15
-	-	27	1	1	-	-	-	49
319	356	2,507	2,697	110	12	250	69	16,456
$ 319	$ 398	$ 2,534	$ 3,005	$ 111	$ 12	$ 250	$ 69	$ 17,760
$ -	$ -	$ -	$ -	$ 2	$ -	$ -	$ -	$ 2
319	356	2,534	2,698	100	12	250	69	16,509
-	42	-	307	-	-	-	-	1,240
-	-	-	-	3	-	-	-	3
-	-	-	-	6	-	-	-	6
$ 319	$ 398	$ 2,534	$ 3,005	$ 111	$ 12	$ 250	$ 69	$ 17,760
$ 29	$ 56	$ 95	$ 445	$ 6	$ -	$ -	$ 3	$ 1,798
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	72
29	56	95	445	6	-	-	3	1,870
-	7	13	-	-	-	-	-	32
-	-	-	-	6	-	-	-	6
-	7	13	-	6	-	-	-	38
29	49	82	445	-	-	-	3	1,832
(27)	-	-	(128)	-	-	-	(3)	(511)
-	-	1,215	-	-	-	-	-	1,215
(27)	-	1,215	(128)	-	-	-	(3)	704
2	49	1,297	317	-	-	-	-	2,536
317	349	1,237	2,688	111	12	250	69	15,224
$ 319	$ 398	$ 2,534	$ 3,005	$ 111	$ 12	$ 250	$ 69	$ 17,760

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Non-major Business-Type Funds - Enterprise

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ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

CITY OF SAN DIEGO

AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports--Montgomery and Brown Fields. Airports fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments and aid from other governmental agencies.

CITY STORE

This fund was established to account for activities of the City's entrepreneurial program. This program operates retail store outlets for the purpose of selling surplus city materials and other items promoting the City of San Diego.

DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, collection, energy conservation, resource management, and other environmental programs.

GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines and Balboa golf courses. Revenues are derived from green fees and leases.

RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF NET ASSETS
June 30, 2007
(In Thousands)

	Airports	City Store
ASSETS		
Cash and Investments	$ 8,376	$ 72
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Airports $278)	562	-
Accrued Interest	85	-
Grants	677	-
From Other Funds	-	-
Inventories	-	112
Prepaid Expenses	-	-
Restricted Cash and Investments	-	-
Capital Assets - Non-Depreciable	3,071	-
Capital Assets - Depreciable	8,396	7
TOTAL ASSETS	21,167	191
LIABILITIES		
Accounts Payable	292	15
Accrued Wages and Benefits	29	-
Interest Accrued on Long-Term Debt	-	-
Long Term Debt Due Within One Year	51	-
Unearned Revenue	-	-
Contract Deposits	-	-
Deposits/Advances from Others	-	-
Compensated Absences	55	-
Capital Lease Obligations	-	-
Estimated Landfill Closure and Postclosure Care	-	-
Net Pension Obligation	220	-
TOTAL LIABILITIES	647	15
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	11,467	7
Restricted for Closure/Postclosure maintenance	-	-
Unrestricted	9,053	169
TOTAL NET ASSETS	$ 20,520	$ 176

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 14,864	$ 50,240	$ 18,763	$ 8,082	$ 100,397
48	69	13	196	888
275	885	195	84	1,524
-	-	-	39	716
3,326	-	-	-	3,326
-	-	1	-	113
1	-	-	12	13
-	34,389	-	-	34,389
177	16,326	4,213	-	23,787
1,678	37,614	8,367	3,584	59,646
20,369	139,523	31,552	11,997	224,799
249	882	1,186	212	2,836
1,278	441	147	303	2,198
-	-	-	18	18
1,350	502	194	1,081	3,178
6,273	-	-	27	6,300
-	-	40	113	153
-	25	-	-	25
1,450	538	209	259	2,511
-	-	-	166	166
-	16,935	-	-	16,935
6,838	2,296	662	1,489	11,505
17,438	21,619	2,438	3,668	45,825
1,855	53,940	12,580	2,578	82,427
-	34,732	-	-	34,732
1,076	29,232	16,534	5,751	61,815
$ 2,931	$ 117,904	$ 29,114	$ 8,329	$ 178,974

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended June 30, 2007
(In Thousands)

	Airports	City Store
OPERATING REVENUES		
Charges for Services	$ -	$ 827
Usage Fees	5,538	-
Other	97	-
TOTAL OPERATING REVENUES	5,635	827
OPERATING EXPENSES		
Maintenance and Operations	1,789	403
Cost of Materials Issued	-	351
Administration	1,119	88
Depreciation	497	1
TOTAL OPERATING EXPENSES	3,405	843
OPERATING INCOME (LOSS)	2,230	(16)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	375	2
Other Agency Grant Assistance	-	-
Gain (Loss) on Sale/Retirement of Capital Assets	(364)	-
Debt Service Interest Expense	-	-
Other	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	11	2
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,241	(14)
Capital Contributions	775	-
Transfers from Other Funds	8	-
Transfers from Governmental Funds	-	-
Transfers to Governmental Funds	(9)	-
CHANGE IN NET ASSETS	3,015	(14)
Net Assets at Beginning of Year	17,505	190
NET ASSETS AT END OF YEAR	$ 20,520	$ 176

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 48,546	$ 1,076	$ 14,436	$ 5,094	$ 69,979
-	34,309	1,329	14,371	55,547
200	758	7	1,011	2,073
48,746	36,143	15,772	20,476	127,599
26,821	26,582	8,953	18,981	83,529
-	-	-	-	351
25,990	5,509	1,254	522	34,482
247	7,405	503	1,059	9,712
53,058	39,496	10,710	20,562	128,074
(4,312)	(3,353)	5,062	(86)	(475)
741	4,219	945	335	6,617
-	7	-	564	571
-	(899)	-	-	(1,263)
-	-	-	(69)	(69)
-	1,987	-	127	2,114
741	5,314	945	957	7,970
(3,571)	1,961	6,007	871	7,495
-	-	-	-	775
10	165	442	41	666
1,208	28	395	3	1,634
(410)	(211)	(1,620)	(170)	(2,420)
(2,763)	1,943	5,224	745	8,150
5,694	115,961	23,890	7,584	170,824
$ 2,931	$ 117,904	$ 29,114	$ 8,329	$ 178,974

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2007
(In Thousands)

	Airports	City Store
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	$ 5,619	$ 823
Receipts from Interfund Services Provided	2	4
Payments to Suppliers	(1,232)	(856)
Payments to Employees	(1,044)	-
Payments for Interfund Services Used	(746)	(4)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	2,599	(33)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In	8	-
Transfers from Governmental Funds	-	-
Transfers to Governmental Funds	(9)	-
Operating Grants Received	-	-
Payments for Advances and Deposits	-	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(1)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	735	-
Acquisition of Capital Assets	(928)	-
Principal Payments on Capital Leases	-	-
Interest Paid on Long-Term Debt	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(193)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments	342	2
NET CASH PROVIDED BY INVESTING ACTIVITIES	342	2
Net Increase (Decrease) in Cash and Cash Equivalents	2,747	(31)
Cash and Cash Equivalents at Beginning of Year	5,629	103
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,376	$ 72
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Operating Income (Loss)	$ 2,230	$ (16)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	497	1
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net	(14)	-
From Other Funds	-	-
(Increase) Decrease in Inventories	-	(22)
(Increase) Decrease in in Prepaid Expenses	-	-
Increase (Decrease) in Accounts Payable	(97)	4
Increase (Decrease) in Accrued Wages and Benefits	6	-
Increase (Decrease) in Other Accrued Liabilities	(60)	-
Increase (Decrease) in Unearned Revenue	-	-
Increase (Decrease) in Contract Deposits	-	-
Increase (Decrease) in Compensated Absences	37	-
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care	-	-
Increase (Decrease) in Net Pension Obligation	-	-
Other Nonoperating Revenue (Expenses)	-	-
Total Adjustments	369	(17)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 2,599	$ (33)

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 33,017	$ 35,993	$ 15,752	$ 18,908	$ 110,112
16,087	3,107	-	1,640	20,840
(8,970)	(13,649)	(3,286)	(6,693)	(34,686)
(44,204)	(13,899)	(5,874)	(10,319)	(75,340)
(602)	(3,159)	(1,030)	(2,647)	(8,188)
(4,672)	8,393	5,562	889	12,738
10	165	442	41	666
1,208	28	-	3	1,239
(399)	(211)	(1,620)	(170)	(2,409)
-	7	-	554	561
-	(5)	-	-	(5)
819	(16)	(1,178)	428	52
-	-	-	-	735
(217)	(1,539)	(2,273)	-	(4,957)
-	-	-	(1,045)	(1,045)
-	-	-	(71)	(71)
(217)	(1,539)	(2,273)	(1,116)	(5,338)
784	4,088	907	324	6,447
784	4,088	907	324	6,447
(3,286)	10,926	3,018	525	13,899
18,150	73,703	15,745	7,557	120,887
$ 14,864	$ 84,629	$ 18,763	$ 8,082	$ 134,786
$ (4,312)	$ (3,353)	$ 5,062	$ (86)	$ (475)
247	7,405	503	1,059	9,712
(28)	1,200	-	(153)	1,005
73	-	-	-	73
-	-	-	-	(22)
(1)	14	-	1	14
(240)	(537)	(26)	(21)	(917)
(281)	(44)	14	(39)	(344)
-	-	-	-	(60)
313	-	-	-	313
-	(230)	(20)	98	(152)
(448)	(174)	29	(98)	(654)
-	2,124	-	-	2,124
5	1	-	1	7
-	1,987	-	127	2,114
(360)	11,746	500	975	13,213
$ (4,672)	$ 8,393	$ 5,562	$ 889	$ 12,738

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Internal Service Funds

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

CITY OF SAN DIEGO

CENTRAL GARAGE AND MACHINE SHOP

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment (excluding fire and police vehicles).

CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

SELF INSURANCE

This fund was established to account for self insurance activities, including worker's compensation and long-term disability programs for employees. Revenues are derived from rates charged to departments as a percentage of payroll. This fund also accounts for the public liability reserve, which was established for the purpose of paying claims in excess of annual appropriations.

SPECIAL ENGINEERING

This fund was established to provide project planning, design, engineering systems management and support, and construction management and inspection services for water and wastewater capital improvements.

MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, administration and operation of various employee related programs such as unused compensatory time, unused sick leave and unemployment insurance, and citywide training. Revenues are derived from rates or fees charged to the departments for specific services rendered.

BLENDED COMPONENT UNIT

SAN DIEGO DATA PROCESSING CORPORATION

This fund accounts for the operations of the San Diego Data Processing Corporation, Inc. (SDDPC). SDDPC was formed for the purpose of providing data processing services to public agencies, primarily the City of San Diego, which is the sole member of SDDPC. SDDPC also provides telecommunication services to the City. Rates are charged for the various services provided as per operating agreements and are subject to change each year.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2007
(In Thousands)

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
ASSETS		
Cash and Investments	$ 50,821	$ 2,586
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Self Insurance $949)	422	184
Claims - Net	2	-
Contributions	-	-
Accrued Interest	-	1
Inventories	-	2,077
Prepaid Expenses	484	-
Restricted Cash and Investments	-	-
Capital Assets - Non-Depreciable	-	-
Capital Assets - Depreciable	55,950	135
TOTAL ASSETS	107,679	4,983
LIABILITIES		
Accounts Payable	4,001	2,502
Accrued Wages and Benefits	446	37
Interest Accrued on Long-Term Debt	84	-
Long-Term Debt Due Within One Year	3,491	20
Due to Other Funds	-	-
Unearned Revenue	-	-
Compensated Absences	915	30
Liability Claims	-	-
Capital Lease Obligations	4,660	-
Net Pension Obligation	1,955	234
TOTAL LIABILITIES	15,552	2,823
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	48,416	135
Unrestricted	43,711	2,025
TOTAL NET ASSETS	$ 92,127	$ 2,160

Publishing Services	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 1,183	$ 36,997	$ 3,248	$ 13,733	$ 3,511	$ 112,079
10	162	-	1	5,957	6,736
-	8	-	-	-	10
-	-	-	251	-	251
1	-	23	49	-	74
-	-	-	-	4	2,081
-	-	-	-	2,112	2,596
-	-	-	-	140	140
-	-	-	-	1,984	1,984
476	-	236	-	8,722	65,519
1,670	37,167	3,507	14,034	22,430	191,470
754	2,228	359	218	4,131	14,193
36	128	423	1,372	586	3,028
-	-	-	-	-	84
46	36,113	431	1,846	1,038	42,985
1,400	-	-	-	-	1,400
-	-	-	-	82	82
69	-	463	2,746	181	4,404
-	177,384	-	-	-	177,384
-	-	-	-	-	4,660
309	-	2,836	982	-	6,316
2,614	215,853	4,512	7,164	6,018	254,536
476	-	236	-	10,706	59,969
(1,420)	(178,686)	(1,241)	6,870	5,706	(123,035)
$ (944)	$ (178,686)	$ (1,005)	$ 6,870	$ 16,412	$ (63,066)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2007
(In Thousands)

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
OPERATING REVENUES		
Charges for Services	$ 2,412	$ 28,359
Usage Fees	46,442	-
Other	421	213
TOTAL OPERATING REVENUES	49,275	28,572
OPERATING EXPENSES		
Benefit and Claim Payments	-	-
Maintenance and Operations	29,060	1,467
Cost of Materials Issued	-	28,355
Administration	1,659	56
Depreciation	13,249	27
TOTAL OPERATING EXPENSES	43,968	29,905
OPERATING INCOME (LOSS)	5,307	(1,333)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	2,164	25
Gain (Loss) on Sale/Retirement of Capital Assets	945	-
Debt Service Interest Expense	(306)	-
Other	46	-
TOTAL NONOPERATING REVENUES (EXPENSES)	2,849	25
INCOME (LOSS) BEFORE TRANSFERS	8,156	(1,308)
Transfers from Other Funds	454	3
Transfers from Governmental Funds	1,365	1
Transfers to Other Funds	(8,765)	-
Transfers to Governmental Funds	(926)	(33)
CHANGE IN NET ASSETS	284	(1,337)
Net Assets at Beginning of Year	91,843	3,497
NET ASSETS AT END OF YEAR	$ 92,127	$ 2,160

Publishing Services	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 4,400	$ 46,067	$ 18,327	$ 23,692	$ 41,940	$ 165,197
-	-	-	-	-	46,442
1	1,743	-	4	1,234	3,616
4,401	47,810	18,327	23,696	43,174	215,255
-	58,756	-	10,087	-	68,843
4,564	-	11,069	-	-	46,160
-	-	-	-	-	28,355
352	-	8,323	7,774	37,858	56,022
151	-	43	-	3,175	16,645
5,067	58,756	19,435	17,861	41,033	216,025
(666)	(10,946)	(1,108)	5,835	2,141	(770)
(24)	1,798	130	473	282	4,848
-	-	-	-	(2)	943
-	-	-	-	-	(306)
-	-	2	-	1	49
(24)	1,798	132	473	281	5,534
(690)	(9,148)	(976)	6,308	2,422	4,764
2	-	4	-	-	463
24	754	-	-	-	2,144
-	-	-	-	-	(8,765)
(31)	(1,798)	(384)	(402)	-	(3,574)
(695)	(10,192)	(1,356)	5,906	2,422	(4,968)
(249)	(168,494)	351	964	13,990	(58,098)
$ (944)	$ (178,686)	$ (1,005)	$ 6,870	$ 16,412	$ (63,066)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007
(In Thousands)

	City of San Diego		
	Central Garage and Machine Shop	Central Stores	Publishing Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	$ 45,924	$ 29,118	$ 4,336
Receipts from Interfund Services Provided	3,058	35	74
Payments to Suppliers	(14,614)	(26,687)	(1,443)
Payments to Employees	(12,566)	(1,370)	(1,536)
Payments for Interfund Services Used	(455)	(146)	(272)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	21,347	950	1,159
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	454	3	2
Transfers from Governmental Funds	1,365	-	24
Transfers Out	(8,765)	-	-
Transfers to Governmental Funds	(926)	(33)	(31)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(7,872)	(30)	(5)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Contracts, Notes, and Loans	1,488	-	-
Acquisition of Capital Assets	(9,274)	-	-
Proceeds from the Sale of Capital Assets	1,570	-	-
Principal Payments on Capital Leases	(4,529)	-	-
Interest Paid on Long-Term Debt	(360)	-	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(11,105)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received on Investments	2,164	25	(25)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	2,164	25	(25)
Net Increase (Decrease) in Cash and Cash Equivalents	4,534	945	1,129
Cash and Cash Equivalents at Beginning of Year	46,287	1,641	54
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 50,821	$ 2,586	$ 1,183
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	$ 5,307	$ (1,333)	$ (666)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Depreciation	13,249	27	151
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables:			
Accounts - Net	(346)	581	9
Claims - Net	7	-	-
Contributions	-	-	-
(Increase) Decrease in Inventories	-	684	-
(Increase) Decrease in Prepaid Expenses	112	-	-
Increase (Decrease) in Accounts Payable	2,436	990	265
Increase (Decrease) in Accrued Wages and Benefits	(17)	(2)	(1)
Increase (Decrease) in Due to Other Funds	-	-	1,400
Increase (Decrease) in Unearned Revenue	-	-	-
Increase (Decrease) in Compensated Absences	551	2	1
Increase (Decrease) in Liability Claims	-	-	-
Increase (Decrease) in Net Pension Obligation	2	1	-
Other Nonoperating Revenue (Expenses)	46	-	-
Total Adjustments	16,040	2,283	1,825
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 21,347	$ 950	$ 1,159

Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 47,892	$ 4,342	$ 23,634	$ 41,431	$ 196,677
-	13,988	-	-	17,155
(29,470)	2,880	(69)	(15,830)	(85,233)
(23,407)	(22,049)	(18,287)	(23,826)	(103,041)
-	(352)	-	-	(1,225)
(4,985)	(1,191)	5,278	1,775	24,333
-	4	-	-	463
754	-	-	-	2,143
-	-	-	-	(8,765)
(1,798)	(384)	(402)	-	(3,574)
(1,044)	(380)	(402)	-	(9,733)
-	-	-	-	1,488
-	-	-	(2,461)	(11,735)
-	-	-	1	1,571
-	-	-	-	(4,529)
-	-	-	-	(360)
-	-	-	(2,460)	(13,565)
1,798	142	474	282	4,860
1,798	142	474	282	4,860
(4,231)	(1,429)	5,350	(403)	5,895
41,228	4,677	8,383	4,054	106,324
$ 36,997	$ 3,248	$ 13,733	$ 3,651	$ 112,219
$ (10,946)	$ (1,108)	$ 5,835	$ 2,141	$ (770)
-	43	-	3,175	16,645
81	1	4	(1,720)	(1,390)
-	-	-	-	7
-	-	(66)		(66)
-	-	-	4	688
-	1	-	(1,076)	(963)
(5,141)	(3)	(108)	(831)	(2,392)
6	(55)	(711)	(1)	(781)
-	-	-	-	1,400
-	-	-	(23)	(23)
-	(74)	381	98	959
11,015	-	-	-	11,015
-	2	(57)	7	(45)
-	2	-	1	49
5,961	(83)	(557)	(366)	25,103
$ (4,985)	$ (1,191)	$ 5,278	$ 1,775	$ 24,333

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Fiduciary Funds

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FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

CITY EMPLOYEES' RETIREMENT SYSTEM

The City Employees' Retirement System ("CERS") fund is under the control of the Retirement Board of Administration. It is a defined benefit plan, whereby funds are accumulated from contributions from both the City and employees, plus earnings from fund investments. Disbursements are made for retirements, disability and death benefit payments, and refunds.

RETIREE HEALTH INSURANCE TRUST FUND

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

SUPPLEMENTAL PENSION SAVINGS PLAN

The Supplemental Pension Savings Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(k) PLAN

The City's 401(k) Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

AGENCY FUNDS

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

FIDUCIARY FUNDS
PENSION AND EMPLOYEE SAVINGS TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007
(In Thousands)

	City Employees' Retirement System	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(k) Plan	Total
ASSETS					
Cash or Equity in Pooled Cash and Investments	$ 490	$ 5,044	$ 154	$ 809	$ 6,497
Cash with Custodian/Fiscal Agent	527,795	-	-	-	527,795
Investments at Fair Value:					
Short Term Investments	52,999	-	-	-	52,999
Domestic Fixed Income Securities (Bonds)	810,554	-	-	-	810,554
International Fixed Income Securities (Bonds)	176,388	-	-	-	176,388
Domestic Equity Securities (Stocks)	2,021,800	-	-	-	2,021,800
International Equity Securities (Stocks)	900,229	-	-	-	900,229
Mortgages	3	-	-	-	3
Real Estate Equity and Real Estate Securities	440,972	-	-	-	440,972
Defined Contribution Investments	-	-	519,857	225,604	745,461
Receivables:					
Contributions	26,273	-	1,819	-	28,092
Accrued Interest	13,731	11	-	-	13,742
Loans	-	-	20,947	8,470	29,417
Securities Sold	79,154	-	-	-	79,154
Prepaid Expenses	63	-	-	-	63
Securities Lending Collateral	854,631	-	-	-	854,631
Capital Assets - Depreciable	201	-	-	-	201
TOTAL ASSETS	5,905,283	5,055	542,777	234,883	6,687,998
LIABILITIES					
Accounts Payable	7,965	-	-	-	7,965
Accrued Wages and Benefits	572	-	-	-	572
DROP Liabilities	271,596	-	-	-	271,596
Net Pension Obligation	776	-	-	-	776
Securities Lending Obligations	854,631	-	-	-	854,631
Securities Purchased	88,022	-	-	-	88,022
TOTAL LIABILITIES	1,223,562	-	-	-	1,223,562
NET ASSETS					
Held in Trust for Pension Benefits and Other Purposes	$ 4,681,721	$ 5,055	$ 542,777	$ 234,883	$ 5,464,436

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2007
(In Thousands)

ADDITIONS					
Employer Contributions	$ 204,117	$ 25,782	$ 23,372	$ -	$ 253,271
Employee Contributions	51,323	-	23,360	27,025	101,708
Retiree Contributions	-	6,727	-	-	6,727
Earnings on Investments:					
Investment Income	709,811	(55)	60,745	29,041	799,542
Investment Expense	(21,682)	-	-	-	(21,682)
Net Investment Income	688,129	(55)	60,745	29,041	777,860
Securities Lending:					
Gross Earnings	35,580	-	-	-	35,580
Borrower Rebates	(33,216)	-	-	-	(33,216)
Administrative Expenses (Lending Agent)	(633)	-	-	-	(633)
Net Securities Lending Income	1,731	-	-	-	1,731
Other Income:					
Other Income	619	-	-	-	619
TOTAL OPERATING ADDITIONS	945,919	32,454	107,477	56,066	1,141,916
DEDUCTIONS					
DROP Interest Expense	20,263	-	-	-	20,263
Benefit and Claim Payments	238,657	27,119	44,057	17,568	327,401
Administration	19,103	-	(373)	-	18,730
TOTAL OPERATING DEDUCTIONS	278,023	27,119	43,684	17,568	366,394
CHANGE IN NET ASSETS	667,896	5,335	63,793	38,498	775,522
Net Assets at Beginning of Year	4,013,825	(280)	478,984	196,385	4,688,914
NET ASSETS AT END OF YEAR	$ 4,681,721	$ 5,055	$ 542,777	$ 234,883	$ 5,464,436

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007
(In Thousands)

	Employee Benefits	Other Miscellaneous Agency	Total
ASSETS			
Cash and Investments	$ 8,071	$ 24,388	$ 32,459
Receivables:			
Accounts - Net	74	2	76
Accrued Interest	11	15	26
Restricted Cash and Investments	-	8,312	8,312
TOTAL ASSETS	$ 8,156	$ 32,717	$ 40,873
LIABILITIES			
Accounts Payable	$ -	$ 1,523	$ 1,523
Deposits/Advances from Others	-	13,300	13,300
Trust Liabilities	8,156	17,894	26,050
TOTAL LIABILITIES	$ 8,156	$ 32,717	$ 40,873

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2007
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Employee Benefits				
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 7,241	$ 65,773	$ 64,943	$ 8,071
Receivables:				
Accounts - Net	80	925	931	74
Accrued Interest	7	152	148	11
TOTAL ASSETS	$ 7,328	$ 66,850	$ 66,022	$ 8,156
LIABILITIES				
Trust Liabilities	$ 7,328	$ 78,840	$ 78,012	$ 8,156
TOTAL LIABILITIES	$ 7,328	$ 78,840	$ 78,012	$ 8,156
Other Miscellaneous Agency				
ASSETS				
Cash and Investments	$ 29,637	$ 694,931	$ 700,180	$ 24,388
Receivables:				
Accounts - Net	2	1	1	2
Accrued Interest	13	181	179	15
Restricted Cash and Investments	14,273	2,941	8,902	8,312
TOTAL ASSETS	$ 43,925	$ 698,054	$ 709,262	$ 32,717
LIABILITIES				
Accounts Payable	$ -	$ 1,524	$ 1	$ 1,523
Due to Component Unit	3,578	-	3,578	-
Deposits/Advances from Others	18,224	1,836	6,760	13,300
Trust Liabilities	22,123	675,214	679,443	17,894
TOTAL LIABILITIES	$ 43,925	$ 678,574	$ 689,782	$ 32,717
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Investments	$ 36,878	$ 760,704	$ 765,123	$ 32,459
Receivables:				
Accounts - Net	82	926	932	76
Accrued Interest	20	333	327	26
Restricted Cash and Investments	14,273	2,941	8,902	8,312
TOTAL ASSETS	$ 51,253	$ 764,904	$ 775,284	$ 40,873
LIABILITIES				
Accounts Payable	$ -	$ 1,524	$ 1	$ 1,523
Due to Component Unit	3,578	-	3,578	-
Deposits/Advances from Others	18,224	1,836	6,760	13,300
Trust Liabilities	29,451	754,054	757,455	26,050
TOTAL LIABILITIES	$ 51,253	$ 757,414	$ 767,794	$ 40,873

Statistical Section [Not Audited]

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City of San Diego
Net Assets by Category (Unaudited)
Last Six Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

Table 1

	Fiscal Year					
	2002 (restated)	2003	2004	2005	2006	2007
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	$ 3,013,292	$ 3,106,168	$ 3,200,262	$ 3,600,989	$ 3,472,531	$ 3,461,127
Restricted for:						
Capital Projects	231,964	250,452	274,664	90,390	273,575	300,288
Debt Service	70,029	154,926	74,268	37,522	-	-
Low-Moderate Income Housing	-	-	-	-	64,493	81,739
Permanent	15,860	11,857	13,104	13,908	14,568	16,509
Other	137,071	78,743	129,686	104,488	96,537	100,159
Unrestricted	5,450	(53,988)	(146,793)	(215,719)	(140,126)	(19,999)
Total Governmental Activities Net Assets	3,473,666	3,548,158	3,545,191	3,631,578	3,781,578	3,939,823
Business-type Activities						
Invested in Capital Assets, Net of Related Debt	2,348,754	2,624,846	2,818,690	2,863,136	2,867,469	2,998,848
Restricted for:						
Debt Service	70,011	72,567	3,674	3,517	2,970	2,977
Other	24,385	25,275	26,735	29,412	32,115	34,732
Unrestricted	616,624	373,143	317,358	271,943	308,575	343,280
Total Business-type Activities Net Assets	3,059,774	3,095,831	3,166,457	3,168,008	3,211,129	3,379,837
Primary Government						
Invested in Capital Assets, Net of Related Debt	5,362,046	5,731,014	6,018,952	6,464,125	6,340,000	6,459,975
Restricted for:						
Capital Projects	231,964	250,452	274,664	90,390	273,575	300,288
Debt Service	140,040	227,493	77,942	41,039	2,970	2,977
Low-Moderate Income Housing	-	-	-	-	64,493	81,739
Permanent	15,860	11,857	13,104	13,908	14,568	16,509
Other	161,456	104,018	156,421	133,900	128,652	134,891
Unrestricted	622,074	319,155	170,565	56,224	168,449	323,281
Total Primary Government Net Assets	$ 6,533,440	$ 6,643,989	$ 6,711,648	$ 6,799,586	$ 6,992,707	$ 7,319,660

City of San Diego
Changes in Net Assets (Unaudited)
Last Six Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

Table 2

	Fiscal Year					
	2002 (restated)	2003	2004	2005	2006	2007
Expenses						
Governmental Activities						
General Government and Support	$ 181,722	$ 204,072	$ 221,752	$ 247,038	$ 252,295	$ 270,190
Public Safety - Police	298,176	334,461	361,501	372,230	370,990	376,581
Public Safety - Fire and Life Safety and Homeland Security	139,699	147,897	173,311	186,203	194,074	209,902
Parks, Recreation, Culture and Leisure	181,762	202,567	204,736	218,601	237,375	229,500
Transportation	153,002	154,603	197,152	220,095	200,883	272,780
Sanitation and Health	57,227	37,615	44,925	45,088	48,774	43,780
Neighborhood Services	116,397	95,267	100,568	89,162	111,886	99,870
Debt Service:						
Interest	59,952	68,410	71,588	73,381	71,109	84,920
Total Governmental Activities Expenses	1,187,937	1,244,892	1,375,533	1,451,798	1,487,386	1,587,523
Business-type Activities						
Airports	3,085	4,281	7,384	3,196	4,100	3,755
City Store	731	731	858	808	810	843
Development Services	46,920	47,278	52,970	60,240	57,893	53,924
Environmental Services	35,684	40,306	40,602	43,711	44,493	40,138
Golf Course	6,433	6,963	7,572	8,585	9,563	10,690
Recycling	16,161	19,141	19,497	21,426	21,853	19,754
Sewer Utility	277,833	352,075	312,929	348,327	319,274	313,716
Water Utility	255,160	267,855	270,940	300,665	302,996	313,256
Total Business-type Activities Expenses	642,007	738,630	712,752	786,958	760,982	756,076
Total Primary Government Expenses	1,829,944	1,983,522	2,088,285	2,238,756	2,248,368	2,343,599
Program Revenues						
Governmental Activities						
Charges for Services:						
General Government and Support	72,067	80,782	81,167	100,887	96,345	107,257
Public Safety - Police	18,812	21,498	23,699	23,496	24,256	27,960
Public Safety - Fire and Life Safety and Homeland Security	16,492	21,014	19,940	21,381	18,572	16,548
Parks, Recreation, Culture and Leisure	20,136	9,187	12,466	35,314	51,196	52,656
Transportation	35,673	44,020	47,709	30,625	52,375	49,809
Sanitation and Health	7,571	9,009	9,087	8,651	10,697	10,224
Neighborhood Services	21,801	17,748	20,033	48,623	25,440	39,412
Operating Grants and Contributions	99,541	95,882	95,202	109,268	101,723	84,745
Capital Grants and Contributions	136,461	115,748	91,981	134,702	100,564	81,169
Total Governmental Activities Program Revenues	428,554	414,888	401,284	512,947	481,167	469,780
Business-type Activities						
Charges for Services:						
Airports	3,346	3,461	3,827	4,151	4,385	5,635
City Store	694	771	852	807	837	827
Development Services	46,860	46,656	58,412	61,299	55,011	48,746
Environmental Services	33,315	36,889	38,377	41,944	39,850	36,143
Golf Course	10,143	10,311	11,911	12,625	13,119	15,772
Recycling	15,870	17,640	16,169	19,883	21,345	20,476
Sewer Utility	233,980	256,947	267,294	288,972	290,568	304,749
Water Utility	213,577	222,462	239,533	267,649	280,567	310,292
Operating Grants and Contributions	5,981	3,616	1,483	2,028	1,909	1,203
Capital Grants and Contributions	170,943	143,444	133,586	63,830	77,602	141,419
Total Business-type Activities Program Revenues	734,710	742,197	771,444	763,188	785,193	885,262
Total Primary Government Program Revenues	1,163,264	1,157,085	1,172,728	1,276,135	1,266,360	1,355,042
Net (Expense)/Revenue						
Governmental Activities	(759,383)	(830,004)	(974,249)	(938,851)	(1,006,219)	(1,117,743)
Business-type Activities	92,703	3,567	58,692	(23,770)	24,211	129,186
Total Primary Government Net Expense	(666,680)	(826,437)	(915,557)	(962,621)	(982,008)	(988,557)

City of San Diego
Changes in Net Assets (Unaudited)
Last Six Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

Table 2

	Fiscal Year					
	2002 (restated)	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets						
Governmental Activities						
Property Taxes	$ 222,778	$ 248,659	$ 278,804	$ 329,659	$ 459,777	$ 526,722
Transient Occupancy Taxes	95,175	105,263	113,209	120,792	136,803	154,810
Other Local Taxes	106,723	98,783	139,748	152,577	148,001	157,941
Developer Contributions and Fees	36,879	39,577	33,363	47,063	53,502	62,693
Grants and Contributions not Restricted to Specific Programs	93,824	91,556	101,086	141,934	64,039	5,339
Sales Taxes	233,864	223,594	238,616	197,198	227,017	263,399
Investment Income	90,073	84,448	57,537	29,473	40,108	76,292
Gain on Sale of Capital Assets	480	92	467	684	1,214	6,546
Permanent Fund Contributions	280	870	250	-	-	-
Miscellaneous	6,983	6,243	4,396	5,232	21,227	25,671
Transfers	47,953	5,411	3,806	626	4,530	(3,425)
Total Governmental Activities General Revenues, Contributions, and Transfers	935,012	904,496	971,282	1,025,238	1,156,218	1,275,988
Business-type Activities						
Investment Income	34,918	31,760	10,289	17,132	16,938	30,713
Gain/(Loss) on Sale of Capital Assets	-	(1,761)	8	-	-	-
Miscellaneous	(1,036)	7,902	5,443	8,815	6,502	5,384
Transfers	(47,953)	(5,411)	(3,806)	(626)	(4,530)	3,425
Total Business-type Activities General Revenues and Transfers	(14,071)	32,490	11,934	25,321	18,910	39,522
Total Primary Government General Revenues, Permanent Fund Contributions, and Transfers	920,941	936,986	983,216	1,050,559	1,175,128	1,315,510
Change in Net Assets						
Governmental Activities	175,629	74,492	(2,967)	86,387	150,000	158,245
Business-type Activities	78,632	36,057	70,626	1,551	43,121	168,708
Total Primary Government Change in Net Assets	$ 254,261	$ 110,549	$ 67,659	$ 87,938	$ 193,121	$ 326,953

City of San Diego
Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years (In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	1998	1999[1]	2000	2001[1]
General Fund:				
Reserved	$ 14,497	$ 16,663	$ 21,898	$ 22,128
Unreserved	25,937	22,988	32,508	55,579
Total General Fund	40,434	39,651	54,406	77,707
All Other Governmental Funds:				
Reserved	311,622	490,696	593,837	445,752
Unreserved, reported in:				
Special Revenue Funds	108,323	142,000	119,272	137,040
Debt Service Funds	-	575	562	1,194
Capital Projects Funds	173,728	653,505	357,522	320,563
Permanent Funds	-	-	-	-
Total All Other Governmental Funds	$ 593,673	$ 1,286,776	$ 1,071,193	$ 904,549

Footnote:
[1] Amounts have been subsequently restated in future periods.

Table 3

Fiscal Year					
2002[1]	2003	2004	2005	2006	2007
$ 26,298	$ 21,482	$ 18,550	$ 17,501	$ 21,288	$ 35,858
43,705	45,570	42,672	43,547	40,353	96,190
70,003	67,052	61,222	61,048	61,641	132,048
574,974	386,652	277,968	372,806	401,019	504,693
202,651	185,219	305,909	284,818	267,576	350,096
3,740	864	1,650	13	217	29
283,250	275,591	287,259	279,866	406,130	377,648
-	461	879	1,063	656	1,249
$ 1,064,615	$ 848,787	$ 873,665	$ 938,566	$ 1,075,598	$ 1,233,715

City of San Diego
Changes in Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years (In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	1998	1999	2000	2001	2002
Revenues:					
Property Taxes	$ 150,409	$ 160,658	$ 179,048	$ 201,801	$ 223,100
Special Assessments (1)	17,573	19,630	18,457	18,775	22,491
Sales Taxes (2)	174,615	179,037	198,622	221,724	221,383
In-Lieu Sales Taxes (3)	-	-	-	-	-
Transient Occupancy Taxes (4)	-	-	-	-	-
Other Local Taxes	155,587	161,928	171,141	193,177	202,364
Licenses and Permits	30,735	34,854	30,381	34,803	25,194
Fines, Forfeitures and Penalties	17,949	25,541	31,141	32,902	25,854
Revenue from Use of Money and Property	97,996	112,558	120,966	108,345	97,213
Revenue from Federal Agencies	108,131	124,191	52,889	40,136	42,635
Revenue from Other Agencies	126,326	166,334	214,559	222,868	171,681
Revenue from Private Sources	40,906	50,394	82,382	77,583	140,841
Charges for Current Services	78,209	82,427	95,000	101,781	110,418
Other Revenue	23,640	10,544	15,462	11,544	10,074
Total Revenues	1,022,076	1,128,096	1,210,048	1,265,439	1,293,248
Expenditures:					
Current:					
General Government	73,045	77,751	83,351	95,992	189,128
Community and Economic Development (5)	13,967	14,740	16,289	27,830	-
Public Safety - Police (5)	311,844	356,358	395,942	406,580	288,809
Public Safety - Fire and Life Safety and Homeland Security	-	-	-	-	131,974
Libraries (7)	23,000	24,213	26,237	31,364	-
Parks, Recreation, Culture and Leisure	88,687	99,464	106,227	116,195	174,485
Public Works (8)	124,580	136,474	152,409	152,557	-
Housing and Community Development (9)	101,730	100,169	13,535	13,641	-
Public Transportation (6)	41	30	14	8	91,746
Sanitation and Health (6)	-	-	-	-	36,851
Neighborhood Services (6)	-	-	-	-	72,087
Employee Relations and Special Projects	6,908	7,207	7,761	8,426	-
Miscellaneous and Unallocated	2,802	2,505	1,914	1,371	-
Cost of Issuance, Bonds and Notes	34	10,386	360	4,054	-
Capital Projects	288,909	439,885	413,107	467,769	208,083
Debt Service:					
Principal Retirement	42,512	39,470	43,027	54,233	39,831
Interest	81,016	90,717	127,620	125,330	49,140
Arbitrage Rebate	-	-	-	-	-
Cost of Issuance	-	-	-	-	-
Total Expenditures	1,159,075	1,399,369	1,387,793	1,505,350	1,282,134
Excess (Deficiency) of Revenues Over Expenditures	(136,999)	(271,273)	(177,745)	(239,911)	11,114
Other Financing Sources (Uses):					
Transfers In	8,572	4,424	5,286	7,130	6,338
Transfers Out	(14,911)	(18,932)	(32,476)	(28,013)	(16,749)
Transfer to Escrow Agent	-	(64,137)	-	-	-
Contracts, Notes, and Loans Issued	-	-	3,711	222	-
Bonds Issued	-	1,042,238	23,459	117,229	253,181
Other Income	-	-	-	-	2,622
Restatements	501	-	(23,063)	-	(104,144)
Total Other Financing Sources (Uses)	(5,838)	963,593	(23,083)	96,568	141,248
Net Change in Fund Balances	$ (142,837)	$ 692,320	$ (200,828)	$ (143,343)	$ 152,362
Debt Service as a Percentage of Noncapital Expenditures	14.2%	13.6%	17.5%	17.3%	8.3%

Footnotes:
(1) The City began reporting Special Assessments separate from Property Taxes beginning with the fiscal year ended June 30, 1998.
(2) The City began reporting Sales Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 1998.
(3) The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with the fiscal year ended June 30, 2005.
(4) The City began reporting Transient Occupancy Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 2004.
(5) Amounts reported as Public Safety - Police prior to the fiscal year ended June 30, 2002 includes Public Safety - Fire & Life Safety.
(6) Multiple classification adjustments were imposed as a result of implementation of GASB Statement No. 34.

Table 4

Fiscal Year				
2003	2004	2005	2006	2007
$ 248,276	$ 279,090	$ 325,857	$ 457,908	$ 521,734
25,748	26,816	30,263	36,699	36,585
223,023	238,430	197,198	227,017	264,587
-	-	48,220	45,433	-
-	113,209	121,612	136,801	153,574
203,493	140,016	152,576	148,001	158,046
29,268	30,592	40,724	42,117	41,425
26,679	33,870	33,906	35,441	42,932
86,789	63,268	77,514	89,438	117,552
56,851	50,493	66,283	43,570	79,735
136,359	154,559	143,639	58,289	61,977
82,410	62,143	91,354	91,287	59,549
123,461	129,350	138,794	127,121	159,877
10,594	10,462	11,518	25,923	31,027
1,252,951	1,332,298	1,479,458	1,565,045	1,728,600
193,980	198,826	236,706	290,550	267,461
-	-	-	-	-
301,839	313,387	347,359	408,474	376,762
141,967	152,073	178,553	212,069	202,031
-	-	-	-	-
177,584	170,163	180,327	216,038	182,197
-	-	-	-	-
-	-	-	-	-
89,653	117,619	140,604	147,977	139,349
38,031	42,184	44,327	49,094	44,729
98,050	104,205	102,235	112,080	85,544
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
229,496	174,346	175,493	126,583	106,518
49,858	49,118	77,952	53,293	68,160
65,216	68,800	68,201	68,732	82,928
-	421	-	-	-
-	-	-	-	5,145
1,385,674	1,391,142	1,551,757	1,684,890	1,560,824
(132,723)	(58,844)	(72,299)	(119,845)	167,776
11,660	7,373	10,634	6,975	9,509
(8,676)	(16,474)	(2,366)	(1,784)	(3,546)
(53,974)	(10,132)	(32,011)	-	(159,690)
3,891	27,507	5,435	13,873	13,003
89,340	66,168	152,056	217,797	182,328
8,237	3,450	3,278	20,609	19,144
(136,534)	-	-	-	-
(86,056)	77,892	137,026	257,470	60,748
$ (218,779)	$ 19,048	$ 64,727	$ 137,625	$ 228,524
10.0%	9.7%	10.6%	7.8%	10.4%

City of San Diego
Assessed Value and Estimated Value of Taxable Property (Unaudited)
Last Ten Fiscal Years (In Thousands)

	City			
Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions (restated) [4]	Taxable Assessed Value (restated) [4]
1998	$ 68,648,609	$ 5,337,916	$ (4,273,887)	$ 69,712,638
1999	75,788,751	5,852,822	(4,328,931)	77,312,642
2000	82,195,239	6,347,101	(4,606,047)	83,936,293
2001	89,259,317	6,838,926	(4,955,424)	91,142,819
2002	96,534,652	6,959,602	(4,577,069)	98,917,185
2003	105,602,893	7,230,861	(5,415,535)	107,418,219
2004	115,116,772	6,842,254	(5,690,654)	116,268,372
2005	128,611,940	7,191,819	(5,967,224)	129,836,535
2006	124,598,322	7,063,201	(5,678,208)	125,983,315 [3]
2007	137,387,588	7,625,115	(5,861,380)	139,151,323

Footnotes:

[1] Effective July 1, 1988, Assembly Bill 454, Chapter 921 eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

[2] In 1978 the voters of the State of California passed Proposition 13, which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

[3] The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

[4] In fiscal year 2006, the method used to calculate Taxable Assessed Value changed to include homeowner's exemptions. Prior to fiscal year 2006, homeowner's exemptions were not included in the calculation. Therefore, amounts for fiscal years 1998 through 2005 have been restated to include homeowner's exemptions.

Source: MuniServices, LLC, County of San Diego

Table 5

Redevelopment Agency				
Secured	Unsecured	Less: Exemptions (restated) [4]	Taxable Assessed Value (restated) [4]	Total Direct Tax Rate
$ 4,426,121	$ 283,966	$ (293,773)	$ 4,416,314	0.203%
6,064,771	435,459	(346,763)	6,153,467	0.192%
6,637,895	466,314	(403,072)	6,701,137	0.198%
7,420,900	482,155	(394,372)	7,508,683	0.205%
8,287,824	526,423	(456,942)	8,357,305	0.208%
9,662,606	593,738	(480,455)	9,775,889	0.212%
9,558,045	483,522	(531,458)	9,510,109	0.222%
10,222,644	505,380	(573,561)	10,154,463	0.233%
14,574,228	633,220	(691,376)	14,516,072 [3]	0.326%
17,678,580	896,315	(930,793)	17,644,102	0.333%

City of San Diego
Direct and Overlapping Property Tax Rates (Unaudited)
($1 Per $100 of Assessed Value)
Last Ten Fiscal Years

Table 6

Fiscal Year Ended June 30	Direct Rate	Overlapping		
	Basic County/ City Rate	City of San Diego	Education	Total
1998	1.00000%	0.00840%	0.09930%	1.10770%
1999	1.00000%	0.00790%	0.09630%	1.10420%
2000	1.00000%	0.00760%	0.09580%	1.10340%
2001	1.00000%	0.00740%	0.09580%	1.10320%
2002	1.00000%	0.00730%	0.09580%	1.10310%
2003	1.00000%	0.00710%	0.09580%	1.10290%
2004	1.00000%	0.00680%	0.00000%	1.00680%
2005	1.00000%	0.00670%	0.00000%	1.00670%
2006	1.00000%	0.01165%	0.10085%	1.11250%
2007	1.00000%	0.01094%	0.08931%	1.10025%

Source: MuniServices, LLC, County of San Diego

City of San Diego
Principal Property Tax Payers (Unaudited)
Current Year and Nine Years Ago (In Thousands)

Table 7

Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
For the Fiscal Year Ended June 30, 2007		
Qualcomm, Inc.	$ 793,697	0.51%
Kilroy Realty, LP	713,511	0.46%
Fashion Valley Mall, LLC	423,881	0.27%
Pfizer, Inc.	420,748	0.27%
San Diego Family Housing, LLC	419,700	0.27%
Irvine Co.	379,634	0.24%
Sea World, Inc.	373,447	0.24%
Manchester Resorts, LP	348,461	0.22%
Solar Turbines, Inc.	286,118	0.18%
Pacific Gateway, Ltd.	270,601	0.17%
For the Fiscal Year Ended June 30, 1998		
Equitable Life Assurance	$ 475,620	0.74%
Qualcomm, Inc.	410,822	0.64%
Hewlett-Packard	260,980	0.41%
Sony Corp of America	246,823	0.38%
Pacific Gateway, Ltd	231,590	0.36%
Sea World, Inc.	228,549	0.36%
Solar Turbines	180,984	0.28%
Pardee Construction	168,345	0.26%
Manchester Resorts, LP	125,644	0.20%
Miramar Ranch North	27,000	0.04%

Sources: 2006-07 MuniServices, LLC, and Comprehensive Annual Financial Reports

City of San Diego
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years (In Thousands)

Table 8

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1998	$ 116,912	$ 114,311	97.78%	$ 3,118	$ 117,429	100.44%
1999	127,846	124,267	97.20%	2,656	126,923	99.28%
2000	141,963	137,859	97.11%	2,366	140,225	98.78%
2001	155,060	150,900	97.32%	2,506	153,406	98.93%
2002	167,077	163,357	97.77%	2,089	165,446	99.02%
2003	181,687	175,943	96.84%	2,398	178,341	98.16%
2004	199,630	191,224	95.79%	3,175	194,399	97.38%
2005	227,422	213,173	93.73%	3,152	216,325	95.12%
2006	255,211	240,895	94.39%	4,563	245,458	96.18%
2007	272,983	257,034	94.16%	5,865	262,899	96.31%

Source: County of San Diego

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City of San Diego
Ratios of Outstanding Debt by Type (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Governmental Activities				
	Arbitrage Liability	Capital Lease Obligations	Contracts Payable	Notes Payable	Loans
1998	$ -	$ 17,571	$ 1,013	$ 107,351	$ -
1999	-	17,551	717	99,230	-
2000	-	14,284	1,697	33,606	5,972
2001	-	13,233	3,848	37,962	3,250
2002	-	38,345	3,597	15,521	28,255
2003	363	37,701	1,882	8,416	46,117
2004	262	30,619	1,715	5,998	69,084
2005	-	30,647	1,715	7,924	62,024
2006	-	40,541	2,615	7,294	64,199
2007	-	39,130	2,615	8,555	60,493

Fiscal Year Ended June 30	Business-Type Activities				
	Arbitrage Liability	Capital Lease Obligations	Notes Payable	Loans Payable	Line of Credit
1998	$ -	$ 10,242	$ 818,760	$ 100	$ -
1999	-	18,656	1,118,740	100	-
2000	-	25,807	1,485,497	17,256	3,569
2001	-	28,885	1,463,290	60,222	4,169
2002*	-	7,612	63,786	-	-
2003	1,812	6,465	-	69,093	-
2004	221	5,008	-	67,054	-
2005	213	3,521	-	63,803	-
2006	193	2,051	-	91,247	-
2007	224	1,006	280,830	101,316	-

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.
*In fiscal year 2002, loans payable were reclassified as notes payable, and notes payable were reclassified as bond payable.
(a) Ratio is calculated using assessed property values. Personal income data is not available.
(b) Ratio is calculated using population data.

Source: Comprehensive Annual Financial Reports

Table 9

Governmental Activities					
General Obligation Bonds	Revenue Bonds/ Lease Revenue Bonds/ Certificates of Participation	Special Assessment/ Special Tax Bonds	Tax Allocation Bonds	Tobacco Settlement Asset-Backed Bonds	Total Governmental Activities
$ 78,600	$ 213,801	$ 113,105	$ 109,445	$ -	$ 640,886
74,255	446,885	72,690	164,215	-	875,543
68,700	448,000	70,550	171,101	-	813,910
63,595	434,365	128,545	222,751	-	907,549
58,095	609,235	125,955	275,471	-	1,154,474
52,165	609,785	123,130	283,310	-	1,162,869
45,775	591,620	140,545	314,333	-	1,199,951
14,530	571,285	137,305	415,778	-	1,241,208
12,690	549,850	133,605	514,845	105,400	1,431,039
10,705	521,210	145,625	502,804	102,700	1,393,837

Revenue Bonds Payable	Total Business-Type Activities	Total Primary Government	Percentage of Assessed Value (a)	Debt Per Capita (b)
$ -	$ 829,102	$ 1,469,988	2.07%	$ 1.20
-	1,137,496	2,013,039	2.56%	1.60
-	1,532,129	2,346,039	2.75%	1.84
-	1,556,566	2,464,115	2.66%	1.97
1,433,465	1,504,863	2,659,337	2.65%	2.12
1,612,200	1,689,570	2,852,439	2.62%	2.24
1,731,825	1,804,108	3,004,059	2.55%	2.32
1,698,060	1,765,597	3,006,805	2.29%	2.30
1,662,705	1,756,196	3,187,235	2.53%	2.43
1,469,060	1,852,436	3,246,273	2.33%	2.47

City of San Diego
Ratios of General Bonded Debt Outstanding (Unaudited)
Last Ten Fiscal Years

Table 10

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)	Percentage of Assessed Value (a)	Population	Debt Per Capita (b)
		(restated)			
1998	$ 78,600	$ 69,712,638	0.11%	1,224,848	$ 64.17
1999	74,255	77,312,642	0.10%	1,254,281	59.20
2000	68,700	83,936,293	0.08%	1,277,168	53.79
2001	63,595	91,142,819	0.07%	1,250,700	50.85
2002	58,095	98,917,185	0.06%	1,255,742	46.26
2003	52,165	107,418,219	0.05%	1,275,112	40.91
2004	45,775	116,268,372	0.04%	1,294,000	35.37
2005	14,530	129,836,535	0.01%	1,306,000	11.13
2006	12,690	125,983,315 (c)	0.01%	1,311,162	9.68
2007	10,705	139,151,323	0.01%	1,316,837	8.13

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(a) Ratio is calculated using assessed property values. Personal income data is not available.
(b) Ratio is calculated using population data.
(c) The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

Source: Comprehensive Annual Financial Reports

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City of San Diego
Direct and Overlapping Debt (Unaudited)
June 30, 2007 (In Thousands)

Table 11

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/07	% Applicable (1)	City's Share of Debt, 6/30/07
Metropolitan Water District	$ 359,115	8.900%	$ 31,961
Palomar Community College District	160,000	25.098%	40,157
San Diego Community College District	288,465	99.900%	288,177
Poway Unified School District School Facilities Improvement District No. 2002-1	178,681	68.233%	121,901
San Diego Unified School District	1,426,600	99.904%	1,425,230
Sweetwater Union High School District	178,139	20.773%	37,005
San Ysidro School District	56,994	90.694%	51,691
Other School, High School and Community College Districts	668,913	Various	30,188
Palomar Pomerado Hospital District	73,815	30.851%	22,773
City of San Diego	9,905	100.000%	9,905
City of San Diego Special Assessment/Special Tax Bonds (3)	145,625	100.000%	145,625
San Diego Open Space Park Facilities District No. 1 (3)	800	100.000%	800
Del Mar Unified School District Community Facilities District No. 99-1	30,305	100.000%	30,305
North City West School District Community Facilities District	100,543	100.000%	100,543
Poway Unified School District Community Facilities Districts	251,016	99.609-100.000%	250,772
San Dieguito Union High School District Community Facilities Districts	65,623	39.731-81.063%	33,175
Sweetwater Union High School District Community Facilities Districts	29,634	8.935-100.000%	22,936
Other Special District 1915 Act Bonds	19,310	Various	824
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			2,643,967
Less: San Diego Open Space Park Facilities District No. 1 (100% self-supporting)			800
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			2,643,167
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	351,215	45.766%	160,737
San Diego County Pension Obligations	1,343,748	45.766%	614,980
San Diego Superintendent of Schools Certificates of Participation	18,043	45.766%	8,257
Palomar Community College District General Fund Obligations	8,065	25.098%	2,024
Poway Unified School District Certificates of Participation	19,300	72.679%	14,027
Sweetwater Union High School District Certificates of Participation	12,145	20.773%	2,523
Chula Vista School District General Fund Obligations	133,905	5.581%	7,473
San Ysidro School District Certificates of Participation	25,910	90.694%	23,499
Other School, High School and Community College District Certificates of Participation	48,838	Various	3,027
City of San Diego Revenue Bonds, Leased Revenue Bonds, and Certificates of Participation (3)	521,210	100.000%	521,210
Otay Municipal Water District Certificates of Participation	66,135	5.980%	3,955
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			1,361,712
Less: Otay Municipal Water District Certificates of Participation			3,955
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			1,357,757
GROSS COMBINED TOTAL DEBT (2)			4,005,679
NET COMBINED TOTAL DEBT			$ 4,000,924

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

(3) Amounts for total debt reconcile to Note 5.

City of San Diego
Direct and Overlapping Debt (Unaudited)
June 30, 2007 (In Thousands)
(Continued)

Table 11

Ratios to 2006-07 Assessed Valuation:	
Direct Debt ($9,905)	0.01%
Total Gross Direct and Overlapping Tax and Assessment Debt	2.53%
Total Net Direct and Overlapping Tax and Assessment Debt	2.53%
Ratios to Adjusted Assessed Valuation:	
Gross Combined Direct Debt ($531,915) (1)	0.37%
Net Combined Direct Debt ($531,115)	0.37%
Gross Combined Total Debt	2.77%
Net Combined Total Debt	2.77%

(1) City of San Diego	$ 9,905
City Authorities and Certificates of Participation	521,210
San Diego Open Space Park Facilities District No. 1	800
	$ 531,915

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $0

Source: California Municipal Statistics, Inc. and Comprehensive Annual Financial Report

City of San Diego
Legal Debt Margin Schedule (Unaudited)
Last Ten Fiscal Years (In Thousands)

	Fiscal Year			
	1998	1999	2000	2001
Assessed valuation (restated)	$ 69,712,638	$ 77,312,642	$ 83,936,293	$ 91,142,819
Conversion percentage *	25%	25%	25%	25%
Adjusted assessed valuation	17,428,160	19,328,161	20,984,073	22,785,705
Debt limit percentage **	25%	25%	25%	25%
Debt limit	4,357,040	4,832,040	5,246,018	5,696,426
Total net debt applicable to limit:				
General Obligation Bonds	21,175	20,200	19,170	18,075
Legal debt margin	4,335,865	4,811,840	5,226,848	5,678,351
Total debt applicable to the limit as a percentage of the debt limit	0.49%	0.42%	0.37%	0.32%

Footnotes:

[1] The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

[2] The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or $5,218,175, and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or $3,478,783.

* The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

** Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation.

Source: Comprehensive Annual Financial Reports

Table 12

Fiscal Year					
2002	2003	2004	2005	2006	2007
$ 98,917,185	$ 107,418,219	$ 116,268,372	$ 129,836,535	$ 125,983,315 [1]	$ 139,151,323
25%	25%	25%	25%	25%	25%
24,729,296	26,854,555	29,067,093	32,459,134	31,495,829	34,787,831
25%	25%	25%	25%	25%	25%
6,182,324	6,713,639	7,266,773	8,114,783	7,873,957	8,696,958 [2]
16,920	15,690	14,390	13,010	11,520	9,905
6,165,404	6,697,949	7,252,383	8,101,773	7,862,437	8,687,053
0.27%	0.23%	0.20%	0.16%	0.15%	0.11%

City of San Diego
Pledged-Revenue Coverage - Water Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Less: Interest Earnings on Reserve Fund - Parity Obligations	Adjusted Net System Revenue
1998 [1]					
1999	$ 210,490	$ 195,407	$ 15,083	$ (884)	$ 14,199
2000	255,736	213,358	42,378	-	42,378
2001	255,974	214,056	41,918	(54)	41,864
2002	261,333	222,104	39,229	(3,444)	35,785
2003	256,968	226,058	30,910	(1,305)	29,605
2004	267,649	232,193	35,456	(1,296)	34,160
2005	294,904	234,392	60,512	(1,262)	59,250
2006	303,453	242,180	61,273	(1,228)	60,045
2007	336,599	255,486	81,113	(1,346)	79,767

Footnote:
[1]The Water Utility had no bonded debt for fiscal year 1998.

Source: Comprehensive Annual Financial Reports

Table 13-1

Debt Service					
Principal	Interest	Total	Less: Parity Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage
$ -	$ 9,365	$ 9,365	$ (884)	$ 8,481	1.67
-	18,730	18,730	-	18,730	2.26
-	18,730	18,730	(54)	18,676	2.24
6,780	18,594	25,374	(3,444)	21,930	1.63
7,055	16,308	23,363	(1,305)	22,058	1.34
7,345	14,010	21,355	(1,296)	20,059	1.70
7,645	13,710	21,355	(1,262)	20,093	2.95
7,965	13,390	21,355	(1,228)	20,127	2.98
8,305	13,046	21,351	(1,346)	20,005	3.99

City of San Diego
Pledged-Revenue Coverage - Sewer Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Table 13-2

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Debt Service			Debt Service Coverage
				Principal	Interest	Total	
1998	$ 279,463	$ 162,404	$ 117,059	$ 14,865	$ 41,672	$ 56,537	2.07
1999	256,163	138,880	117,283	15,430	41,108	56,538	2.07
2000	291,238	137,007	154,231	18,300	58,755	77,055	2.00
2001	283,228	168,853	114,375	22,150	54,905	77,055	1.48
2002	310,392	170,022	140,370	23,045	54,009	77,054	1.82
2003	334,551	241,822	92,729	24,000	53,046	77,046	1.20
2004	295,881	196,823	99,058	25,030	52,020	77,050	1.29
2005	322,716	204,163	118,553	26,120	50,935	77,055	1.54
2006	320,151	202,111	118,040	27,390	49,662	77,052	1.53
2007	344,840	202,632	142,208	30,250	46,805	77,055	1.85

Source: Comprehensive Annual Financial Reports

City of San Diego
Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years

Table 14

Fiscal Year Ended June 30	Population [1]	Personal Income [2] (Thousands $)	Per Capita Personal Income ($)	Unemployment Rate [3]
1998	1,224,848	N/A	N/A	3.8%
1999	1,254,281	N/A	N/A	3.5%
2000	1,277,168	N/A	N/A	3.2%
2001	1,250,700	N/A	N/A	2.3%
2002	1,255,742	31,859,430	25,371	3.7%
2003	1,275,112	32,794,606	25,719	4.4%
2004	1,294,000	35,896,854	27,741	5.0%
2005	1,306,000	38,523,082	29,497	4.5%
2006	1,311,162	37,749,536	28,791	4.3%
2007	1,316,837	39,302,317	29,846	4.0%

Footnotes:

[1] Population projections are provided by the California Department of Finance Projections.

[2] Income data is provided by the United States Census Data and is adjusted for inflation.

[3] Unemployment data is provided by the EDD's Bureau of Labor Statistics Department.

Sources: 2006-07 MuniServices, LLC, and Comprehensive Annual Financial Reports

City of San Diego
Principal Employers (Unaudited)
Fiscal Year-End 2007 [1]

Table 15

Employer	Number of Employees	Percentage of Total Employment [2]
United States Navy [3]	71,423	10.54%
Science Applications International Corp	44,000	6.49%
San Diego County [4]	17,040	2.51%
San Diego Unified School District [5]	15,800	2.33%
Scripps Health	11,000	1.62%
City of San Diego [6]	10,685	1.58%
Sempra Energy	5,600	0.83%
Solar Turbines	5,500	0.81%
Kaiser Permanente	4,992	0.74%
San Diego County Community College District	4,778	0.71%
Total Top Employers	190,818	28.16%

Footnotes:
[1] Past data going back to fiscal year-end 1998 is not available for a 10 year comparison.
[2] Percentage based on total employment of 677,700 provided by the EDD Labor Force Data.
[3] Employee count includes Navy personnel only (civilian/military).
[4] Employee count is county-wide.
[5] Employee count is district-wide.
[6] Employee count is provided by the City of San Diego, Office of the Comptroller - Payroll Division

Source: 2006-07 MuniServices, LLC

City of San Diego
Full-time and Part-time City Employees by Function (Unaudited)
Last Seven Fiscal Years [1]

Table 16

Function	Fiscal Year 2001	2002	2003	2004	2005	2006	2007
General Government and Support	1,864	2,015	2,039	1,990	1,944	1,816	1,870
Public Safety - Police	2,854	2,875	2,836	2,730	2,774	2,628	2,627
Public Safety - Fire and Life Safety	1,286	1,314	1,355	1,352	1,373	1,322	1,333
Parks, Recreation, Culture and Leisure	2,041	2,023	2,052	1,822	1,777	1,701	1,663
Transportation	490	517	513	501	461	447	339
Sanitation and Health	164	163	161	161	148	144	129
Neighborhood Services	267	259	260	235	234	177	148
Airports	19	20	21	19	17	14	14
Development Services	480	498	463	524	535	482	426
Environmental Services	209	222	225	219	219	196	188
Golf Course	69	70	73	82	81	88	95
Recycling	99	118	120	119	116	121	108
Sewer Utility	972	1,052	1,108	1,071	1,050	976	906
Water Utility	967	997	979	975	943	878	839
Total Employees	11,781	12,143	12,205	11,800	11,672	10,990	10,685

Footnote:
[1] Data only available for the last seven fiscal years.

Source: City of San Diego, Office of the Comptroller - Payroll Division

City of San Diego
Operating Indicators by Function (Unaudited)
Last Two Fiscal Years [1]

Table 17

Function	2006	2007
Public Safety - Police		
Calls for police services dispatched	626,067	623,940
Calls for 9-1-1 emergencies	471,927	518,291
Public Safety - Fire and Life Safety		
Fire Department:		
Emergency calls - fire	3,579	3,392
Emergency calls - medical/rescue	84,882	87,789
Emergency calls - other	12,918	13,010
Lifeguard:		
Water rescues	5,075	3,696
Other rescues	4,490	3,388
Beach attendance	21,277,945	21,253,050
Parks, Recreation, Culture and Leisure		
Parks and Recreation:		
Number of aquatic users [2]	333,688	293,300
Number of youth served in after school program sites [2]	80,837	57,111
Library:		
Circulation	7,003,040	7,167,104
Total attendance - all libraries	6,017,790	6,040,091
Sewer Utility		
Average daily sewage flow (millions of gallons)	180.95	175.13
Water Utility		
Average daily consumption (millions of gallons)	204.74	220.28

Footnotes:
[1] Historical data for prior years is unavailable.
[2] Estimated figure

Source: Citywide departments

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City of San Diego
Capital Asset Statistics by Function (Unaudited)
Last Ten Fiscal Years

Function	Fiscal Year 1998	1999	2000	2001
Public Safety - Police				
Stations	9	9	9	10
Public Safety - Fire and Life Safety				
Fire stations	43	43	43	43
Parks, Recreation, Culture and Leisure				
Park and recreation sites [1]	345	416	416	416
Transportation				
Miles of streets -asphalt,concrete, & dirt [2]	2,974	2,974	3,820	3,820
Airports				
Municipal airports	2	2	2	2
Golf Course				
Municipal golf courses [3]	9	9	9	9
Sewer Utility				
Miles of sewers	2,554	2,554	2,592	2,610
Sewer service laterals	259,666	259,666	263,107	265,212
Water Utility				
Miles of water distribution mains	2,729	3,098	3,125	3,139
Fire hydrants	22,771	23,035	23,399	23,476

Footnotes:
[1] Statistics for fiscal years 1997-2003 were based on the number of parks, squares, and recreation centers. The department updated the statistics for overall park and recreation sites for fiscal years 2004-2007.
[2] In prior years, miles of streets also included alleys and dirt streets. Since FY 2006, Transportation provided the statistic only for miles of asphalt and concrete streets.
[3] Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports, Citywide departments

Table 18

Fiscal Year					
2002	2003	2004	2005	2006	2007
10	10	10	10	10	10
43	43	45	45	45	46
444	460	363	367	370	380
3,112	2,985	2,985	2,800	2,685	2,700
2	2	2	2	2	2
9	10	10	10	10	10
2,620	2,950	3,028	3,030	2,993	3,018
266,342	268,372	270,365	271,284	271,445	274,014
3,157	3,280	3,317	3,319	3,336	3,381
23,844	24,145	24,428	24,600	24,661	24,905

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