

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of San Diego

State of California



FISCAL YEAR ENDED JUNE 30, 2015

City of San Diego

State of California



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FISCAL YEAR ENDED JUNE 30, 2015

Prepared Under the Supervision of:

Mary Lewis, Chief Financial Officer

Rolando Charvel, CPA, Comptroller

Scott Clark, CPA, Deputy Director

Sarah Mayen, CPA, Deputy Director

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FORWARD-LOOKING STATEMENTS

The Comprehensive Annual Financial Report (CAFR) of the City of San Diego for the fiscal year ended June 30, 2015, including the Letter of Transmittal and the section regarding Management's Discussion and Analysis, contains forward-looking statements regarding the City of San Diego's (City) business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the CAFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, contingencies, revenue and expense levels, expected completion dates for projects and other statements regarding matters that are not historical are also forward-looking statements.

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

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INTRODUCTORY SECTION
(UNAUDITED)



THE CITY OF SAN DIEGO

December 8, 2015

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of San Diego (City) for the fiscal year (FY) ended June 30, 2015, in accordance with Section 111 of the City Charter (Charter).

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

The independent audit firm of Macias Gini & O'Connell LLP has audited the fiscal year 2015 financial statements of the City and has issued an unmodified opinion on the basic financial statements. The independent auditor's report is located at the front of the financial section of this report.

A narrative introduction, overview and analysis of the financial statements can be found in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it. The notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2015 and the respective changes in its financial position. Readers of these financial statements should pay particular attention to Notes 11, 12, 16 and 17, concerning Pension Plans, Other Postemployment Benefits, Commitments and Contingencies, respectively. These notes address certain issues underlying the City's financial condition as well as future potential or anticipated expenses/expenditures, including significant estimated compliance costs related to the City's Municipal Storm Water Permit and the Point Loma Wastewater Treatment Plant.

The financial statements included in this report present the balances and activity of the City and its blended, discretely presented and fiduciary component units. Blended component units are presented as funds of the City and include two not-for-profit public benefit corporations, Civic San Diego and the Tobacco Settlement Revenue Funding

Corporation, as well as several financing authorities. In addition, the CAFR includes two discretely presented component units, the San Diego Convention Center Corporation and the San Diego Housing Commission. Fiduciary component units include the San Diego City Employees' Retirement System (SDCERS) and the Successor Agency of the Redevelopment Agency of the City of San Diego.

It is important to note that the General Fund's presentation in the CAFR is different from the presentation in the City's annual budget. The General Fund in the CAFR incorporates the balances and activity of additional special revenue funds which are not included as part of the General Fund and are reported as separate funds in the budget. All references to the General Fund in the narrative below are based on the General Fund as reported in the CAFR.

PROFILE OF THE CITY OF SAN DIEGO

The City, incorporated in 1850, comprises 342 square miles. It is the eighth largest city in the nation and the second largest city in California. As of January 2015, the California Department of Finance estimated the population to be 1,368,061.

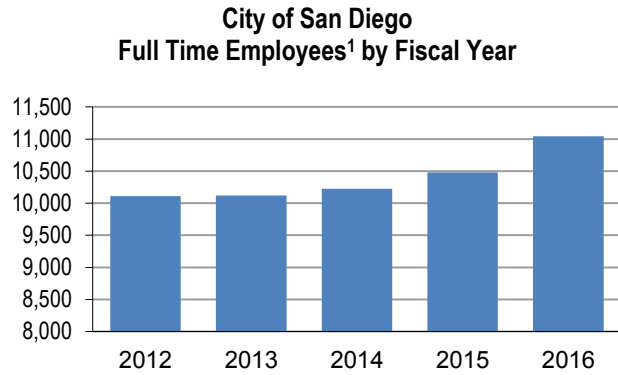
The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City operates under a Strong-Mayor form of government. The Mayor is elected at large to serve a four-year term and may serve up to two consecutive terms. The City Council is comprised of nine members who are elected to staggered four-year terms and who are limited to two consecutive terms. The City Council is presided over in open meetings by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over closed session meetings of the City Council. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor and attorney for the City and all departments. The City Attorney is also limited to two consecutive terms in office.

Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, Ethics Commission and City Auditor departments. Under this form of government, the Council has 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 six votes.



CITY SERVICES

The City, with 11,041 budgeted Full-Time Equivalent (FTE) positions in fiscal year 2016, provides a full range of governmental services. The City has been able to restore and enhance services during the past several years, increasing budgeted staff from fiscal year 2012 to fiscal year 2016 by 933. In the fiscal year 2016 Adopted Budget, the City added 563 positions primarily focused on maintaining and repairing City streets, restoring services in libraries and parks as well as supporting the Capital Improvement Program for water and wastewater utilities, storm water and other infrastructure projects.



¹ Budgeted Full Time Equivalent Positions.

The City provides safety services to its residents and visitors, including police and fire protection, emergency medical treatment and lifeguard services. Neighborhood services include park and recreation, library, arts and culture, refuse collection, waste management, economic development, and planning. The City operates and maintains the water and sewer utilities, the Montgomery Field and Brown Field general aviation airports, and Qualcomm Stadium. It also administers the Petco Park joint use and management agreement between the City and the Padres baseball team. The City’s public works program improves and adds to the City’s existing infrastructure including buildings, parks, roads, sidewalks, street lights, bridges, and distribution and collection systems for sewer and water.

BUDGETING SYSTEMS AND CONTROLS

The budget is created each fiscal year by the Mayor and presented to the City Council and the public by April 15, as required by the Charter. After a series of public meetings, input from the City Council and City residents, the Mayor proposes revisions to the originally proposed budget, as necessary. The Charter requires that on or before June 15, the City Council approve the budget as submitted by the Mayor or with modifications to the proposed budget. Within five business days of City Council’s approval, the Mayor has the discretion to line-item veto any budget modifications approved by the City Council. In turn, the City Council has five business days within which to override the Mayor’s veto. The Appropriation Ordinance that enacts the budget into law is based on the approved budget and the adopted Salary Ordinance. All subsequent amendments to the adopted budget require City Council approval except as delegated in the Appropriation Ordinance.

Budgetary control is established at the highest level by the Charter and further defined by the City Council through the annual Appropriation Ordinance. Budgetary control is exercised at the department level for the General Fund and at the fund level for all other funds. In addition, the budget authorized for personnel expenditures (salaries and wages) for a fund or department may not be used for non-personnel expenditures. The City’s financial system incorporates embedded controls in which non-personnel expenditures cannot be incurred if a budget appropriation is not available. The City also uses an encumbrance system of accounting as a mechanism to accomplish effective budgetary control.

The City’s Financial Management Department and Comptroller’s Office monitor fund balances, as well as revenue and expenditure projections throughout the fiscal year. The Comptroller’s Office prepares monthly and periodic reports to the City Council that each serve as a summary of the year-to-date financial activity of the General Fund and other budgeted funds. The Financial Management Department prepares an analysis of actual and projected financial activity for the entire fiscal year on a quarterly basis by issuing three budget monitoring reports during the year (First Quarter, Mid-Year, and Year-End Budget Monitoring Reports). In fiscal year 2015, the Financial

Management Department, in collaboration with the Comptroller's Office, prepared a new report analyzing and explaining variances between year-end projections and unaudited year-end actual revenues and expenditures for the General Fund.

LOCAL ECONOMY

LABOR FORCE

The State of California Employment Development Department (EDD) estimates the total civilian labor force for the San Diego/Carlsbad Metropolitan Statistical Area (MSA) is approximately 1.56 million, of which about 1.39 million are non-farm jobs (see footnote 2 below). The unemployment rate in San Diego/Carlsbad MSA was 4.6% in September 2015, down from 5.1% in August 2015 and 6.1% in September 2014. Between September 2014 and September 2015, total non-farm employment increased by 46,900 jobs, or 3.5%. This compares with an unadjusted unemployment rate of 5.5% for California and 4.9% for the nation during the same period. The following table provides estimates of total annual civilian non-farm employment by number of employees in each major industry category in the San Diego/Carlsbad MSA for calendar years 2013 through 2015.

San Diego / Carlsbad MSA¹
Civilian Non-Farm Labor Force by Industry Sector

<u>Industry Sector</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>
Professional & Business Services	225,500	230,700	241,400	17.3%
Leisure & Hospitality	172,400	177,900	188,000	13.5%
Government				
State & Local Government	179,500	181,200	185,300	13.3%
Federal Government	46,400	45,700	45,600	3.3%
Health Care & Social Assistance	151,700	157,700	165,500	11.9%
Trade				
Retail Trade	140,400	143,100	145,600	10.4%
Wholesale Trade	43,100	43,800	45,700	3.3%
Manufacturing	95,100	96,600	99,100	7.1%
Financial Activities	71,200	70,300	72,100	5.2%
Construction	62,200	65,100	70,100	5.0%
Other	130,700	134,800	135,400	9.7%
TOTAL NON-FARM ²	<u>1,318,200</u>	<u>1,346,900</u>	<u>1,393,800</u>	<u>100.0%</u>

¹Based on California Employment Development Department data for the San Diego/Carlsbad Metropolitan Statistical Area for the month of September of each corresponding year (March 2014 Benchmark). Data excludes military uniformed personnel.

²Non-farm jobs exclude self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Federal Government employment in the table above includes approximately 21,500 civilians employed by the United States Department of Defense, but excludes military uniformed personnel. In its 2015 Economic Impact Study, the San Diego Military Advisory Council estimated that the military directly employs approximately 109,500 military uniformed personnel in San Diego County, which represents 6.5% of the total civilian and military labor force combined.

MAJOR INDUSTRIES

San Diego’s economic base has evolved from one with a greater reliance on defense spending and tourism to one that includes more high-technology manufacturing and an expanded international trade sector. The City’s Economic Development Strategy for 2014 through 2016, prepared by the City’s Economic Development Department and adopted by the City Council in July 2014, identified four economic base industries in San Diego: (1) manufacturing and innovation, (2) international trade and logistics, (3) military installations, and (4) tourism. These are sectors that bring money and wealth into the region as goods and services are produced locally but sold outside of San Diego. Similarly, federal military and tourism spending also bring outside resources into the local economy.

Manufacturing and Innovation

The City’s economic base is anchored by higher education and major scientific research institutions, including the University of California San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center. In October 2015, the San Diego Regional Economic Development Corporation issued a report on the economic impact of San Diego’s research institutions on the local economy. The report estimates that research institutions directly employ about 42,720 people in the region and have a direct annual economic impact of approximately \$2.9 billion.

San Diego’s manufacturing sector is diverse, including several manufacturing clusters: biotech; cleantech; defense and security systems; electronics and telecommunications; and food and beverage production. According to the National University System Institute for Policy Research, between 2013 and 2014, gross regional product (GRP) in the manufacturing sector experienced 10% growth in output, more than three times the overall local economy.

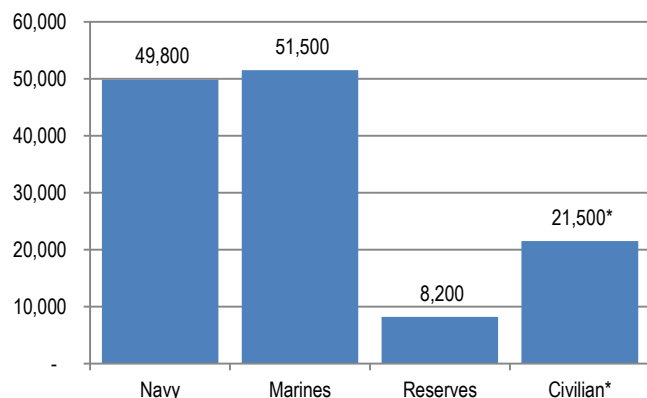
International Trade and Logistics

With its proximity to Mexico and the Pacific Rim, San Diego is in a unique geographical position that creates opportunities for growth in international trade. The proximity of Mexican manufacturing to the United States often makes “near-sourcing” of manufacturing back to Mexico attractive for American companies. The Port of San Diego, built around one of the world’s great natural harbors, also facilitates international trade activity through its 10th Avenue Marine Terminal, which provides for the importation of a wide variety of bulk products and large equipment. The U.S. Department of Commerce reported that in 2014, San Diego was the 21st largest metropolitan area exporter in the United States, with merchandise shipments totaling \$18.6 billion, representing a \$700 million (3.9%) increase compared to 2013.

Military Installations

The military continues to play a significant role in the San Diego economy. The San Diego Military Advisory Council (SDMAC) issued a Military Economic Impact Study in September 2015 estimating that Defense-related activities and spending generated approximately \$45 billion of GRP for San Diego County in fiscal year 2015 or 21.5% of the region’s total GRP. Approximately 109,500 uniformed military and 21,500 U.S. Department of Defense (DoD) civilians work at various locations throughout San Diego County. There are also approximately 60,000 retired military and retired civilian DoD employees living

Military Employment in San Diego County



Source: SDMAC 2015 Economic Impact Study.

*Civilian DoD employment based on California EDD data for September 2015.

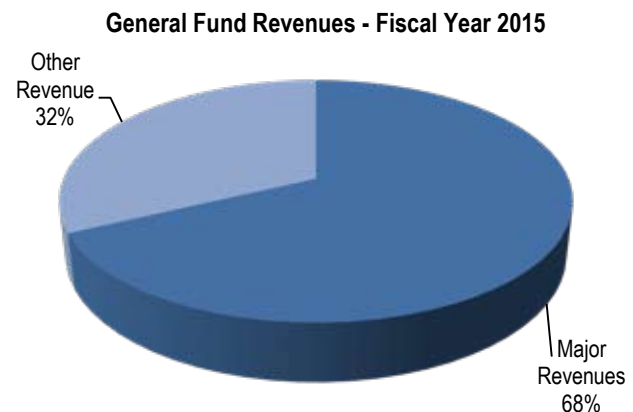
in San Diego County. In addition to the economic impact to the region from DoD wages and benefits, San Diego also benefits from DoD contracts for engineering, shipbuilding, aircraft, construction, electronic components and scientific research.

Tourism

Tourism is a major economic driver for the City. According to the San Diego Tourism Authority (SDTA), tourism employed over 165,000 people in 2014 throughout the County. The SDTA estimates that San Diego hosted 33.8 million visitors in calendar year 2014 who spent an estimated \$9.2 billion at San Diego businesses and generated \$223 million in Transient Occupancy Tax for the San Diego region.

Financial and Economic Trends

In fiscal year 2015, the General Fund's four major operating revenue sources - property tax, sales tax, transient occupancy tax (TOT), and franchise fees (unrestricted) - made up 68% of total General Fund revenues. Based on revenue projections for the first quarter of fiscal year 2016, major revenues for the General Fund are expected to increase by \$54.9 million (6.1%) compared to major revenues reported for the General Fund in the fiscal year 2015 basic financial statements.



The table below shows historical trends for the General Fund major revenues for the past four fiscal years and the estimated revenues for fiscal year 2016 based on the Adopted Budget.

General Fund Major Revenues by Fiscal Year
(Dollars in Thousands)

	2012	2013	2014	2015	2016 ¹
Property Tax	\$ 408,776	\$ 412,204	\$ 460,592	\$ 449,244	\$ 470,444
Sales Tax ²	227,650	240,922	254,219	265,295	284,349
Transient Occupancy Tax ³	78,268	83,904	89,673	98,138	104,061
Franchise Fees (unrestricted) ⁴	69,071	67,723	71,953	81,251	80,889
TOTAL	\$ 783,765	\$ 804,753	\$ 876,437	\$ 893,928	\$ 939,743

¹ Source: Fiscal Year 2016 First Quarter Budget Monitoring Report – Financial Management Department, City of San Diego.

² Includes Safety Sales Tax.

³ Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy).

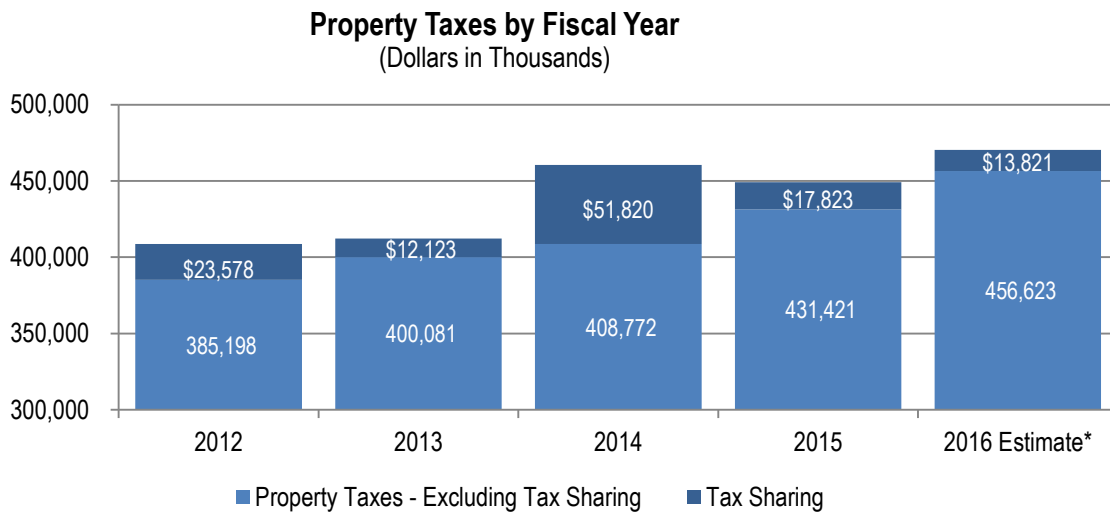
⁴ Excludes SDG&E franchise fee revenue restricted by the Charter to preserve and enhance the environment of the City.

Property Tax

Property Tax revenue is the largest revenue source for the General Fund, representing 34.1% of total General Fund revenue collected in fiscal year 2015. There is a two year lag between the time property values are assessed by the County of San Diego and the time the property tax revenue is received by the City. Therefore, the property tax revenue received in fiscal year 2015 and the estimated revenue for fiscal year 2016 are based on assessments from January 1, 2013 and 2014, respectively. The 4.7% growth rate projected for property tax revenue in fiscal year 2016

is based on increases in the median home price, a positive 1.9% increase in California CPI in calendar year 2014, and fewer foreclosures. This positive growth rate is also attributed to an increase in Proposition 8 assessed valuation restorations and a projected decrease in property tax refunds related to an anticipated reduction in the number of property value reassessments during fiscal year 2016.

Property tax revenue trends have been affected by tax sharing distributions resulting from the dissolution of the former redevelopment agency. The City receives tax sharing distributions in accordance with redevelopment dissolution laws and a proportional share of residual property tax payments of funds remaining in the Redevelopment Property Tax Trust Fund (RPTTF) after Recognized Obligation Payments are made. The amount of these payments has varied over the last four fiscal years. The graph below shows property taxes, net of tax sharing amounts, for fiscal years 2012 through 2016, and the corresponding tax sharing amounts for each respective fiscal year (projected amounts for fiscal year 2016).



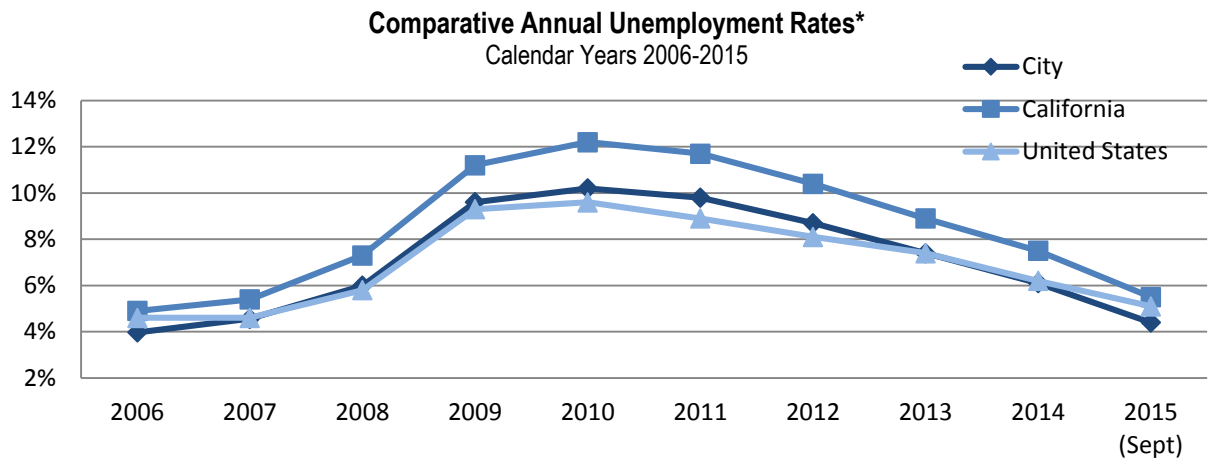
* Source: Fiscal Year 2016 First Quarter Budget Monitoring Report – Financial Management Department, City of San Diego

Sales Tax

The City’s second largest revenue source for the General Fund is Sales Tax, representing 20.2% of total General Fund revenue collected in fiscal year 2015. The total citywide sales tax rate in San Diego is 8.0%, of which the City receives approximately 1.0% for general purposes, 0.5% for the TransNet program to fund transportation improvements throughout the City, and 0.5% of Safety Sales Tax for local public safety needs. General purpose and Safety Sales Tax are deposited in the General Fund, while TransNet sales tax revenue is deposited in the Transnet Capital Projects Fund.

The major local economic drivers of the City’s Sales Tax revenue include the unemployment rate and consumer confidence. The unemployment rate for the City was 4.4% in September 2015, down from 4.9% in August 2015 and 5.8% in September 2014. The unemployment rate has returned to pre-recession levels, when the unemployment rate ranged between 4% and 5%. A lower local unemployment rate generally improves consumer confidence which, in turn, improves the City’s sales tax receipts. Revenue projections for the first quarter of fiscal year 2016 estimate a year-over-year increase in Sales Tax revenue of approximately \$19.1 million (10.6%) compared to fiscal year 2015 actual revenue collected. However, this includes an estimated one-time payment of approximately \$12.3 million as a result of the end of the triple-flip, a state funding mechanism that shifted local sales tax to the state for an equivalent

amount of property tax revenue (triple-flip related revenue is recorded as Sales Tax in the General Fund). Not including the triple-flip one-time payment, sales tax is expected to increase by approximately \$15.9 million (6%).



Source: Federal Bureau of Labor Statistics, California Employment Development Department.

* Unemployment rate for 2015 is based on September 2015.

Transient Occupancy Tax

The City's Transient Occupancy Tax (TOT) is levied at 10.5% of daily room prices in hotels and motels used by visitors staying in San Diego for fewer than 30 consecutive days. TOT revenue is allocated pursuant to the City Municipal Code. Of the 10.5% collected, 5.5% is allocated to the General Fund and the remaining 5% is allocated to the TOT special revenue fund, 4% of which is allocated to special programs to promote the City's tourism and the remaining 1% is allocated for any purpose approved by the City Council. A portion of the revenue allocated to the TOT special revenue fund can be used to reimburse the General Fund for tourism promotion costs or transferred to the General Fund for any purpose approved by the City Council. TOT allocated to the General Fund represented 7.5% of total General Fund revenue recognized in fiscal year 2015. In addition, the City received reimbursements and transfers from the TOT special revenue fund of \$33.2 million in fiscal year 2015 for a combined total of \$131.3 million, or approximately 10% of total General Fund revenue collected in fiscal year 2015.

Tourism Information - County of San Diego

	CY 2012	CY 2013	CY 2014	CY 2015 ¹	CY 2016 ¹
Visitors					
Total Visits (millions)	32.3	33.1	33.8	34.9	35.8
Overnight Visits (millions)	16.1	16.4	17.0	17.2	17.7
Hotel Sector					
Avg. Occupancy	70.5%	71.6%	74.7%	77.7%	78.1%
Avg. Daily Rate	\$ 131.22	\$134.94	\$142.61	\$150.03	\$159.09
Revenue PAR ²	\$ 92.56	\$ 96.61	\$106.46	\$116.51	\$124.20
Room Demand (growth)	2.8%	2.4%	5.7%	5.1%	2.4%

Source: San Diego Tourism Authority and Tourism Economics.

¹ Forecast July 2015– Tourism Economics, Inc.

² Revenue Per Available Room (Average Occupancy multiplied by Average Daily Rate).

The table above reflects the positive trend in tourism growth over the past three calendar years (2012-2014) and the forecast for calendar years 2015 and 2016 for San Diego County. Major economic drivers for TOT revenue include seasonal and non-seasonal tourism, business travel and conventions. Sustained positive tourism growth has occurred since the economic turnaround began in fiscal year 2010, continued through fiscal year 2015, and is expected to continue through fiscal year 2016. Revenue projections for the first quarter of fiscal year 2016 estimate a year-over-year increase in General Fund TOT revenue of approximately \$5.9 million (6%) compared to fiscal year 2015 actual revenue collected.

Franchise Fees

Franchise fee revenues are reported as Other Local Taxes in the General Fund's Statement of Revenues, Expenditures and Changes in Fund Balance. San Diego Gas and Electric (SDG&E), the single largest generator of franchise fee revenues for the General Fund, remits 3% of the gross sales of gas and electricity within the City, 75% of which is unrestricted and 25% of which is restricted by the Charter to preserve and enhance the environment of the City. Both restricted and unrestricted SDG&E franchise fee revenues are recorded in the General Fund. The City also collects 5% of gross revenues from Cox Communications, Time Warner Cable, and AT&T. Other franchise fee revenues include refuse hauler fees based on the total amount of refuse hauled annually and fees from the Police Department vehicle tow program. Unrestricted franchise fee revenues represented 6.2% of total General Fund revenues. Revenue projections for the first quarter of fiscal year 2016 estimate a year-over-year increase in unrestricted franchise fee revenues of \$80.9 million (-0.4%), a slight decrease from fiscal year 2015, due to a portion of franchise fee revenue for refuse collection being reallocated from the General Fund to the Recycling Enterprise Fund in fiscal year 2016.

LONG-TERM FINANCIAL PLANNING AND FINANCIAL POLICIES

FIVE-YEAR OUTLOOK

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

RESERVES

Strong financial reserves position the City to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies such as natural disasters and catastrophic events, unanticipated critical expenditures or legal judgments against the City.

The table on the following page identifies the policy goal and actual amounts for the General Fund reserves and the City's risk management reserves

(Dollars in Thousands)				
Reserve	Criteria for Policy Reserve Level ²	Policy Goal	Reserve FY 2015	Funding Level
General Fund Emergency Reserve ¹	8% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	\$89,922	\$89,922	100%
General Fund Stability Reserve ¹	6% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	\$67,441	\$67,441	100%
Public Liability Reserve ³	50% of outstanding public liability claims based on the annual actuarial liability valuations for the three most recent fiscal years	\$47,401	\$37,920	80%
Workers' Compensation Reserve ³	25% of outstanding workers' compensation claims based on the annual actuarial liability valuations for the three most recent fiscal years	\$48,444	\$48,444	100%
Long-Term Disability Reserve ³	100% of long-term disability claims based on the annual actuarial liability valuations for the three most recent fiscal years	\$18,338	\$18,338	100%

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

² Calculated based on three most recent years' actuarial valuations for risk management reserves and three most recent audited financial statements available as of June, 30, 2015 for General Fund reserves (fiscal years 2012-14).

³ Risk Management Reserves based on cash on hand.

The City maintains General Fund Reserves at 14%, comprised of two separate components: (1) the Emergency Reserve is maintained at 8% for the purpose of sustaining General Fund operations in the case of a public emergency, and (2) the Stability Reserve is maintained at 6% to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The Emergency Reserve may be expended only if an event is determined to be a public emergency by a two-thirds vote of the City Council, while appropriations from the Stability Reserve require approval by a simple majority of the City Council.

The General Fund's Emergency Reserve of \$89.9 million is reported as restricted fund balance in the financial statements. The General Fund's unassigned fund balance as of June 30, 2015 was \$99.6 million, of which \$67.4 million represents the General Fund's Stability Reserve and the remaining \$32.1 million is available in fund balance for appropriation as of June 30, 2015. The General Fund also reports an additional \$6.2 million of fund balance that has been assigned for expenditures in the fiscal year 2016 budget.

The City also maintains reserves to manage risk (Risk Management Reserves), including public liability reserves for the payment of claims and judgments, a reserve for obligations related to workers' compensation claims, and a reserve for long-term disability payments for City employees. As of June 30, 2015, the Workers' Compensation Reserve and the Long-Term Disability Reserve were fully funded. The Public Liability Reserve was funded at 80% of the policy goal. The City sets annual funding targets in the Reserve Policy to reach the policy goal of 50% of the three year average of the outstanding liability. The City annually evaluates the funding progress of the Public Liability Reserve to meet these targets through contributions from the General Fund. Public liability and workers' compensation reserves are reported in the financial statements as part of the General Fund. The Long-Term Disability Reserve is reported as part of the Miscellaneous Internal Service Fund. Liability claims paid after the end of fiscal year 2015 could reduce Risk Management Reserve balances.

The City also maintains reserves for the following enterprise funds: the Water and Sewer Utility Funds, Development Services Fund, Environmental Services Fund, and the Golf Course Fund.

OTHER FINANCIAL POLICIES

In addition to policies related to reserves, budget development, budget monitoring and the Outlook, the City has adopted a comprehensive set of financial policies including policies on debt management, investments, Capital Improvement Program prioritization and transparency, among others. A summary of these policies can be found online at <http://www.sandiego.gov/fm/annual/pdf/fy16/vol1/v1fiscalpolicies.pdf>.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

As a result of the continuing positive trends in revenue growth, the fiscal year 2016 Adopted Budget includes a number of service enhancements for residents of San Diego focusing on four main areas: repairing streets and investing in infrastructure, safe and livable neighborhoods, an economically prosperous city with opportunity in every community, and excellent customer service and open government. The list below highlights some of these key enhancements.

Beginning with the fiscal year 2015 Adopted Budget, Mayor Faulconer committed at least 50% of the City's new major general fund revenue growth toward infrastructure and street repairs. During fiscal year 2015, the City repaired approximately 24,000 potholes, resurfaced 56 miles of roads and replaced eight miles of concrete streets citywide. The fiscal year 2016 Adopted Budget includes a net \$43.9 million in new infrastructure expenditures, which exceeds the Mayor's 50% commitment of \$35.9 million. In fiscal year 2015, the City also repaired sidewalks at more than 400 locations throughout the City. Nearly 7,000 linear feet of sidewalks were replaced and 700 street trees were added to the urban canopy. In March 2015, Mayor Faulconer proposed more than 20 reforms to the City's infrastructure program. These reforms focus on technology to increase program efficiency and provide better financial oversight so taxpayer dollars are managed more effectively.

In the area of water and wastewater infrastructure, the City is moving forward on a plan to implement a potable water reuse program (Pure Water) to provide future water reliability to San Diego residents. The first phase of the Pure Water program will be to construct the infrastructure necessary to produce 30 million gallons per day of purified water. This phase is expected to be online providing drinking water to the public by 2021.

The fiscal year 2016 Adopted Budget includes funding for recruitment and retention of police officers through the implementation of a new memorandum of understanding (MOU) between the City and the San Diego Police Officers Association. The fiscal year 2016 Adopted Budget also includes funding for four police academies with an average of 43 recruits each. In fiscal year 2015, 600 body-worn cameras were deployed to uniformed police officers assigned to several area commands. In fiscal year 2016, approximately 400 additional uniformed patrol officers have been outfitted with body-worn cameras, bringing the total to 1,000 cameras deployed department-wide. The Police Department is planning on purchasing an additional 144 body-worn cameras in January 2016 to outfit graduates from the Police Academy and to have some on hand to replace cameras that malfunction or break. The Police Department expects to have approximately 1,100 body-worn cameras deployed by early 2016. The next phase of the program will include outfitting all patrol supervisors and the remainder of the Police Department's uniformed officers with body-worn cameras. The City currently employs 1,291 uniformed patrol officers and patrol supervisors.

The City continues to invest in its neighborhoods by restoring services that had been reduced during the last recession. In fiscal year 2015, the City restored library hours from 44 to 48 hours per week for 23 branches and from 48 to 55.5 hours a week for 12 branches. The Central Library hours were expanded from 49 hours per week to 54

hours per week. The fiscal year 2016 Adopted Budget adds an additional 29 full-time equivalent positions to support expanded weekend service hours by an additional 3 hours at 23 branch locations and by 7 hours at the Central Library. In addition, the fiscal year 2016 Adopted Budget adds 62 full-time equivalent positions to increase operating hours at 36 recreation centers from 45 to 60 hours per week, to provide park ranger coverage to Sunset Cliffs Natural Park and Chicano Park, and to support new park and recreation facilities to be completed in fiscal year 2016, such as the new skate park in Park de la Cruz Neighborhood Park and the Charles Lewis III Memorial Park.

As part of its economic development strategy, the City joined and is currently participating in the Global Cities Initiative, a joint use project of the Brookings Institute and JP Morgan Chase, aimed at helping leaders of metropolitan cities strengthen their regional economies by becoming more competitive in the global marketplace. The \$10 million, five-year project will provide an international network of leaders the ability to discuss and foster ideas to promote expansion of Cities' economies on a global scale and learn best practices from around the world.


ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Diego for its CAFR for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedication and professionalism of the entire staff of the Office of the City Comptroller. We wish to thank all City departments for their valuable contributions and thank the staff of Civic San Diego, San Diego Convention Center, San Diego Housing Commission and San Diego City Employees' Retirement System for providing component unit information which has been incorporated into this report. We also want to thank the City's independent auditors, Macias Gini & O'Connell LLP for their work. Credit also is due to Mayor Faulconer for his support in maintaining the highest standards of professionalism in management of the City and to the Audit Committee for their governance role over the audit of the CAFR.

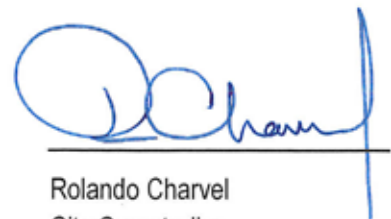
Respectfully submitted,



Scott Chadwick
Chief Operating Officer



Mary Lewis
Chief Financial Officer



Rolando Charvel
City Comptroller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of San Diego
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

City of San Diego Current Officials

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



Mayor Kevin Faulconer

District 1
Council President Sherri Lightner



District 6
Councilmember Chris Cate

District 2
Councilmember Lorie Zapf



District 7
Councilmember Scott Sherman

District 3
Councilmember Todd Gloria



District 8
Councilmember David Alvarez

District 4
Councilmember Myrtle Cole



District 9
Council President Pro Tem
Marti Emerald

District 5
Councilmember Mark Kersey

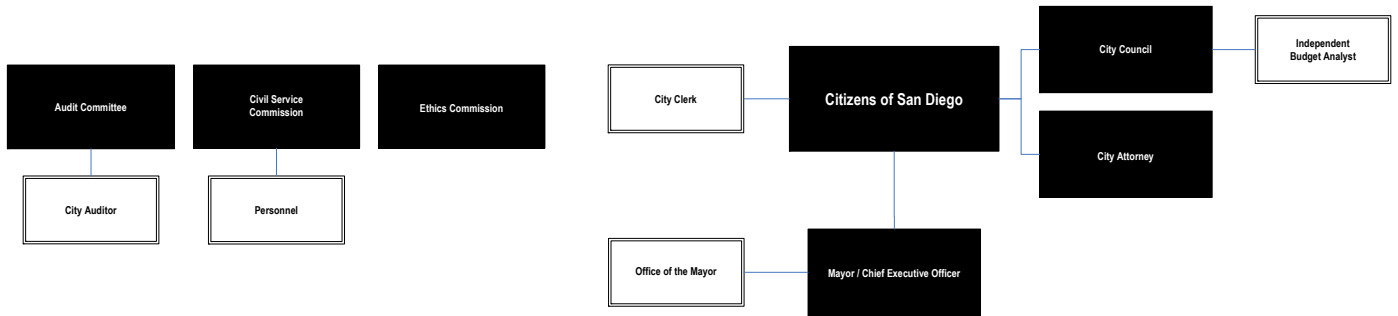


City Attorney
Jan Goldsmith

Other City Officials

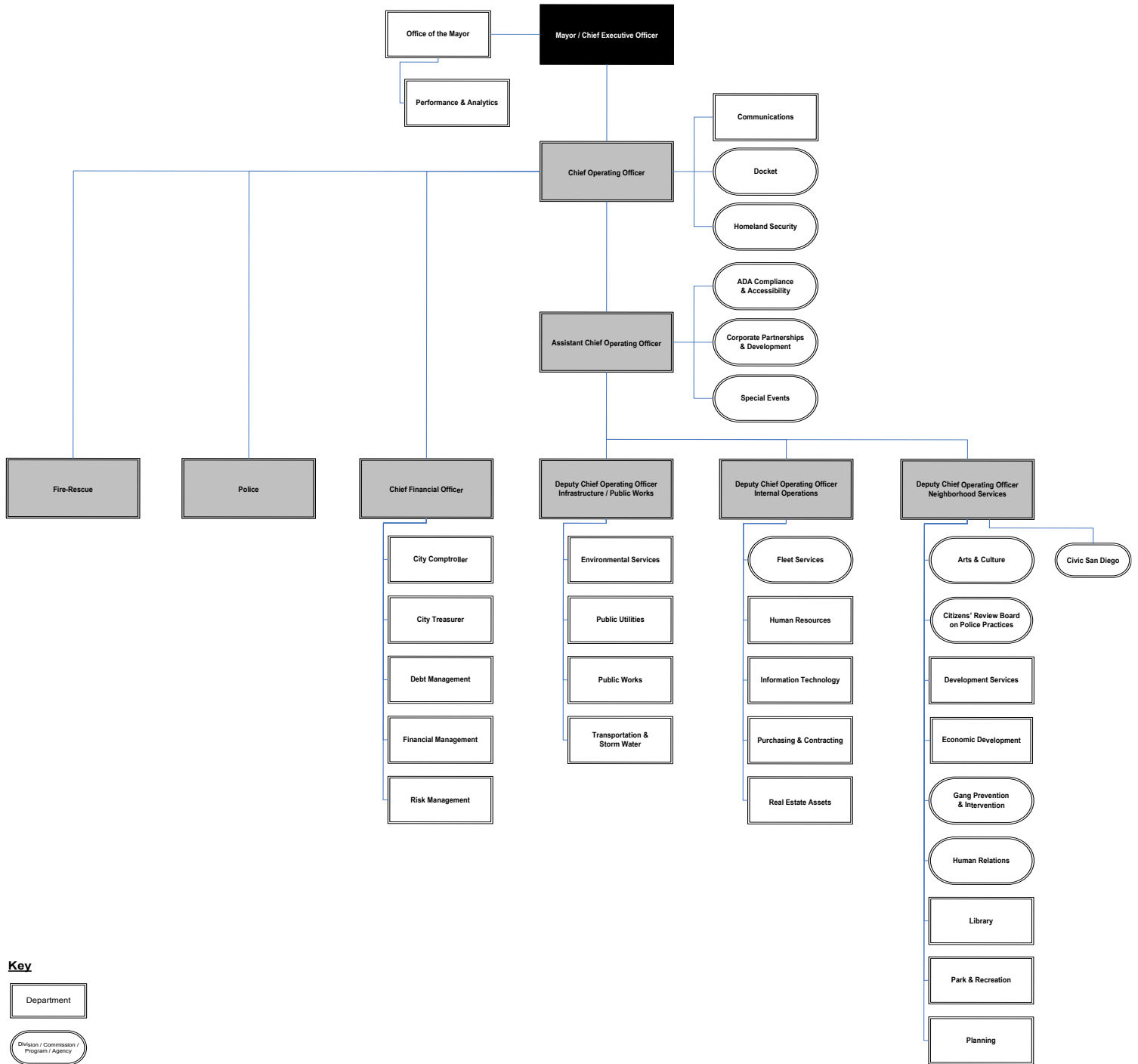
Scott Chadwick, Chief Operating Officer
 Mary Lewis, Chief Financial Officer
 Rolando Charvel, City Comptroller
 Gail R. Granewich, City Treasurer
 Elizabeth Maland, City Clerk
 Andrea Tevlin, Independent Budget Analyst
 Eduardo Luna, City Auditor

City of San Diego Legislative Organization Chart*



*As of the issuance date of this report

City of San Diego Operations Organization Chart*



*As of the issuance date of this report

FINANCIAL SECTION



Certified
Public
Accountants

Sacramento
Walnut Creek
Oakland
Los Angeles
Century City
Newport Beach
San Diego

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which represent 95%, 97%, and 87%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter***Change in Accounting Principles***

As discussed in Notes 1v and 23 to the basic financial statements, effective for the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result of the implementation of GASB Statement Nos. 68 and 71, the net position as of July 1, 2014, was restated and reduced, on an opinion unit basis, as follows: \$1.4 billion and \$349.8 million for the governmental activities and business-type activities, respectively; \$130.6 million and \$111.5 million for the Sewer Utility and Water Utility major enterprise funds, respectively; and \$159.7 million for the aggregate remaining fund information.

Our opinions are not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 34-47; the preservation of benefits plan schedule of funding progress, schedule of changes in net pension liability and related ratios, schedule of employer contributions, other postemployment benefit (OPEB) trust fund schedule of funding progress, and OPEB trust fund schedule of employer contributions on pages 187-189; and the general fund schedule of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) on page 194, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

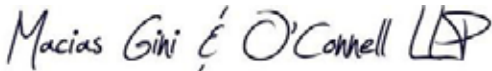
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



San Diego, California

December 8, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Fiscal Year Ended June 30, 2015
(Dollars in Thousands)

As management of the City of San Diego (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage the reader to consider the information presented here in addition to the information presented in the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic 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 the operating results and financial position of the government as an economic entity. These statements are intended to report the City's operational accountability to its readers, giving information about the probable medium and long-term effects of past decisions on the City's financial position.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement No. 27* (GASB 68), restated beginning total net position for fiscal year 2015, resulting in a significant decrease in the City's total net position. The GASB 68 beginning balance restatement represents an accounting change and does not indicate deterioration of the City's financial position.

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

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

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

- Civic San Diego (CSD)
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

The government-wide financial statements can be found beginning on page 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 for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Combining and Individual Fund Financial Statements and Schedules section of this report.

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

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

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer and Water Utility funds, which are considered to be major funds of the City. Data for the nonmajor enterprise funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Combining and Individual Fund Financial Statements and Schedules section of this report are individual fund data for the nonmajor enterprise 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 64 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 66 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 changes in the net pension liability, progress in funding its obligation to provide postemployment healthcare benefits to its employees, employer contributions to the pension plan and postemployment healthcare benefits plan, and the General Fund's budgetary comparison schedule. Required supplementary information can be found beginning on page 187 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information beginning on page 211 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 ¹	2015	2014 ¹	2015	2014 ¹
Capital Assets	\$ 4,597,347	\$ 4,530,528	\$ 5,666,425	\$ 5,270,890	\$ 10,263,772	\$ 9,801,418
Other Assets	2,198,959	1,910,914	1,215,380	1,286,764	3,414,339	3,197,678
Total Assets	6,796,306	6,441,442	6,881,805	6,557,654	13,678,111	12,999,096
Deferred Outflows of Resources	230,944	10,164	60,850	15,660	291,794	25,824
Net Long-Term Liabilities	2,697,999	1,458,664	2,357,340	2,167,099	5,055,339	3,625,763
Other Liabilities	181,236	173,221	187,680	210,787	368,916	384,008
Total Liabilities	2,879,235	1,631,885	2,545,020	2,377,886	5,424,255	4,009,771
Deferred Inflows of Resources	344,346	-	87,180	3,276	431,526	3,276
Net Position						
Net Investment in Capital Assets	3,988,396	3,988,284	3,902,396	3,526,979	7,890,792	7,515,263
Restricted	1,309,104	1,106,353	27,776	27,284	1,336,880	1,133,637
Unrestricted	(1,493,831)	(274,916)	380,283	637,889	(1,113,548)	362,973
Total Net Position	\$ 3,803,669	\$ 4,819,721	\$ 4,310,455	\$ 4,192,152	\$ 8,114,124	\$ 9,011,873

¹ Fiscal year 2014 amounts have not been restated for the effects of GASB 68 and 71.

As noted earlier in the overview of the government-wide financial statements, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,114,124 as of June 30, 2015, a decrease of \$897,749, or approximately 10%, over fiscal year 2014.

Approximately 97% of Total Net Position, or \$7,890,792, represents the City's net investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets and related deferred outflows/inflows of resources. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves generally are not used to liquidate these liabilities.

Restricted Net Position is \$1,336,880, or approximately 16% of total Net Position, representing resources that are subject to external restrictions on how they may be used. The amount of (\$1,113,548) represents the Unrestricted Net Position deficit, mostly resulting from the recognition of the Net Pension Liability of \$1,535,537 in fiscal year 2015, in accordance with GASB 68. Additional information regarding pension matters, including the City's funding policy, can be found in Note 11.

Total Net Position resulting from governmental activities decreased by \$1,016,052, or approximately 21%. The Net Investment in Capital Assets remained stable, with an increase of \$112. Restricted Net Position increased by \$202,751, or approximately 18%. Items contributing to the increase in Restricted Net Position include the receipt of unspent redevelopment bond proceeds transferred from the Successor Agency and a large increase in Facilities Benefit Assessments revenue for several communities including Pacific Highlands Ranch, Black Mountain Ranch, and Carmel Valley. The total decrease to Unrestricted Net Position was \$1,218,915, which was primarily due to the implementation of GASB 68 (See Note 11).

Total Net Position resulting from business-type activities increased by \$118,303, or approximately 3%. The Net Investment in

Capital Assets increased by \$375,417, or approximately 11%. Pursuant to the Emergency Storage Project Agreement between the San Diego County Water Authority (SDCWA) and the City, SDCWA built various facilities and infrastructure in order to raise the height of the San Vicente Dam and increased the reservoir's capacity. During fiscal year 2015, SDCWA conveyed the facilities and infrastructure related to the expansion, valued at approximately \$330,426, to the City, which was the primary cause of the increase in capital assets. Unrestricted Net Position decreased by \$257,606, or approximately 40%, primarily due to the City's implementation of GASB 68.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 ¹	2015	2014 ¹	2015	2014 ¹
Revenues:						
Program Revenues						
Charges for Services	\$ 474,738	\$ 435,064	\$ 951,600	\$ 909,155	\$ 1,426,338	\$ 1,344,219
Operating Grants and Contributions	49,049	60,591	1,044	1,531	50,093	62,122
Capital Grants and Contributions	106,237	120,538	386,952	70,739	493,189	191,277
General Revenues						
Property Taxes	460,948	470,905	-	-	460,948	470,905
Transient Occupancy Taxes	182,466	173,376	-	-	182,466	173,376
Sales Taxes - Shared State Revenue	296,837	282,345	-	-	296,837	282,345
Other Local Taxes	208,970	186,747	-	-	208,970	186,747
Grants and Contributions not Restricted to						
Specific Programs	653	674	-	-	653	674
Investment Income	8,786	13,627	8,012	8,489	16,798	22,116
Other	133,511	80,247	21,285	12,096	154,796	92,343
Total Revenues	1,922,195	1,824,114	1,368,893	1,002,010	3,291,088	2,826,125
Expenses:						
General Government and Support	271,094	286,798	-	-	271,094	286,798
Public Safety -Police	380,344	441,803	-	-	380,344	441,803
Public Safety -Fire, Life Safety, Homeland Security	221,446	253,741	-	-	221,446	253,741
Parks, Recreation, Culture and Leisure	263,127	267,523	-	-	263,127	267,523
Transportation	198,242	192,928	-	-	198,242	192,928
Sanitation and Health	92,833	89,448	-	-	92,833	89,448
Neighborhood Services	80,299	70,191	-	-	80,299	70,191
Debt Service:						
Interest	33,790	35,226	-	-	33,790	35,226
Cost of Issuance	-	518	-	-	-	518
Sewer Utility	-	-	316,465	326,437	316,465	326,437
Water Utility	-	-	466,552	443,453	466,552	443,453
Airports	-	-	3,740	4,663	3,740	4,663
Development Services	-	-	50,244	50,825	50,244	50,825
Environmental Services	-	-	30,939	33,724	30,939	33,724
Golf Course	-	-	15,827	16,423	15,827	16,423
Recycling	-	-	17,200	20,475	17,200	20,475
Total Expenses	1,541,175	1,638,176	900,967	896,000	2,442,142	2,534,176
Change in Net Position Before Transfers and						
Extraordinary Loss:	381,020	185,938	467,926	106,010	848,946	291,948
Transfers	(150)	(9,315)	150	9,315	-	-
Extraordinary Loss	-	(14,828)	-	-	-	(14,828)
Change in Net Position	380,870	161,795	468,076	115,325	848,946	277,120
Net Position - July 1, as Restated	3,422,799	4,657,926	3,842,379	4,076,827	7,265,178	8,734,753
Net Position - June 30	\$ 3,803,669	\$ 4,819,721	\$4,310,455	\$4,192,152	\$8,114,124	\$ 9,011,873

¹ Fiscal year 2014 amounts have been reclassified to conform with current year presentation. Fiscal year 2014 amounts have not been restated for the effects of GASB 68 and 71.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$380,870 during fiscal year 2015. Variances from fiscal year 2014 of more than 10% are discussed below.

- Operating Grants and Contributions decreased by \$11,542, or approximately 19%. This was primarily due to the expiration of the support agreement between the City and the San Diego Unified Port District (Port) for Convention Center debt service. The Port's final contribution was made in fiscal year 2014. An endowment received in fiscal year 2014 for the Carroll Canyon vernal pool mitigation contributed to the decrease, as well as grant revenues recognized for Community Development Block Grant (CDBG) and Urban Areas Security Initiative (UASI) being lower in fiscal year 2015 compared to 2014.
- Capital Grants and Contributions revenue decreased by \$14,301, or approximately 12%. Capital Grants and Contributions were significantly higher in fiscal year 2014, mainly due to a large donation of open space in the Sycamore Estates area from the General Dynamics Corporation. In addition, several transportation related State grants expired during fiscal year 2015. These decreases were partially offset by unspent redevelopment bond proceeds received from the Successor Agency during fiscal year 2015, in accordance with the bond expenditure agreement.
- Other Local Taxes increased by \$22,223, or approximately 12%. This was primarily due to an increase in SDG&E franchise fee revenues caused by higher energy rates and consumption.
- Investment income decreased by \$4,841, or approximately 36%, primarily due to interest income recognized in fiscal year 2014 related to the refinancing of a note receivable in the Low-Moderate Income Housing Fund.
- Other Revenue increased by \$53,264, or approximately 66%, primarily due to the Facilities Benefit Assessments Fund experiencing an increase in revenues for several communities including Pacific Highlands Ranch, Black Mountain Ranch, and Carmel Valley. In addition, the City received settlements from various insurance companies related to the North and South Bay cleanup project required by the Regional Water Quality Control Board.
- Public Safety-Police expense decreased by \$61,459, or approximately 14%, primarily due to the implementation of GASB 68 in fiscal year 2015. The decrease in expense is due to fiscal year 2015 pension contributions being reported as deferred outflows of resources, partly offset by pension expense of the current fiscal year.
- Public Safety-Fire and Life Safety and Homeland Security expense decreased by \$32,295, or approximately 13%, primarily due to the implementation of GASB 68 in fiscal year 2015. The decrease in expense is due to fiscal year 2015 pension contributions being reported as deferred outflows of resources, partly offset by pension expense of the current fiscal year.
- Neighborhood Services expense increased by \$10,108, or approximately 14%, primarily due to the transfer of housing funds to the Successor Agency as required by the State Department of Finance, combined with the purchase of new smart parking meters.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$468,076 during fiscal year 2015. Variances from fiscal year 2014 of more than 10% are discussed below.

- Capital Grants and Contributions revenue increased by \$316,213, or approximately 447%, primarily due to the conveyance of the San Vicente Dam and Reservoir facilities and infrastructure from the San Diego County Water Authority to the City's Water Utility Fund, valued at approximately \$330,426.

- Other revenue increased by \$9,189, or approximately 76%, primarily due to the partial principal forgiveness provided by the State Water Resources Control Board. Loan amounts forgiven were contingent upon the City's performance of its obligations under the agreements for three State Revolving Fund Loans (See Note 6). In addition, payments were made from the General Fund's Transportation & Storm Water Department to the Sewer Utility Fund for low flow diversion capacity charges.
- Recycling expense decreased by \$3,275, or approximately 16%, primarily due to lower costs for fleet vehicles, as many recycling vehicles reached their useful lives and payment of assignment fees was suspended.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

As of the end of fiscal year 2015, the City's governmental funds reported combined ending fund balances of \$1,784,933, an increase of \$273,506 from fiscal year 2014. Approximately \$88,268 constitutes unassigned fund balance, which is available for spending at the City's discretion. The City maintains a stability reserve in the General Fund which accounts for \$67,441 of the unassigned fund balance. The remainder is not available for new spending because it has been restricted, committed, or assigned (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, (4) for use in the subsequent year's budget, (5) for emergency reserves or (6) for a variety of other purposes.

The General Fund is the principal operating fund of the City. Total Fund Balance for the General Fund was \$377,815, an increase of \$27,701 from fiscal year 2014, which was primarily due to increased Sales Tax revenue, increased Transient Occupancy Tax revenue caused by higher occupancy and room rates, and increased San Diego Gas and Electric franchise fee revenue due to higher energy rates and consumption. General Fund revenues totaled \$1,315,944, which was an increase of \$55,326, partially caused by the revenue increases previously mentioned. In addition to these revenue increases, several budgeted transfers for IT related services were reclassified from transfers to Charges for Services, to more accurately reflect the nature of the services provided. General Fund expenditures totaled \$1,315,313, which is an increase of \$48,273. The increase was mainly due to capital expenditures associated with the capital lease of the Civic Center Plaza building.

PROPRIETARY FUNDS

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

As of the end of fiscal year 2015, total Net Position for the Sewer Utility Fund was \$2,318,719, a decrease of \$30,659, or approximately 1% over fiscal year 2014. This amount is comprised of the restatement of Net Position of (\$130,552) due to the City's implementation of GASB 68 and 71, offset by the current year increase to net position of \$99,893. One-time items contributing to the current year increase in Net Position include the accrual of low flow diversion capacity charges due from the Storm Water Department of the General Fund, and the partial principal forgiveness of State revolving fund loans. Operating income remained stable at \$98,371, an increase of \$6,359, or approximately 7% over fiscal year 2014.

The Water Utility Fund had total Net Position of \$1,920,362 at the end of fiscal year 2015, an increase of \$236,446, or approximately 14%. This amount is comprised of the restatement of Net Position of (\$111,532) due to the City's implementation of GASB 68 and 71, offset by the current year increase to Net Position of \$347,978. Capital contributions accounted for \$321,201 of the increase, primarily due to the conveyance of the San Vicente Dam and Reservoir facilities and infrastructure from the San Diego County Water Authority. Operating income was \$25,565, a decrease of \$17,504, or approximately 41%, which was primarily attributed to an increase in the cost of water purchased from the San Diego County Water Authority, partially offset by a 7.5% Council-approved water rate increase that became effective in January 2015.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following General Fund budgetary highlights include only those funds associated with General Fund operations as reported in the City's budget, and exclude the additional budgeted funds included with the General Fund for GAAP reporting purposes. The final budget for General Fund expenditures and transfers out was \$14,840 higher than the original budget due to increases/(decreases) in appropriations primarily attributed to the following:

- (\$7,464) for General Government and Support. The decrease was due to the reallocation of budgetary savings in Citywide expenditures. This resulted from a delay in issuance of General Fund infrastructure bonds due to litigation, and election costs savings due to fewer than expected city-wide propositions on the ballot. These savings, in addition to savings from various General Fund departments, were utilized to offset increases to the Public Safety departments' workers' compensation and long-term disability fringe related costs, as well as funding contributions towards the Public Liability and Long-Term Disability Reserves.
- \$7,560 for Public Safety-Police. The increase was primarily due to Workers' Compensation and Long-Term Disability fringe related costs, increases in salaries and wages for overtime and termination pay costs exceeding the budget.
- \$8,363 for Public Safety-Fire. The increase was primarily due to Workers' Compensation and Long-Term Disability fringe related costs, overtime due to strike team deployments and related personnel backfill, as well as overtime needed to meet regular staffing needs.

Actual revenues received in the General Fund were \$16,873 higher than budgeted. Property Taxes were over budget by \$2,616, primarily due to an increase in the 1.0% property tax base and in the Redevelopment Property Tax Trust Fund (RPTTF) residual payments. Transient Occupancy Taxes were over budget by \$4,406, primarily due to continued growth in the local tourism industry. Other Local Taxes were over budget by \$3,295 due to increases in SDG&E franchise fees. Other revenue was over budget by \$6,676, primarily due to reimbursements from other funds for expenditures incurred by the General Fund in prior years for professional services and for costs related to the Pilot Helicopter Program.

Actual expenditures for the General Fund were \$14,005 under budget. General Government and Support had appropriation savings of \$7,752 due to lower than anticipated consulting and engineering services, rent expenditures, and position vacancies. Police and Neighborhood Services had appropriation savings of \$2,380 and \$2,166, respectively, due primarily to vacant positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
	Land and Rights of Way	\$ 1,783,398	\$ 1,764,927	\$ 96,685	\$ 97,013	\$ 1,880,083
Easements	1,266	769	2,174	1,702	3,440	2,471
Construction in Progress	275,187	239,295	257,869	226,399	533,056	465,694
Structures and Improvements	835,363	830,048	1,437,235	1,156,089	2,272,598	1,986,137
Equipment	143,505	146,834	160,240	138,108	303,745	284,942
Intangible Equipment	11,951	12,371	15,935	18,342	27,886	30,713
Distribution and Collection Systems	-	-	3,696,287	3,633,237	3,696,287	3,633,237
Infrastructure	1,546,677	1,536,284	-	-	1,546,677	1,536,284
Totals	\$ 4,597,347	\$ 4,530,528	\$ 5,666,425	\$ 5,270,890	\$ 10,263,772	\$ 9,801,418

CAPITAL ASSETS

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

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2015 was \$10,263,772 (net of accumulated depreciation/amortization). There was an overall increase in the City's investment in capital assets over fiscal year 2014 of approximately \$462,354, primarily due to the conveyance of the San Vicente Dam and Reservoir facilities and infrastructure from the San Diego County Water Authority, valued at approximately \$330,426. Readers interested in more detailed information on capital asset activity should refer to Note 4.

HIGHLIGHTS OF FISCAL YEAR 2015 CAPITAL IMPROVEMENT ACTIVITIESGovernmental Activities

- The asphalt overlay of approximately 56 miles of roads and the replacement of eight miles of concrete streets citywide was completed during fiscal year 2015. These projects will result in improved surface street conditions and reduce the level of transportation related deferred capital costs. Funded primarily by deferred capital bonds and TransNet, the City's fiscal year 2015 expenditures for these projects totaled \$16,781.

- Several projects focused on removing barriers in the public right of way and improving access to existing City facilities as required by the Americans with Disabilities Act (ADA), are currently underway and in various stages of completion. City-wide expenditures on dedicated ADA projects in fiscal year 2015 totaled \$6,021.
- Construction began on Fire Station #45 in East Mission Valley. Once complete, this project will provide the Mission Valley community with a station capable of housing 18 personnel, two engines, one ambulance, and other major fire apparatus. Total fiscal year 2015 capital expenditures for this project totaled \$5,002.
- Land Acquisition for the Pacific Highlands Ranch Library was completed in fiscal year 2015. Once constructed, the new 18,000 square foot branch library will sit on a three acre site and will serve the entire north city future urbanizing area. Total project cost at completion is anticipated to be \$19,324. Fiscal year 2015 capital expenditures totaled \$3,164.
- The installation phase of a new citywide in-station alerting system at all fire stations neared completion in fiscal year 2015. Once completed, the new system will replace the twenty-one year old system. The updated system will help reduce response times. It is anticipated that the project will be completed during fiscal year 2016. Fiscal year 2015 capital expenditures for this project totaled \$471.
- Construction began on the Charles Lewis III Memorial Park in City Heights. This project will provide for the design and construction of a 5.8 acre parcel, of which 1.9 acres will be developed to create the park. Amenities will include a basketball court, off leash dog area, picnic area with shade structure, comfort station, playground, and security lighting. Capital expenditures for fiscal year 2015 totaled \$2,051.
- The Genesee Avenue Widen I-5 Crossing project began construction during fiscal year 2015. This project will widen Genesee Avenue to six lanes plus dual turn lanes. The project will also replace the existing overcrossing with a higher, wider structure, and also modify the existing freeway access ramps. The project is anticipated to significantly improve traffic flow in the area once it is completed in 2017. Capital expenditures in fiscal year 2015 totaled \$5,084.
- Construction continued on the Juan Street Concrete Replacement and Rehabilitation project which will replace the existing deteriorated street as well as construct curbs, gutters, curb ramps, and sidewalks on both its east and west sides. Fiscal year 2015 capital expenditures totaled \$2,295.

Business-Type Activities

During fiscal year 2015, the Water Utility Fund incurred capital expenditures of approximately \$54,850 related to capital improvement projects (CIP). The following major projects continued during fiscal year 2015: Otay 1st and 2nd Pipeline Abandonment; Water Group Job 936 and Upas Street Pipeline Replacement; and the continued replacement of water mains and upgrades to water infrastructure. Capital asset write-offs (net) for fiscal year 2015 totaled approximately \$2,716 and were primarily related to losses on abandoned projects and retirements of facilities and distribution and collection system assets.

During fiscal year 2015, the Sewer Utility Fund incurred capital expenditures of approximately \$64,750 related to CIP, of which the Metropolitan System CIP incurred approximately \$18,800, and the Municipal System CIP incurred approximately \$45,950. The following major projects continued during fiscal year 2015: Point Loma grit processing Improvements; new MBC biosolids silos; new backup generators at sewer pump stations and treatment plants; and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs (net) for fiscal year 2015 totaled approximately \$1,870 and were primarily related to losses on abandoned projects and retirements of distribution and collection system assets.

HIGHLIGHTS OF THE APPROVED FISCAL YEAR 2016 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

The Annual Adopted Capital Improvements Budget for fiscal year 2016 is \$367,636. The largest funding allocation is for Water and Sewer Utility projects, which make up over 66% of the total CIP budget. The second largest allocation is for Transportation and Storm Water related projects, representing 12% of the total adopted CIP Budget. Funding for governmental projects includes TransNet funds, facilities benefit assessments, developer impact fees, developer contributions, federal, state, local, and private contributions, and deferred capital projects bonds. Highlights of the key budgets by department are as follows:

Governmental Activities

- **Transportation and Storm Water: \$44,812.** In fiscal year 2016, approximately 94 miles of roads are planned to be resurfaced, four miles of concrete streets are planned to be replaced, eight storm water pipeline replacement projects and one water quality improvement project are scheduled to be completed. Additionally, there are plans to underground 15 miles of overhead utility lines. Additional efforts will focus on various pedestrian, vehicular traffic, and roadway improvement projects.
- **Park and Recreation: \$37,357.** Planned project types for fiscal year 2016 include play area upgrades, new joint use fields, accessibility improvements, sports field and security lighting, open space improvements, as well as new park development and golf course improvements and upgrades.
- **Fire-Rescue: \$26,393.** Key projects in fiscal year 2016 include initiating the construction of the Bayside Fire Station No. 2, as well as completing the design for North University City Fire Station No. 50.
- **Public Works – General Services: \$6,726.** Projects during fiscal year 2016 will include ADA improvements and several roof replacements throughout the City. In addition, fire alarm replacements throughout the City and HVAC upgrades at the Museum of Man, Mira Mesa Library, and San Ysidro Senior Center are planned to be completed.

Business-Type Activities

- The fiscal year 2016 Public Utilities CIP budget is \$241,973. Significant projects include: \$47,746 for pipeline rehabilitation; \$45,966 for water main replacements; \$42,000 for sewer main replacements; \$18,693 for the Pure Water Program; \$10,405 for Large Diameter Water Transmission Pipeline Replacements; \$9,858 for the University Avenue Pipeline Replacement; and \$9,140 for the Pump Station 2 Power Reliability and Surge Protection Project.

COMMITMENTS AND RESTRICTIONS

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

Other Governmental Funds	\$ 61,179
Sewer Utility	50,650
Water Utility	35,103
Other Enterprise Funds	7,428
Other Internal Service Funds	802
Total Contractual Commitments	<u>\$ 155,162</u>

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

LONG-TERM DEBT

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
	Capital Lease Obligations	\$ 92,539	\$ 58,094	\$ 2,250	\$ 2,590	\$ 94,789
QECCB Lease Obligations	10,071	10,864	-	-	10,071	10,864
Loans Payable	5,767	13,552	158,241	161,360	164,008	174,912
Section 108 Loans Payable	3,801	4,081	-	-	3,801	4,081
Revenue Bonds/COP's/ Lease Revenue Bonds	634,010	546,930	1,702,940	1,778,310	2,336,950	2,325,240
Tobacco Settlement Asset-Backed Bonds	73,705	77,785	-	-	73,705	77,785
Totals	\$ 819,893	\$ 711,306	\$ 1,863,431	\$ 1,942,260	\$ 2,683,324	\$ 2,653,566

At the end of fiscal year 2015, the City, including blended component units, had total debt outstanding of approximately \$2,683,324. This amount represents lease revenue bonds, tobacco settlement asset-backed bonds, loans payable, Section 108 loans, state revolving fund (SRF) loans, qualified energy conservation bonds (QECCBs) and capital lease obligations.

Governmental Activities

The Public Facilities Financing Authority (PFFA) issued \$62,260 of lease revenue bonds, Series 2015A (Capital Improvement Projects) and \$45,030, series 2015B (Capital Improvement Projects). The 2015A and 2015B bonds are special, limited obligations of PFFA secured solely by the base rental payments paid by the City for the use and occupancy of the leased property and certain funds held under the indenture.

On February 10, 2015, the City entered into a 20 year lease-to-own agreement with CCP 1200, LLC (Lessor), a Delaware limited liability company, for the two buildings located at 1200 Third Avenue and 201 A Street. The buildings were acquired for \$44,000 by the Lessor prior to the execution of the lease-to-own agreement. The lease is recognized as a capital lease since the transfer of ownership occurs at the end of the lease term. During the 20 year lease term, the minimum lease payments are recorded using the interest method, which produces a constant periodic rate of interest to amortize the total of the future lease payments using the interest rate implicit in the lease.

Total principal payments or reductions of long-term debt were \$49,288. Of this amount, \$24,290 was for outstanding bond principal payments. Also included were \$9,297 for loans payable and \$15,701 for Section 108 loans, qualified energy conservation bonds and capital lease obligation payments.

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

Business-Type Activities

The City's Sewer Utility Fund received the following SRF loan disbursements from the California State Water Resources Control Board:

- \$3,697 for the Point Loma Grit Processing Improvement Project
- \$2,906 for Segments M-1, N-1, O-1 and P-1 of the Sewer Pipeline Rehabilitation Project
- \$827 for Segment Q-1 of the Sewer Pipeline Rehabilitation Project
- \$1,327 for Segment R-1 and S-1 of the Sewer Pipeline Rehabilitation Project

The City's Water Utility Fund received the following SRF loan disbursements from the Department of Health Services:

- \$564 for the Lindbergh Field Cast Iron Main Replacement Project
- \$3,114 for the Harbor Drive Pipeline Replacement Project

Total principal payments or reductions of long-term debt were \$91,264. Of this amount, \$75,370 was for outstanding bond principal payments. Also included were \$15,554 for loans payable, comprised of \$9,360 in scheduled principal payments and \$6,194 of loan amounts forgiven by the State Water Resources Control Board. Capital lease obligation payments were \$340.

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

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

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

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

OTHER INFORMATION

Deferred Maintenance and Capital Expenditures on Depreciable Assets

The City owns and maintains depreciable assets, including but not limited to, infrastructure, streets, bridges, parks, public facilities, and airports. In the past, the City has deferred maintenance and capital expenditures related to some of these assets, resulting in deteriorated structures, including parts of the City's infrastructure. Beginning in fiscal year 2014, the City initiated condition assessments for sidewalks, streets, parks, and General Fund facilities occupied by the City or leased to other agencies. Preliminary results for the General Fund facilities condition assessment and the sidewalk condition assessment are described below. Also included below are recent City estimates on the cost to maintain and improve street conditions based on

data from the last streets survey performed in 2011. A new streets condition assessment and the parks and recreation facilities condition assessment are anticipated to be completed in calendar year 2016. As all of these assessments are completed, the City will have a better understanding of funding needs related to maintenance and capital expenses of its depreciable assets.

General Fund Facilities Condition Assessment - To date, the preliminary condition assessment to bring 274 out of 680 General Fund facilities to good or fair condition is \$227,245 in 2014 dollars. This includes deferred capital needs of approximately \$61,200 to bring 172 public and semipublic facilities to good condition and \$116,044 to bring City offices to fair condition. In addition, \$50,000 is estimated for facilities that will reach the end of their useful life from 2015 through 2020. As future assessments are completed, cost estimates will be revised.

Sidewalk Condition Assessment - The first condition assessment of City sidewalks was completed in April 2015, focusing on field data collection of sidewalks citywide. Based on analysis of the data collected, the City's preliminary cost estimates of total sidewalk damage repair are approximately \$52,700. Per the California Streets and Highway Code Sections 5610-5618, owners of property fronting a public street are required to maintain sidewalks in a safe condition for use by members of the public, except when the unsafe condition is caused by someone other than the property owner, including damage caused by street trees. Of the \$52,700 in total damage sidewalk repair identified by the assessment, the City is responsible for repairing approximately \$28,331 for damage caused by street trees. In addition, the City Council has adopted policies for repairing sidewalk damage under other certain conditions and has established a Cost Sharing Program to help offset the cost of repairs of property owners. An estimate of the costs associated with implementing work under these council policies was not available as of the issuance of this report.

Streets Condition Assessment - The City rates and monitors the condition of streets using an Overall Condition Index (OCI) indicator. A street with an OCI between 40 and 69 is considered to be in fair condition while an OCI between 70 and 100 is considered to be in good condition. Data from the last street condition assessment performed in 2011 showed that 35% of City streets were in good condition, 40% were in fair condition, and 25% were in poor condition. The average OCI for all streets was 54.6, indicating that, on average, City streets were in fair condition in 2011. In March 2015, the City performed an analysis estimating the annual cost required to maintain streets at 2011 condition levels was approximately \$71,400 annually over the next ten years. An additional \$36,800 would be required annually over the next ten years to bring all City streets to an average OCI of 70.

In addition to deferred capital needs, the City has identified significant storm water capital projects in the Watershed Asset Management Plan needed to comply with more stringent water quality regulations (see Note 16), and capital needs of approximately \$33,000 for the San Diego Convention Center, over the next five years.

Significant financial planning and implementation work to address the City's core infrastructure has occurred since 2009. The City has invested in existing and new infrastructure through a combination of pay-go funds, grants, donations, and bond financings. Approximately \$333,000 in lease revenue bonds were issued to provide funding for various General Fund asset classes including buildings, streets, and storm drains between fiscal years 2009 and 2015. Additional bond funding for an estimated \$270,000 in fiscal years 2017 through 2019 is planned to further invest in street repairs and other infrastructure projects citywide.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION
June 30, 2015
(Dollars in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
ASSETS					
Cash and Investments	\$ 1,314,813	\$ 803,286	\$ 2,118,099	\$ 10,952	\$ 116,421
Receivables:					
Taxes - Net of Allowance for Uncollectibles	161,651	-	161,651	-	-
Accounts - Net of Allowance for Uncollectibles	31,875	119,941	151,816	9,731	16,172
Claims	8	99	107	-	-
Special Assessments	375	-	375	-	-
Notes	261,215	-	261,215	-	265,655
Loans	68,386	-	68,386	-	-
Accrued Interest	1,935	1,882	3,817	-	37,398
Grants	19,578	618	20,196	-	-
Advances to Other Agencies	19,951	-	19,951	-	-
Internal Balances	(1,953)	1,953	-	-	-
Inventories of Water in Storage	-	56,881	56,881	-	-
Inventories	2,245	-	2,245	38	-
Land Held for Resale	32,212	-	32,212	-	-
Prepaid Expenses	1,834	-	1,834	593	779
Restricted Cash and Investments	284,834	230,720	515,554	-	10,727
Other Assets	-	-	-	132	6,849
Capital Assets - Non-Depreciable	2,059,851	356,728	2,416,579	-	75,134
Capital Assets - Depreciable	2,537,496	5,309,697	7,847,193	10,605	124,691
TOTAL ASSETS	6,796,306	6,881,805	13,678,111	32,051	653,826
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	9,525	14,215	23,740	-	-
Pension Contributions	221,419	46,635	268,054	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	230,944	60,850	291,794	-	-

STATEMENT OF NET POSITION
June 30, 2015
(Dollars in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
LIABILITIES					
Accounts Payable	\$ 89,036	\$ 80,296	\$ 169,332	\$ 1,022	\$ 4,518
Accrued Wages and Benefits	54,347	12,708	67,055		1,538
Other Accrued Liabilities	2,475	22,489	24,964	1,297	8,896
Interest Accrued on Long-Term Debt	9,279	22,474	31,753	-	2,638
Long-Term Liabilities Due Within One Year	115,893	105,241	221,134	1,288	4,282
Unearned Revenue	26,099	23,999	50,098	11,597	2,316
Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	17,995	17,995	-	-
Deposits/Advances from Others	-	7,719	7,719	-	1,612
Long-Term Liabilities Due After One Year:					
Arbitrage Liability	-	12	12	-	-
Compensated Absences	39,053	6,782	45,835	55	-
Liability Claims	286,646	24,455	311,101	-	-
Reimbursement Agreement Obligations	17,715	-	17,715	-	-
Capital Lease Obligations	79,141	1,892	81,033	-	-
QECCB Lease Obligations	9,260	-	9,260	-	-
Notes Payable	-	-	-	15	139,969
Loans Payable	4,974	148,633	153,607	-	-
Section 108 Loans Payable	3,507	-	3,507	-	-
Net Bonds Payable	714,240	1,686,514	2,400,754	-	-
Estimated Landfill Closure and Postclosure Care	-	23,269	23,269	-	-
Net Other Postemployment Benefit Obligation	194,492	55,943	250,435	-	-
Net Pension Obligation	1,900	240	2,140	-	-
Net Pension Liability	1,231,178	304,359	1,535,537	-	-
TOTAL LIABILITIES	2,879,235	2,545,020	5,424,255	15,274	165,769
DEFERRED INFLOWS OF RESOURCES					
Gain on Refunding	-	3,094	3,094	-	-
Unamortized Actuarial Gains	344,346	84,086	428,432	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	344,346	87,180	431,526	-	-
NET POSITION					
Net Investment in Capital Assets	3,988,396	3,902,396	7,890,792	10,588	68,872
Restricted for:					
Capital Projects	575,798	-	575,798	-	-
Debt Service	-	1,531	1,531	-	-
Low-Moderate Income Housing	286,129	-	286,129	-	-
Nonexpendable Permanent Endowments	21,300	-	21,300	-	-
Grants	67,230	-	67,230	-	-
Other	358,647	26,245	384,892	-	170,195
Unrestricted	(1,493,831)	380,283	(1,113,548)	6,189	248,990
TOTAL NET POSITION	\$ 3,803,669	\$ 4,310,455	\$ 8,114,124	\$ 16,777	\$ 488,057

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015
(Dollars in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government and Support	\$ 271,094	\$ 249,241	\$ 16,940	\$ 4,254
Public Safety - Police	380,344	40,304	4,888	125
Public Safety - Fire and Life Safety and Homeland Security	221,446	33,547	17,120	11
Parks, Recreation, Culture and Leisure	263,127	53,093	(4,666)	2,611
Transportation	198,242	34,459	1,290	40,405
Sanitation and Health	92,833	14,269	1,075	1,181
Neighborhood Services	80,299	49,825	12,402	57,650
Debt Service - Interest	33,790	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,541,175	474,738	49,049	106,237
Business-Type Activities:				
Sewer Utility	316,465	364,467	-	27,807
Water Utility	466,552	455,222	627	358,449
Airports	3,740	4,618	4	696
Development Services	50,244	56,395	-	-
Environmental Services	30,939	30,477	35	-
Golf Course	15,827	20,116	-	-
Recycling	17,200	20,305	378	-
TOTAL BUSINESS-TYPE ACTIVITIES	900,967	951,600	1,044	386,952
TOTAL PRIMARY GOVERNMENT	\$ 2,442,142	\$ 1,426,338	\$ 50,093	\$ 493,189
Component Units:				
San Diego Convention Center Corporation	\$ 33,649	\$ 32,708	\$ 3,405	\$ 270
San Diego Housing Commission	214,352	38,530	191,704	3,883
TOTAL COMPONENT UNITS	\$ 248,001	\$ 71,238	\$ 195,109	\$ 4,153
General Revenues:				
Property Taxes				
Transient Occupancy Taxes				
Sales Taxes - Shared State Revenue				
Other Local Taxes				
Developer Contributions and Fees				
Grants and Contributions not Restricted to Specific Programs				
Investment Income				
Miscellaneous				
Transfers, Net				
TOTAL GENERAL REVENUES AND TRANSFERS				
Special Item				
CHANGE IN NET POSITION				
Net Position at Beginning of Year, as Restated				
NET POSITION AT END OF YEAR				

Net Revenue/(Expense) and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business- Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
\$ (659)	\$ -	\$ (659)	\$ -	\$ -
(335,027)	-	(335,027)	-	-
(170,768)	-	(170,768)	-	-
(212,089)	-	(212,089)	-	-
(122,088)	-	(122,088)	-	-
(76,308)	-	(76,308)	-	-
39,578	-	39,578	-	-
(33,790)	-	(33,790)	-	-
(911,151)	-	(911,151)	-	-
-	75,809	75,809	-	-
-	347,746	347,746	-	-
-	1,578	1,578	-	-
-	6,151	6,151	-	-
-	(427)	(427)	-	-
-	4,289	4,289	-	-
-	3,483	3,483	-	-
-	438,629	438,629	-	-
(911,151)	438,629	(472,522)	-	-
-	-	-	2,734	-
-	-	-	-	19,765
-	-	-	2,734	19,765
460,948	-	460,948	-	-
182,466	-	182,466	-	-
296,837	-	296,837	-	-
208,970	-	208,970	-	-
86,440	-	86,440	-	-
653	-	653	-	-
8,786	8,012	16,798	3	9,749
47,071	21,285	68,356	410	-
(150)	150	-	-	-
1,292,021	29,447	1,321,468	413	9,749
-	-	-	(5,362)	-
380,870	468,076	848,946	(2,215)	29,514
3,422,799	3,842,379	7,265,178	18,992	458,543
<u>\$ 3,803,669</u>	<u>\$ 4,310,455</u>	<u>\$ 8,114,124</u>	<u>\$ 16,777</u>	<u>\$ 488,057</u>

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2015
(Dollars in Thousands)**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 360,958	\$ 811,799	\$ 1,172,757
Receivables:			
Taxes - Net of Allowance for Uncollectibles	78,648	83,003	161,651
Accounts - Net of Allowance for Uncollectibles	15,703	13,355	29,058
Claims	8	-	8
Special Assessments	-	375	375
Notes	-	261,215	261,215
Loans	-	68,386	68,386
Accrued Interest	748	1,129	1,877
Grants	-	19,322	19,322
From Other Funds	22,937	-	22,937
Advances to Other Funds	848	5,207	6,055
Advances to Other Agencies	7,627	12,324	19,951
Land Held for Resale	-	32,212	32,212
Prepaid Items	-	24	24
Restricted Cash and Investments	-	284,834	284,834
TOTAL ASSETS	<u>\$ 487,477</u>	<u>\$ 1,593,185</u>	<u>\$ 2,080,662</u>
LIABILITIES			
Accounts Payable	\$ 32,042	\$ 47,517	\$ 79,559
Accrued Wages and Benefits	52,004	639	52,643
Other Accrued Liabilities	1,441	904	2,345
Due to Other Funds	5,053	22,937	27,990
Unearned Revenue	-	26,099	26,099
Advances from Other Funds	-	6,055	6,055
TOTAL LIABILITIES	<u>90,540</u>	<u>104,151</u>	<u>194,691</u>

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2015
(Dollars in Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	13,195	59,533	72,728
Unavailable Revenue - Grants	-	10,333	10,333
Unavailable Revenue - Other	5,927	12,050	17,977
TOTAL DEFERRED INFLOWS OF RESOURCES	19,122	81,916	101,038
FUND BALANCES			
Nonspendable	849	21,427	22,276
Restricted	140,358	1,288,739	1,429,097
Committed	130,891	108,239	239,130
Assigned	6,162	-	6,162
Unassigned	99,555	(11,287)	88,268
TOTAL FUND BALANCES	377,815	1,407,118	1,784,933
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ 487,477	\$ 1,593,185	

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported at the fund level.	4,488,680
Certain assets and deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.	226,337
Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources.	101,038
Internal service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets and liabilities of internal service funds are included in governmental activities on the Statement of Net Position.	139,224
Certain liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(2,936,543)
Net Position of governmental activities (page 53)	\$ 3,803,669

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, 2015
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ 449,244	\$ 11,271	\$ 460,515
Special Assessments	-	57,343	57,343
Sales Taxes	265,295	28,634	293,929
Transient Occupancy Taxes	98,138	88,552	186,690
Other Local Taxes	129,940	78,967	208,907
Licenses and Permits	24,727	32,661	57,388
Fines, Forfeitures and Penalties	30,596	3,236	33,832
Revenue from Use of Money and Property	61,852	30,600	92,452
Revenue from Federal Agencies	579	44,638	45,217
Revenue from Other Agencies	11,910	75,454	87,364
Revenue from Private Sources	2,164	69,417	71,581
Charges for Current Services	211,459	27,057	238,516
Other Revenue	30,040	19,160	49,200
TOTAL REVENUES	1,315,944	566,990	1,882,934
EXPENDITURES			
Current:			
General Government and Support	259,491	46,103	305,594
Public Safety - Police	425,645	4,766	430,411
Public Safety - Fire and Life Safety and Homeland Security	231,478	23,125	254,603
Parks, Recreation, Culture and Leisure	140,780	87,377	228,157
Transportation	69,446	50,656	120,102
Sanitation and Health	90,256	2,651	92,907
Neighborhood Services	37,642	45,170	82,812
Capital Outlay	50,321	134,697	185,018
Debt Service:			
Principal Retirement	8,945	33,867	42,812
Cost of Issuance	-	1,140	1,140
Interest	1,309	32,826	34,135
TOTAL EXPENDITURES	1,315,313	462,378	1,777,691
EXCESS OF REVENUES OVER EXPENDITURES	631	104,612	105,243
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	268	882	1,150
Transfers from Other Funds	34,628	217,792	252,420
Transfers to Proprietary Funds	(719)	-	(719)
Transfers to Other Funds	(52,182)	(200,238)	(252,420)
Proceeds from the Sale of Capital Assets	2	45	47
Capital Lease Proceeds	45,073	-	45,073
Loans Issued	-	1,512	1,512
Revenue Bonds Issued	-	107,290	107,290
Premium on Bonds Issued	-	13,910	13,910
TOTAL OTHER FINANCING SOURCES (USES)	27,070	141,193	168,263
NET CHANGE IN FUND BALANCES	27,701	245,805	273,506
Fund Balances at Beginning of Year	350,114	1,161,313	1,511,427
FUND BALANCES AT END OF YEAR	\$ 377,815	\$ 1,407,118	\$ 1,784,933

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015
(Dollars in Thousands)**

Net Change in Fund Balances of Governmental Funds (page 58)	\$ 273,506
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
	81,124
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., retirements and transfers) is to decrease net position.</p>	
	(8,531)
<p>Revenues available to liquidate liabilities of the current period were recognized in the governmental funds during the current year; however, such amounts were recognized as revenue in the Statement of Activities in the prior year.</p>	
	(863)
<p>The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	(111,063)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension liability), and therefore are not accrued as expenditures in governmental funds.</p>	
	125,521
<p>Internal service funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net expense of certain internal service activities is reported with governmental activities.</p>	
	<u>21,176</u>
Change in Net Position of Governmental Activities (page 55)	<u>\$ 380,870</u>

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

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
June 30, 2015
(Dollars in Thousands)

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Internal Service Funds</u>
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
ASSETS					
Current Assets:					
Cash and Investments	\$ 427,250	\$ 241,805	\$ 134,231	\$ 803,286	\$ 142,056
Receivables:					
Accounts - Net of Allowance for Uncollectibles	46,245	68,773	4,923	119,941	2,817
Claims	34	65	-	99	-
Accrued Interest	1,001	586	295	1,882	58
Grants	-	80	538	618	256
From Other Funds	5,053	-	-	5,053	-
Inventories of Water in Storage	-	56,881	-	56,881	-
Inventories	-	-	-	-	2,245
Total Current Assets	479,583	368,190	139,987	987,760	147,432
Non-Current Assets:					
Restricted Cash and Investments	82,202	81,106	67,412	230,720	-
Capital Assets - Non-Depreciable	181,020	156,803	18,905	356,728	3,675
Capital Assets - Depreciable	2,886,939	2,371,981	50,777	5,309,697	104,992
Total Non-Current Assets	3,150,161	2,609,890	137,094	5,897,145	108,667
TOTAL ASSETS	3,629,744	2,978,080	277,081	6,884,905	256,099
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	10,336	3,879	-	14,215	-
Pension Contributions	14,963	17,300	14,372	46,635	6,417
TOTAL DEFERRED OUTFLOWS OF RESOURCES	25,299	21,179	14,372	60,850	6,417
LIABILITIES					
Current Liabilities:					
Accounts Payable	24,682	51,250	4,364	80,296	9,477
Accrued Wages and Benefits	4,793	3,905	4,010	12,708	1,704
Other Accrued Liabilities	15,373	7,091	25	22,489	130
Interest Accrued on Long-Term Debt	6,539	15,935	-	22,474	209
Long-Term Liabilities Due Within One Year	66,216	36,511	2,514	105,241	11,060
Unearned Revenue	1,373	3,129	19,497	23,999	-
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	7,288	10,707	17,995	-
Total Current Liabilities	118,976	125,109	41,117	285,202	22,580
Non-Current Liabilities:					
Non-Current Liabilities Payable from Restricted Assets:					
Deposits/Advances from Others	397	-	7,322	7,719	-
Arbitrage Liability	-	12	-	12	-
Compensated Absences	2,282	2,439	2,061	6,782	3,500
Liability Claims	8,838	9,931	5,686	24,455	9,911
Capital Lease Obligations	946	946	-	1,892	24,909
Loans Payable	85,214	63,419	-	148,633	-
Net Revenue Bonds Payable	954,584	731,930	-	1,686,514	-
Estimated Landfill Closure and Postclosure Care	-	-	23,269	23,269	-
Net Other Postemployment Benefit Obligation	20,009	19,206	16,728	55,943	9,364
Net Pension Obligation	173	67	-	240	13
Net Pension Liability	112,945	96,885	94,529	304,359	44,187
Total Non-Current Liabilities	1,185,388	924,835	149,595	2,259,818	91,884
TOTAL LIABILITIES	1,304,364	1,049,944	190,712	2,545,020	114,464
DEFERRED INFLOWS OF RESOURCES					
Gain on Refunding	-	3,094	-	3,094	-
Unamortized Actuarial Gains	31,960	25,859	26,267	84,086	11,928
TOTAL DEFERRED INFLOWS OF RESOURCES	31,960	28,953	26,267	87,180	11,928
NET POSITION					
Net Investment in Capital Assets	2,057,391	1,775,738	69,267	3,902,396	77,406
Restricted for Debt Service	774	757	-	1,531	-
Restricted for Closure/Postclosure Maintenance	-	-	26,245	26,245	-
Unrestricted (Deficit)	260,554	143,867	(21,038)	383,383	58,718
TOTAL NET POSITION	\$ 2,318,719	\$ 1,920,362	\$ 74,474	4,313,555	\$ 136,124
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				(3,100)	
Net position of business-type activities (page 53)				<u>\$ 4,310,455</u>	

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2015
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
OPERATING REVENUES					
Sales of Water	\$ -	\$ 439,744	\$ -	\$ 439,744	\$ -
Charges for Services	360,253	6,432	121,244	487,929	115,912
Revenue from Use of Property	779	6,693	5,925	13,397	-
Usage Fees	-	-	-	-	-
Other	3,435	2,353	4,742	10,530	619
TOTAL OPERATING REVENUES	364,467	455,222	131,911	951,600	116,531
OPERATING EXPENSES					
Benefit and Claim Payments	-	-	-	-	1,609
Maintenance and Operations	138,941	79,732	84,201	302,874	48,837
Cost of Materials Issued	-	-	-	-	9,496
Cost of Purchased Water Used	-	237,274	-	237,274	-
Taxes	-	2,117	-	2,117	-
Administration	56,393	58,599	27,237	142,229	12,545
Depreciation	70,762	51,935	5,595	128,292	21,631
TOTAL OPERATING EXPENSES	266,096	429,657	117,033	812,786	94,118
OPERATING INCOME	98,371	25,565	14,878	138,814	22,413
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	4,162	2,714	1,136	8,012	695
Federal Grant Assistance	-	-	4	4	881
Other Agency Grant Assistance	-	627	413	1,040	469
Gain (Loss) on Sale/Retirement of Capital Assets	(1,942)	(2,431)	(2,648)	(7,021)	266
Debt Service Interest Expense	(49,621)	(35,771)	-	(85,392)	(593)
Other	17,397	2,432	1,456	21,285	1,063
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(30,004)	(32,429)	361	(62,072)	2,781
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	68,367	(6,864)	15,239	76,742	25,194
Capital Contributions	27,807	358,451	1,370	387,628	119
Transfers from Other Funds	3,743	58	583	4,384	-
Transfers from Governmental Funds	-	-	52	52	667
Transfers to Other Funds	-	(3,651)	(537)	(4,188)	(196)
Transfers to Governmental Funds	(24)	(16)	(566)	(606)	(544)
TOTAL CONTRIBUTIONS AND TRANSFERS	31,526	354,842	902	387,270	46
CHANGE IN NET POSITION	99,893	347,978	16,141	464,012	25,240
Net Position at Beginning of Year, as Restated	2,218,826	1,572,384	58,333		110,884
NET POSITION AT END OF YEAR	\$ 2,318,719	\$ 1,920,362	\$ 74,474		\$ 136,124
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				4,064	
Change in net position of business-type activities (page 55)				<u>\$ 468,076</u>	

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

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2015
(Dollars in Thousands)**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 371,500	\$ 461,868	\$ 129,347	\$ 962,715	\$ 27,857
Receipts from Interfund Services Provided	3,843	4,156	3,735	11,734	88,282
Payments to Suppliers	(136,833)	(304,068)	(34,519)	(475,420)	(35,791)
Payments to Employees	(86,367)	(80,824)	(79,414)	(246,605)	(46,753)
Payments for Interfund Services Used	(7,687)	(6,407)	(6,713)	(20,807)	(1,495)
NET CASH PROVIDED BY OPERATING ACTIVITIES	144,456	74,725	12,436	231,617	32,100
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	3,743	58	583	4,384	-
Transfers from Governmental Funds	-	-	52	52	667
Transfers to Other Funds	-	(3,651)	(537)	(4,188)	(196)
Transfers to Governmental Funds	(24)	(16)	(566)	(606)	(544)
Operating Grants Received	-	775	431	1,206	1,807
Proceeds from Advances and Deposits	-	382	1,980	2,362	-
Payments for Advances and Deposits	-	-	(27)	(27)	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	3,719	(2,452)	1,916	3,183	1,734
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Loans	8,757	3,678	-	12,435	-
Proceeds from Capital Contributions	22,096	15,906	491	38,493	-
Acquisition of Capital Assets	(97,659)	(76,575)	(5,030)	(179,264)	(12,852)
Proceeds from the Sale of Capital Assets	1	360	-	361	1,468
Principal Payments on Capital Leases	(170)	(170)	-	(340)	(6,476)
Principal Payments on Loans	(6,231)	(3,129)	-	(9,360)	-
Principal Payments on Revenue Bonds	(50,535)	(24,835)	-	(75,370)	-
Interest Paid on Long-Term Debt	(53,351)	(38,891)	-	(92,242)	(588)
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(177,092)	(123,656)	(4,539)	(305,287)	(18,448)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	51,705	174,289	-	225,994	-
Purchases of Investments	(49,687)	(174,335)	-	(224,022)	-
Interest Received on Investments	4,075	2,510	1,081	7,666	679
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,093	2,464	1,081	9,638	679
Net Increase (Decrease) in Cash and Cash Equivalents	(22,824)	(48,919)	10,894	(60,849)	16,065
Cash and Cash Equivalents at Beginning of Year	455,531	299,396	190,749	945,676	125,991
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 432,707	\$ 250,477	\$ 201,643	\$ 884,827	\$ 142,056
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:					
Cash and Investments	\$ 427,250	\$ 241,805	\$ 134,231	\$ 803,286	\$ 142,056
Restricted Cash and Investments	82,202	81,106	67,412	230,720	-
Less Investments Not Meeting the Definition of Cash Equivalents	(76,745)	(72,434)	-	(149,179)	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 432,707	\$ 250,477	\$ 201,643	\$ 884,827	\$ 142,056

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2015
(Dollars in Thousands)**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
Reconciliation of Operating Income to Net Cash					
Provided by Operating Activities:					
Operating Income	\$ 98,371	\$ 25,565	\$ 14,878	\$ 138,814	\$ 22,413
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:					
Depreciation	70,762	51,935	5,595	128,292	21,631
Other Nonoperating Revenue	11,203	2,432	1,456	15,091	1,063
(Increase) Decrease in Assets:					
Accounts Receivable - Net	4,603	8,338	(1,931)	11,010	(1,436)
Claims Receivable - Net	-	1	-	1	-
Due from Other Funds	(5,053)	-	-	(5,053)	-
Inventories	-	7,058	-	7,058	167
Increase (Decrease) in Liabilities and Deferred Outflows/Inflows of Resources:					
Accounts Payable	(2,704)	(6,237)	149	(8,792)	4,766
Accrued Wages and Benefits	410	337	342	1,089	44
Due to Other Agencies	(21,086)	1,327	-	(19,759)	-
Unearned Revenue	121	32	1,621	1,774	(19)
Contract Deposits	3	-	25	28	-
Arbitrage Liability	-	32	-	32	-
Compensated Absences	(319)	84	(144)	(379)	130
Liability Claims	(3,619)	(4,487)	(795)	(8,901)	(12,789)
Estimated Landfill Closure and Postclosure Care	-	-	(21)	(21)	-
Net OPEB Obligation	545	594	527	1,666	231
Net Pension Obligation	(29)	(11)	-	(40)	(2)
Net Pension Liability	(8,752)	(12,275)	(9,266)	(30,293)	(4,099)
Total Adjustments	46,085	49,160	(2,442)	92,803	9,687
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 144,456	\$ 74,725	\$ 12,436	\$ 231,617	\$ 32,100
Noncash Investing, Capital, and Financing Activities:					
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ 4,000
Developer Contributed Assets	5,711	342,543	-	348,254	-
Capital Asset Acquisitions Related to Accounts Payable	724	167	(13)	878	88
Noncash Retirement of Capital Assets	(1,870)	(2,716)	(2,627)	(7,213)	(665)
Principal Forgiveness of State Revolving Fund Loans	6,194	-	-	6,194	-
Capitalized Interest and Related Amounts	1,207	927	-	2,134	-
Amortization of Bond Premiums, Discounts and Refundings	2,281	1,772	-	4,053	-
Change in Fair Value of Investments	(51)	(268)	-	(319)	-
Interest Fund Credits for Debt Service Payments	(3,490)	(1,056)	-	(4,546)	-
Transfers of Capital Assets (To) From Governmental Activities	(72)	(73)	653	508	(418)

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015
(Dollars in Thousands)

	Trust Funds			
	Pension	Investment	Private-Purpose	Agency
ASSETS				
Cash and Investments	\$ 2,157	\$ 1,370	\$ 115,896	\$ 17,900
Cash with Custodian/Fiscal Agent	139,149	-	-	-
Investments at Fair Value:				
Domestic Fixed Income Securities	1,781,246	-	-	-
International Fixed Income Securities	432,202	-	-	-
Domestic Equity Securities	1,671,938	-	-	-
International Equity Securities	1,201,799	-	-	-
Global Equity Securities	334,108	-	-	-
Real Estate Equity	753,721	-	-	-
Equity Mutual Funds	575,499	-	-	-
Fixed Income Mutual Funds	386,321	-	-	-
Private Equity and Infrastructure	748,337	-	-	-
Receivables:				
Accounts - Net	-	-	2	987
Special Assessments	-	-	-	230
Contributions	6,583	-	-	-
Accrued Interest	6,590	2	182	13
Notes and Contracts	-	-	6,076	-
Loans	37,662	-	-	-
Securities Sold	141,679	-	-	-
Due from Other Agency	-	-	11	-
Land Held for Resale	-	-	8,210	-
Prepaid Expenses	155	-	3,724	-
Securities Lending Collateral	207,945	-	-	-
Restricted Cash and Investments	-	-	91,997	29,333
Capital Assets - Non-Depreciable	-	-	115,936	-
Capital Assets - Depreciable	6,772	-	53,897	-
TOTAL ASSETS	8,433,863	1,372	395,931	48,463
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding	-	-	390	-
LIABILITIES				
Accounts Payable	8,414	-	15,267	11,754
Accrued Wages and Benefits	902	-	-	-
Interest Accrued on Long-Term Debt	-	-	68,474	-
Deposits/Advances from Others	-	-	-	154
Sundry Trust/Agency Liabilities	-	-	464	12,546
Due to Bondholders	-	-	562,960	24,009
Arbitrage Liability	-	-	3	-
Liability Claims	-	-	69,809	-
Loans Payable	-	-	104,271	-
Supplemental Benefits Payable	11,404	-	-	-
Securities Lending Obligations	208,245	-	-	-
Securities Purchased	319,839	-	-	-
TOTAL LIABILITIES	548,804	-	821,248	48,463
NET POSITION (DEFICIT)				
Restricted for Pension Benefits	7,885,059	-	-	-
Held in Trust for Pool Participants and Other Purposes	-	1,372	(424,927)	-
TOTAL NET POSITION (DEFICIT)	\$ 7,885,059	\$ 1,372	\$ (424,927)	\$ -

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2015
(Dollars in Thousands)

	Trust Funds		
	Pension	Investment	Private-Purpose
ADDITIONS			
Employer Contributions	\$ 345,341	\$ -	\$ -
Plan Member Contributions:			
Employee Contributions	108,440	-	-
DROP Contributions	5,130		
Contributions to Pooled Investments	-	241	-
Redevelopment Property Tax Trust Fund	-	-	63,481
Earnings on Investments:			
Investment Income	284,398	18	2,033
Investment Expense	(31,418)	-	-
Net Investment Income	252,980	18	2,033
Securities Lending Income:			
Gross Earnings	1,208	-	-
Borrower Rebates	(310)	-	-
Net Securities Lending Income	898	-	-
Other Income	1,084	-	19,235
TOTAL ADDITIONS	713,873	259	84,749
DEDUCTIONS			
Enforceable Obligation Payments	-	-	92,942
Interest on Long-Term Debt	-	-	34,136
DROP Interest Expense	23,017	-	-
Benefit and Claim Payments	545,635	-	-
Distributions from Pooled Investments	-	5,281	-
Administration	10,274	-	-
Depreciation	-	-	1,744
TOTAL DEDUCTIONS	578,926	5,281	128,822
Extraordinary Gain, Net	-	-	123,899
CHANGE IN NET POSITION	134,947	(5,022)	79,826
Net Position (Deficit) at Beginning of Year, as Restated	7,750,112	6,394	(504,753)
NET POSITION (DEFICIT) AT END OF YEAR	\$ 7,885,059	\$ 1,372	\$ (424,927)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

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

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

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

a. Financial Reporting Entity

As required by GAAP, these financial statements present the primary government and its component units. The City is the primary government while entities for which the primary government is considered to be financially accountable represent its component units. Component units can be blended with the primary government or discretely presented.

A blended component unit is a legally separate entity whose functions are an integral part of the primary government. A component unit is considered to be an integral part of the primary government, and hence a blended component unit, in any of these circumstances: (1) the entity and the primary government substantively have the same governing body and a financial benefit/burden relationship exists; (2) the entity and the primary government substantially have the same governing body and management of the primary government have operational responsibility; (3) if the entity exists to serve or benefit exclusively (or almost exclusively) the primary government; or (4) the total debt of the entity is repayable entirely (or almost entirely), from resources of the primary government. Blended component units are reported as funds of the primary government.

Discretely presented component units are those component units that do not function as an integral part of the primary government. They are reported in the government-wide financial statements in a column separate from the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements. Fiduciary component units are not part of the primary government and are reported as fiduciary funds to account for assets held in a trustee or agency capacity for others that cannot be used to support the government's own programs.

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

- Civic San Diego (CSD)
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

A brief description of each blended component unit follows:

- Civic San Diego (CSD) is a not-for-profit public benefit corporation resulting from restructuring and reorganizing the former Centre City Development Corporation (CCDC) and the Southeastern Economic Development Corporation (SEDC) into a single corporation. CCDC and SEDC were originally established to administer certain

redevelopment project areas throughout the City. Upon dissolution of the former San Diego Redevelopment Agency (former RDA), CSD's main function is now focused on providing administrative and advisory services to the City as the Successor Agency. CSD also assists the City with downtown parking management administration and affordable housing development. The City Council elects the Board of Directors of CSD. CSD's budget and governing board are approved by the City of San Diego and services are provided exclusively to the City. CSD is reported as a governmental fund. Financial statements are available at www.civicsd.com.

- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 by the City and the San Diego Unified Port District (Port) to acquire and construct the expansion of the existing convention center. The CCEFA is governed by a board consisting of the Mayor, the City Manager, the Director of the Port, and a member of the Board of Commissioners for the Port. The current working title of the City Manager is the Chief Operating Officer. The CCEFA provides services which primarily benefit the City. CCEFA is reported as a governmental fund.
- The Public Facilities Financing Authority (PFFA) was established in 1991 by the City and the former RDA to acquire and construct public capital improvements. As of June 30, 2015, the members are the City, the Successor Agency, and the Housing Authority of the City of San Diego. PFFA is governed by a board of commissioners composed of the members of the City Council. PFFA provides services exclusively to the City. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- The San Diego Facilities and Equipment Leasing Corporation (SDFELC) is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. SDFELC is governed by a three member board consisting of the City Attorney, the Chief Financial Officer and the Mayor (as City Manager) and services are provided exclusively to the City. Financing provided through SDFELC for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- The San Diego Industrial Development Authority (SDIDA) was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board and the City has operational responsibility. SDIDA is reported as a governmental fund.
- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. TSRFC is governed by a board of directors, which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director is appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.

There are two fiduciary component units:

- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port and the San Diego County Regional Airport Authority (Airport). SDCERS' Board of Administration (Board) adopted a Declaration of Group Trust, effective July 1, 2007. Under the Group Trust, the City, Port and Airport plans are treated as separate plans, with assets pooled for investment purposes only. SDCERS also administers certain

postemployment healthcare activities on behalf of the City. SDCERS is a legally separate, fiduciary component unit of the City. It is governed by a 13 member Board of Administration, eight of which are appointed by the City, and a Pension Administrator who does not report to or work under the direction of the elected officials or appointed managers of the City. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports. SDCERS provides services primarily to the City and is reported as a pension trust fund. Complete stand-alone financial statements are available at www.sdcers.org.

- The Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency) is a legally separate entity from the City, reported as a fiduciary component unit of the City. It was established to hold the former RDA's assets until they are distributed to other units of state and local government, or where appropriate, to private parties, and to administer the payments of the former RDA's obligations. Pursuant to ABX1 26, redevelopment agencies and their successor agencies in the State of California generally cannot enter into new projects, obligations or commitments. On January 12, 2012, the City was designated to serve as the Successor Agency subject to control of an oversight board. The Successor Agency is reported as a private-purpose trust fund in the fiduciary funds financial statements.

There are two entities which are discretely presented component units:

- San Diego Convention Center Corporation (SDCCC)

SDCCC is a not-for-profit public benefit corporation, originally organized to market, operate, and maintain the San Diego Convention Center. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints seven voting members to the Board of Directors of SDCCC. In accordance with the management agreement with SDCCC, the City allocates to SDCCC approved budgetary amounts for marketing, promotion, and capital projects for the Convention Center. SDCCC is discretely presented because the City appoints the voting members of the Board of Directors of SDCCC, and SDCCC provides the majority of its services directly to the citizens. Complete stand-alone financial statements are available at www.sdccc.org.

- San Diego Housing Commission (SDHC)

SDHC is a government agency, which was formed by the City under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC primarily serves low-and-moderate-income families by providing rental assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services. SDHC is discretely presented because it provides services directly to the citizens. SDHC is governed by the San Diego Housing Authority, which is composed of the nine members of the San Diego City Council. The Housing Authority has final authority over the SDHC's budget and major policy changes. SDHC has seven blended component units and nine discretely presented component units which are included in the City's basic financial statements. The nine discretely presented component units are financially and legally separate entities from SDHC: Housing Development Partners of San Diego (HDP); HDP Mason Housing Corporation (Mason); Casa Colina, LP (Casa Colina); Logan Development II, LP (Logan II); HDP Broadway LP (Broadway); HDP Churchill LLC (Churchill); HDP Parker Kier, LLC (Parker Kier); Logan Development Management LLC (Logan Mgmt); and HDP Broadway Management, LLC (Broadway Mgmt). Complete stand-alone financial statements are available at www.sdhc.org.

Each blended and discretely presented component unit of the City has a June 30 fiscal year-end, with the exception of SDHC's discretely presented component units, which have a December 31, 2014 fiscal year-end.

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

The governmental funds financial statements do not present long-term debt, but the related debt is shown in the reconciliation of the governmental funds Balance Sheet to the government-wide Statement of Net Position. Issuance of long-term debt, bond premiums, and discounts are reflected as other financing sources (uses) and recognized in the period in which they are issued.

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

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

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

The following is the City's only major governmental fund:

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

The following are the City's major enterprise funds:

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

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

The following are the City's other fund types:

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

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

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

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

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

d. Property Taxes

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

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

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year and which do not meet the 60 day availability criterion are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred inflows of resources in the governmental funds. The City provides an allowance for uncollectible property taxes, which is analyzed each year against the most recent data from the County. For fiscal year 2015, the allowance amount was \$3,372.

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

e. Cash and Investments

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

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

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

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds, and agency funds, unless otherwise expressly stated in the resolutions creating the individual funds. These transactions cause an increase in the "Transfers from Other Funds" amount for the General Fund and a corresponding increase in the "Transfers to Other Funds" amount for the funds earning the interest. In the case of negative interest, these transactions cause an increase to the "Transfers from Other Funds" amount for the funds transferring the negative interest and a like increase to the "Transfers to Other Funds" amount for the General Fund. During fiscal year 2015, a net increase in interest of \$648 was assigned from various funds to the General Fund.

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

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

The discharge of fiduciary duties by SDCERS' Board is governed by Section 144 of the City Charter and Article XVI, Section 17 of the California State Constitution. Investment decisions are made on a risk versus return basis in a total portfolio context. SDCERS' Board has the authority to delegate investment management duties to outside advisors, to seek the advice of outside investment counsel, and to provide oversight and monitoring of the

investment managers it hires. Furthermore, under the California State Constitution and other relevant authorities, SDCERS' Board may, at its discretion, and when prudent in the informed opinion of the Board, invest funds in any form or type of investment, financial instrument, or financial transaction. SDCERS' agents, in SDCERS' name, manage all investments.

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

f. Receivables

The City's receivables are comprised mainly of taxes, accounts and grants. Accounts receivable and taxes receivable are reported net of an allowance for uncollectible amounts. Additionally, the City has assessed the collectability of certain interfund loan receivables due from the Successor Agency to various funds (see Note 17). The allowance amounts as of June 30, 2015 are as follows:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance	Interfund Loan Allowance
General Fund	\$ 11,849	\$ 3,308	\$ 12,265
Nonmajor Governmental Funds	25,125	64	56,619
Sewer Utility	340	-	360
Water Utility	1,225	-	617
Nonmajor Enterprise Funds	4,000	-	-
Internal Service Funds	582	-	-
Total	\$ 43,121	\$ 3,372	\$ 69,861

g. Inventories

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

h. Land Held for Resale

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

i. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources represent the consumption of net position that is applicable to a future reporting period. Similarly, Deferred Inflows of Resources represent the acquisition of net position that is applicable to a future reporting period. The City reports Deferred Outflows/Inflows of Resources in the basic financial statements as follows:

Unavailable Revenues - In the governmental funds financial statements, deferred inflows of resources represent revenues which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting.

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

Pension Contributions - In relation to the City's fiscal year 2015 implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement 27*, deferred outflows of resources for pension contributions of \$268,054 represent the deferral of the City's fiscal year 2015 contributions to the pension plan. Using the measurement date of June 30, 2014 per the December 2014 actuarial report produced by SDCERS' actuary, the fiscal year 2015 contributions were not factored in to the calculation of the Net Pension Liability. Additionally, the deferred inflows of resources for unamortized actuarial gains represent the impact of investment gains and are recognized over a period of five years. During the measurement year, there was an investment gain of approximately \$536,000. Approximately \$107,000 of that gain was recognized in the current year and an equal amount will be recognized in each of the next four years, resulting in a deferred inflow of resources of \$428,432. Additional gains and losses on investments will also be deferred in future years and recognized over a five year period.

j. Capital Assets

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

Depreciable Capital Assets, which include structures and improvements, equipment, intangible assets, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation/amortization in the applicable Governmental or Business-Type Activities column in the government-wide financial statements, as well as in the proprietary funds and fiduciary funds financial statements. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of structures and improvements, equipment outlay, intangible assets, distribution and collection systems and infrastructure, must meet or exceed a capitalization threshold of five thousand dollars. Land is capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets is reflected in the capitalized value of the asset constructed. During fiscal year 2015, \$2,134 of interest expense incurred was capitalized. There was no related interest revenue to net against capitalized interest expense.

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

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

k. Unearned Revenue

In the government-wide and fund level financial statements, unearned revenue represents amounts received, which have not been earned. Examples include Development Services customer accounts with surplus balances, and grant revenues received in advance.

l. Interfund Transactions

The City has the following types of interfund transactions:

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

Services provided and used represent sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund Balance Sheets or fund Statements of Net Position.

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

Transfers represent flows of assets (such as cash or goods) without equivalent flows of assets in return, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the

funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

m. Long-Term Liabilities

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

n. Compensated Absences

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

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

o. Claims and Judgments

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

p. Non-Monetary Transactions

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

q. Net Position

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

- Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by outstanding debt and deferred outflows/inflows of resources attributed to the acquisition, construction or improvement of these assets.

- Restricted Net Position consists of restricted assets reduced by liabilities related to those assets. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position components are available. As of June 30, 2015, the amount of restricted net position due to enabling legislation was approximately \$269,946.
- Unrestricted Net Position consists of net position that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

r. Fund Balances

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based on the extent to which the City is bound to observe constraints imposed on the use of resources.

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for specific purposes imposed by formal action of the City Council. Committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned fund balance** - amounts that are constrained by the City's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. City Council may assign fund balance through approval of budget appropriations. The Mayor and his/her designees are authorized by the City Charter to assign fund balance through the encumbrance process. Designees generally include the Chief Operating Officer, Assistant Chief Operating Officer, Deputy Chief Operating Officers and Department Directors.
- **Unassigned fund balance** - the residual classification for the City's General Fund that includes amounts not included in other classifications. In funds other than the General Fund, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

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

s. Reserves

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

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

The target level for total General Fund Reserves is 14% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis). The Emergency Reserve is set at a target level of 8%, and the Stability Reserve is set at a target level of 6%. The balances of the Emergency Reserve and the Stability Reserve, as of June 30, 2015, were \$89,922 and \$67,441 respectively, meeting policy target levels. In the event either reserve component is reduced below the amount established by this policy, the Mayor will prepare a plan as promptly as conditions warrant to replenish the reserve to the policy level. Spendable and unrestricted fund balance that is not part of General Fund Reserves is available for appropriation.

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

t. Participating Agencies Revenue Recognition

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

u. Estimates

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

v. New Governmental Accounting Standards Implemented During Year Ended June 30, 2015

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2015.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68), requiring recognition of the entire net pension liability, a more comprehensive measure of pension expense, new note disclosures and additional required supplementary information. The City elected to use June 30, 2014 as its initial measurement date, resulting in a Net Pension Liability of \$1,535,537 and an overall decrease to the City's Net Position as of June 30, 2015 of \$1,562,494.

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

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of GASB 68. The statement requires that, in the year of implementation of GASB 68, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. As of June 30, 2015, the government-wide Statement of Net Position reported a deferred outflow of resources of \$268,054 related to its pension contributions made in fiscal year 2015. See Note 23 for additional details on the restatements for GASB 68 and 71.

w. Upcoming Governmental Accounting Standards Implementation

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

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement will become effective in fiscal year 2016.

In February 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this statement extend the approach to accounting and financial reporting established in GASB 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in GASB 68 should not be considered pension plan assets. It also requires that information similar to that required by GASB 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities. This statement also clarifies the application of certain provisions of GASB 67 and 68. Certain requirements of this statement will become effective in fiscal year 2016 while others will become effective in fiscal year 2017.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which establishes financial reporting standards for state and local governmental OPEB plans—defined benefit OPEB plans and defined contribution OPEB plans—that are administered through trusts or equivalent arrangements. It applies to entities that have all of the characteristics of an OPEB plan, as defined by GASB 74. GASB 74 replaces previously issued statements related to accounting and financial reporting for OPEB. This statement will become effective in fiscal year 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which applies to state and local government employers who provide OPEB to employees, such as the City. GASB 75 replaces previously issued statements related to accounting and financial reporting for OPEB and establishes new accounting and financial reporting requirements for OPEB plans. GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet specific criteria, and for employers whose employees are provided with defined contribution OPEB. For OPEB that is administered through trusts, GASB 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. GASB 75 requires implementation by fiscal year 2018.

On June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of generally accepted accounting principles (GAAP) for all state and local governments. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. This statement will become effective in fiscal year 2016.

On August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. For financial reporting purposes, this statement requires certain disclosures when a government enters into tax abatement agreements with a third party. This statement defines tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement will become effective in fiscal year 2017.

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

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

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

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Balances" and "Total Net Position" of governmental activities as reported in the Government-Wide Statement of Net Position. One element of the reconciliation states, "Certain assets and deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level." The details of this \$226,337 difference are as follows:

Prepaid Insurance, July 1, 2014	\$ 1,923
Amortization Expense	<u>(113)</u>
Prepaid Insurance, June 30, 2015	<u>1,810</u>
Deferred Outflows of Resources - Loss on Refunding	
Loss on Refunding, July 1, 2014	10,164
Amortization Expense	<u>(639)</u>
Loss on Refunding, June 30, 2015	<u>9,525</u>
Deferred Outflows of Resources - Pension Contributions	<u>215,002</u>
Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 226,337</u>

Another element of the reconciliation states: "Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources." The details of this \$101,038 difference are as follows:

Deferred Inflows of Resources - Unavailable Revenue:	
Taxes Receivable	\$ 72,728
Grants Receivable	10,333
Special Assessments Receivable	375
Revenue from Other Agencies	6,272
Charges for Services	7,490
Other	<u>3,840</u>
Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 101,038</u>

Another element of the reconciliation states: "Certain liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds." The details of this (\$2,936,543) difference are as follows:

Interest Accrued on Long-Term Debt	\$ (9,070)
Compensated Absences	(63,642)
Liability Claims	(314,094)
Reimbursement Agreement Obligations	(17,715)
Capital Lease Obligations	(61,277)
QECB Lease Obligation	(10,071)
Loans Payable	(5,767)
Section 108 Loans Payable	(3,801)
Net Bonds Payable	(744,682)
Net Other Postemployment Benefits Obligation	(185,128)
Net Pension Obligation	(1,887)
Net Pension Liability	(1,186,991)
Deferred Inflows of Resources - Unamortized Actuarial Gains	<u>(332,418)</u>
Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ (2,936,543)</u>

Another element of the reconciliation states: "Internal service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets and liabilities of internal service funds are included in the governmental activities in the Statement of Net Position." The details of this \$139,224 difference are as follows:

Assets:	
Capital Assets - Non-Depreciable	\$ 3,675
Capital Assets - Depreciable	104,992
Internal Balances	3,100
Current Assets	<u>147,432</u>
Total Assets	<u>259,199</u>
Deferred Outflows of Resources - Pension Contributions	<u>6,417</u>
Liabilities:	
Compensated Absences	(6,264)
Liability Claims	(11,854)
Capital Lease Obligations	(31,262)
Net Other Postemployment Benefits Obligation	(9,364)
Net Pension Obligation	(13)
Net Pension Liability	(44,187)
Other Liabilities	<u>(11,520)</u>
Total Liabilities	<u>(114,464)</u>
Deferred Inflows of Resources - Unamortized Actuarial Gains	<u>(11,928)</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 139,224</u>

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

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between "Net Change in Fund Balances of Governmental Funds" and "Change in Net Position of Governmental Activities" as reported in the Government-Wide Statement of Activities. One element of that reconciliation explains: "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$81,124 difference are as follows:

Capital Outlay	\$ 185,018
Donated Capital Assets	37,104
Depreciation/Amortization Expense	<u>(140,998)</u>
Net Adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 81,124</u>

Another element of the reconciliation states: "The net effect of various miscellaneous transactions involving capital assets (i.e., retirements and transfers) is to decrease net position." The details of this (\$8,531) are as follows:

In the Statement of Activities, only the net loss on the sale of land is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the capital assets sold/retired.	\$ (3,496)
Transfers of capital assets from business-type activities increase net position on the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.	(90)
The Statement of Activities reports losses arising from the retirement of existing capital assets. Conversely, governmental funds report proceeds from the sale of capital assets but do not report any gain or loss on retirements of capital assets.	<u>(4,945)</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (8,531)</u>

Another element of the reconciliation states: "Internal service funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net expense of certain internal service activities is reported with governmental activities." The details of this \$21,176 are as follows:

Allocated Operating Income	\$ 18,349
Nonoperating Revenues:	
Gain on Sale/Retirement of Capital Assets	803
Federal and Other Agency Grant Assistance	1,350
Other Nonoperating Revenues, net	1,165
Capital Asset Transfers, net	(418)
Transfers, net	<u>(73)</u>
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 21,176</u>

Another element of the reconciliation states: "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this (\$111,063) difference are as follows:

Debt Issued or Incurred:	
Capital Lease Obligations	\$ (45,073)
Loans Payable	(1,512)
Lease Revenue Bonds	(107,290)
Principal Repayments:	
Capital Lease Obligations	8,152
QECC Lease Obligations	793
Loans Payable	9,297
Section 108 Loans	280
Lease Revenue Bonds	20,210
Tobacco Settlement Asset-Backed Bonds	<u>4,080</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (111,063)</u>

Another element of the reconciliation states: "Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension liability), and therefore, are not accrued as expenditures in governmental funds." The details of this \$125,521 difference are as follows:

Compensated Absences	\$ 870
Liability Claims	(6,790)
Reimbursement Agreement Obligations	(895)
Net Pension Obligation/Net OPEB Obligation	(4,983)
Net Pension Liability	150,404
Interest Accrued on Long-Term Debt	(444)
Current Year Premiums and Loss on Refunding	
Less Amortization of Bond Premiums, Discounts, and Loss on Refunding	(12,528)
Current Year Amortization of Prepaid Insurance	<u>(113)</u>
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 125,521</u>

3. CASH AND INVESTMENTS (Dollars in Thousands)

The following is a summary of the carrying amount of cash and investments as of June 30, 2015:

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Position other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Position	Grand Total
Cash or Equity in Pooled Cash and Investments	\$ 1,359,122	\$ 884,827	\$ 135,708	\$ 2,379,657	\$ 1,615	\$ 2,381,272
Cash and Investments with Custodian, Fiscal Agents, and Trustees	200,440	149,179	121,342	470,961	139,137	610,098
Investments at Fair Value	40,085	-	961,820	1,001,905	6,923,351	7,925,256
Securities Lending Collateral	-	-	-	-	207,945	207,945
Total	<u>\$ 1,599,647</u>	<u>\$ 1,034,006</u>	<u>\$ 1,218,870</u>	<u>\$ 3,852,523</u>	<u>\$ 7,272,048</u>	<u>\$ 11,124,571</u>

a. Cash or Equity in Pooled Cash and Investments

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

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

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

Cash on Hand - Petty Cash	\$ 202
Deposits - Other Cash and Cash Equivalents	7,049
Deposits - Pooled Cash and Cash Equivalents	1,141
City Treasurer's Investment Pool	2,371,265
SDCERS Cash Deposits	<u>1,615</u>
Total Cash or Equity in Pooled Cash and Investments	<u>\$ 2,381,272</u>

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2015 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range	Maturity Range
Agency Discount Notes	\$ 255,063	\$ 254,959	0.08-0.24% ¹	7/1/2015-4/22/2016
Agency Notes and Bonds	489,930	489,709	0.21-1.50%	7/30/2015-2/13/2020
Asset Backed Securities	80,782	80,771	0.32-1.15%	8/15/2016-4/15/2019
Commercial Paper	74,956	74,910	0.11-0.28%	7/1/2015-11/6/2015
Medium Term Notes and Bonds	129,853	129,668	0.35-1.65%	7/20/2015-3/1/2019
Negotiable Certificates of Deposit	200,044	200,002	0.20-0.32%	7/1/2015-11/18/2015
Repurchase Agreements	129,000	129,000	0.09%	7/1/2015
State Local Agency Investment Fund (LAIF) ²	49,901	49,882	0.26%	2/24/2016
U.S. Treasury Obligations - Notes	961,736	959,406	0.25-1.13%	7/31/2015-6/15/2018
Total	\$ 2,371,265	\$ 2,368,307		

¹ Discount Rates

² LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 239 days.

The following represents a condensed Statement of Net Position and changes in net position for the City Treasurer's cash and investment pool as of June 30, 2015:

Statement of Net Position

Deposits - Pooled Cash and Cash Equivalents	\$ 1,141
Investments of Pool Participants	2,371,265
Accrued Interest Receivable of Internal Pool Participants	3,354
Accrued Interest Receivable of External Pool Participants	2
Total Cash, Investments, and Interest Receivable	\$ 2,375,762
Net Position of Internal Pool Participants	\$ 2,374,390
Net Position of External Pool Participants ¹	1,372
Total Net Position	\$ 2,375,762

Statement of Changes in Net Position

Net Position Held for Pool Participants at July 1, 2014	\$ 2,295,348
Net Change in Investments by Pool Participants	80,414
Total Net Position Held for Pool Participants at June 30, 2015	\$ 2,375,762

¹ Voluntary Participation - Abandoned Vehicle Abatement

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

Cash and Investments with Custodian, Fiscal Agents, and Trustees include cash and investments held by trustees resulting from bond issuances. These funds represent bond funds, including but not limited to debt service reserve funds, construction funds, costs of issuance funds, and liquid investments held by trustees as legally required by bond issuances. Under the Fiduciary Statement of Net Position, Cash with Custodian/Fiscal Agent includes construction contract retention deposits held in escrow accounts and the City's balance for the Preservation of Benefits Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m) and is discussed in further detail in Note 11.

Additionally, Cash with Custodian/Fiscal Agent includes the SDCERS portion of funds held as cash collateral from market neutral portfolios (domestic fixed income investment strategy). Furthermore, it represents transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank.

c. Investments at Fair Value

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

d. Investment Policy

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

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

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

Investment Type	Maximum Maturity ¹		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating ⁸	
	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	(2)	None	(2)	None	None
Supranationals ⁹	5 years	5 years	30%	30%	30%	30%	AA	AA
Bankers' Acceptances ⁶	180 days	180 days	40%	40%	30%	10%	None	(3)
Commercial Paper ⁶	270 days	270 days	25%	25%	10%	10%	P-1	P-1
Negotiable Certificates of Deposit 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
State Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits ^{6,7}	5 years	5 years	30%	25%	None	10%	None	(3)
Medium Term Notes/Bonds ⁶	5 years	5 years	30%	30%	None	10%	A	A
Municipal Securities of California Local Agencies ⁶	5 years	5 years	None	20%	None	10%	None	A
Mutual Funds	N/A	N/A	20%	20%	10%	5%	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	AA
Mortgage and Asset-Backed Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures ⁵	N/A	None	None	None	None	None	None	None

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

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

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

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

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

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

⁷ Time deposits with the Certificate of Deposit Account Registry Service (CDARS) are further restricted per the City's Investment Policy: 1 year maximum maturity and 2% maximum of the portfolio.

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

⁹ International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank

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

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

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

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

Other Investment Policies

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

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

City of San Diego – Disclosures for Specific Risks**e. Interest Rate Risk**

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

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

As of June 30, 2015, the City's investments (dollars in thousands) by maturity are as follows:

	Years				Fair Value (In Thousands)
	Under 1	1-3	3-5	Over 5	
City Treasurer's Investment Pool:					
Asset Backed Securities	\$ -	\$ 65,772	\$ 15,010	\$ -	\$ 80,782
Commercial Paper	74,956	-	-	-	74,956
Medium Term Notes and Bonds	38,035	86,798	5,020	-	129,853
Negotiable Certificates of Deposit	200,044	-	-	-	200,044
Repurchase Agreements	129,000	-	-	-	129,000
State Local Agency Investment Fund	49,901	-	-	-	49,901
Supranationals - IBRD ²	20,019	34,967	-	-	54,986
U.S. Agencies - Federal Farm Credit Bank	10,002	25,036	-	-	35,038
U.S. Agencies - Federal Home Loan Bank	167,945	79,983	-	-	247,928
U.S. Agencies - Federal Home Loan Mortgage Corporation	75,013	65,009	-	-	140,022
U.S. Agencies - Federal National Mortgage Association	177,100	54,994	34,925	-	267,019
U.S. Treasury Obligations - Notes	85,058	876,678	-	-	961,736
	<u>1,027,073</u>	<u>1,289,237</u>	<u>54,955</u>	<u>-</u>	<u>2,371,265</u>
Non-Pooled Investments with City Treasurer:					
Commercial Paper	2,506	-	-	-	2,506
U.S. Agencies - Federal Farm Credit Bank	3,101	-	-	-	3,101
U.S. Agencies - Federal Home Loan Bank	8,013	-	-	-	8,013
U.S. Agencies - Federal Home Loan Mortgage Corporation	5,706	-	-	-	5,706
	<u>19,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,326</u>
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:					
Commercial Paper	50,428	-	-	-	50,428
Corporate Notes and Bonds	-	1,635	1,018	1,163	3,816
Exchange Traded Funds - Equity ¹	786	-	-	-	786
Exchange Traded Funds - Fixed Income	-	-	-	1,559	1,559
Government Mortgage Backed Securities	-	-	-	8	8
Guaranteed Investment Contracts	-	-	-	9,223	9,223
Money Market Mutual Funds	116,349	-	-	-	116,349
Mutual Funds - Equity ¹	582,070	-	-	-	582,070
Mutual Funds - Fixed Income	-	379,438	-	10,272	389,710
Stocks - Common Stock ¹	3,163	-	-	-	3,163
Stocks - Preferred Stock ¹	361	-	-	-	361
U.S. Agencies - Federal Farm Credit Bank	3,702	-	-	-	3,702
U.S. Agencies - Federal Home Loan Bank	25,515	7,554	8,535	-	41,604
U.S. Agencies - Federal Home Loan Mortgage Corporation	1,467	14,721	-	-	16,188
U.S. Agencies - Federal National Mortgage Association	31,589	24,043	-	-	55,632
U.S. Treasury Obligations - Bonds and Notes	14,184	90,452	47,764	489	152,889
	<u>829,614</u>	<u>517,843</u>	<u>57,317</u>	<u>22,714</u>	<u>1,427,488</u>
Total Investments	<u>\$ 1,876,013</u>	<u>\$ 1,807,080</u>	<u>\$ 112,272</u>	<u>\$ 22,714</u>	<u>3,818,079</u>
Cash on Hand - Petty Cash					202
Deposits - Other Cash and Cash Equivalents					7,049
Deposits - Pooled Cash and Cash Equivalents					1,141
Deposits - Cash with Fiscal Agents/Trustees					19,178
Deposits - Cash with Fiscal Agents/Trustees Held in Escrow Accounts					6,874
Total Investments, Cash on Hand, and Deposits					<u>\$ 3,852,523</u>

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

² IBRD-International Bank for Reconstruction and Development

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill their obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). As of June 30, 2015, the City's investments and corresponding credit ratings are as follows:

	Moody's	S&P	Fair Value	Percentage
City Treasurer's Investment Pool:				
Asset Backed Securities	Aaa	Not Rated	\$ 56,783	2.39%
Asset Backed Securities	Not Rated	AAA	23,999	1.01%
Commercial Paper	P-1	Not Provided	74,956	3.16%
Medium Term Notes and Bonds	Aaa	Not Provided	10,000	0.42%
Medium Term Notes and Bonds	Aa1	Not Provided	14,900	0.63%
Medium Term Notes and Bonds	Aa2	Not Provided	36,977	1.56%
Medium Term Notes and Bonds	Aa3	Not Provided	4,992	0.21%
Medium Term Notes and Bonds	A1	Not Provided	49,982	2.11%
Medium Term Notes and Bonds	A2	Not Provided	7,987	0.34%
Medium Term Notes and Bonds	A3	Not Provided	5,015	0.21%
Negotiable Certificates of Deposit	P-1	Not Provided	200,044	8.44%
Repurchase Agreements ¹	Not Rated	Not Rated	129,000	5.44%
State Local Agency Investment Fund	Not Rated	Not Rated	49,901	2.10%
Supranationals - IBRD ²	Aaa	Not Provided	54,986	2.32%
U.S. Agencies - Federal Farm Credit Bank	Aaa	Not Provided	35,038	1.48%
U.S. Agencies - Federal Home Loan Bank ¹	P-1	Not Provided	22,977	0.97%
U.S. Agencies - Federal Home Loan Bank ¹	Aaa	Not Provided	224,951	9.49%
U.S. Agencies - Federal Home Loan Mortgage Corporation ¹	P-1	Not Provided	54,986	2.32%
U.S. Agencies - Federal Home Loan Mortgage Corporation ¹	Aaa	Not Provided	85,036	3.59%
U.S. Agencies - Federal National Mortgage Association ¹	P-1	Not Provided	177,100	7.47%
U.S. Agencies - Federal National Mortgage Association ¹	Aaa	Not Provided	89,919	3.79%
U.S. Treasury Obligations - Notes	Exempt	Exempt	961,736	40.55%
			<u>2,371,265</u>	<u>100.00%</u>
Non-Pooled Investments with City Treasurer:				
Commercial Paper ¹	P-1	Not Provided	2,506	12.97%
U.S. Agencies - Federal Farm Credit Bank ¹	P-1	Not Provided	3,101	16.05%
U.S. Agencies - Federal Home Loan Bank ¹	P-1	Not Provided	6,513	33.70%
U.S. Agencies - Federal Home Loan Bank ¹	Aaa	Not Provided	1,500	7.76%
U.S. Agencies - Federal Home Loan Mortgage Corporation ¹	P-1	Not Provided	5,706	29.52%
			<u>19,326</u>	<u>100.00%</u>

¹Exempt" - Per GASB Statement No. 40, U.S. Treasury Obligations do not require disclosure of credit quality.

	Moody's	S&P	Fair Value	Percentage
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper	P-1	Not Provided	50,428	3.53%
Corporate Notes and Bonds	Aa1	Not Provided	165	0.01%
Corporate Notes and Bonds	Aa2	Not Provided	640	0.04%
Corporate Notes and Bonds	Aa3	Not Provided	258	0.02%
Corporate Notes and Bonds	A1	Not Provided	1,090	0.08%
Corporate Notes and Bonds	A2	Not Provided	617	0.04%
Corporate Notes and Bonds	A3	Not Provided	277	0.02%
Corporate Notes and Bonds	Baa1	Not Provided	769	0.05%
Exchange Traded Funds - Equity	Not Rated	Not Rated	786	0.06%
Exchange Traded Funds - Fixed Income	Not Rated	Not Rated	1,559	0.11%
Government Mortgage Backed Securities	Not Rated	Not Rated	8	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	9,223	0.65%
Money Market Mutual Funds	Aaa	Not Provided	116,349	8.15%
Mutual Funds - Equity	Not Rated	Not Rated	582,070	40.78%
Mutual Funds - Fixed Income	Not Rated	Not Rated	389,710	27.30%
Stocks - Common Stock	Not Rated	Not Rated	3,163	0.22%
Stocks - Preferred Stock	Not Rated	Not Rated	361	0.03%
U.S. Agencies - Federal Farm Credit Bank	Aaa	Not Provided	3,702	0.26%
U.S. Agencies - Federal Home Loan Bank	Aaa	Not Provided	41,604	2.91%
U.S. Agencies - Federal Home Loan Mortgage Corporation	P-1	Not Provided	1,467	0.10%
U.S. Agencies - Federal Home Loan Mortgage Corporation	Aaa	Not Provided	14,721	1.03%
U.S. Agencies - Federal National Mortgage Association	P-1	Not Provided	24,456	1.71%
U.S. Agencies - Federal National Mortgage Association	Aaa	Not Provided	31,176	2.18%
U.S. Treasury Obligations - Bonds and Notes	Exempt	Exempt	152,889	10.71%
			<u>1,427,488</u>	<u>100.00%</u>
Total Investments			<u>\$ 3,818,079</u>	

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

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

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

² IBRD-International Bank for Reconstruction and Development

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, 2015, the City exceeded the 5% limit of total investments for issuers of various U.S. Agencies. Investments exceeding the 5% limit are referenced in the credit ratings table above. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are exempt.

g. Custodial Credit Risk

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

Deposits

At June 30, 2015, the carrying amount of the City's cash on hand and deposits was approximately \$27,570 and the bank balance was approximately \$60,402; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$1,277 was covered by federal depository insurance and approximately \$59,125 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, \$59,125 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent, in the City's name.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately \$6,874. For the balance of deposits in escrow accounts, approximately \$1,726 was covered by federal depository insurance. The remaining balance of \$5,148 was uninsured, but collateralized and pledged at 110%. Pursuant to the California Government Code, California banks and savings and loans associations are required to secure the City's deposits in excess of insurance by pledging government securities as collateral.

Investments

The City's investments at June 30, 2015 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, 2015, the City had investments exposed to custodial credit risk. Investments within the Cemetery Perpetuity Fund's portfolio were held by Northern Trust Bank, and were not in the City's name. The following summarizes the investment types and amounts that are exposed to custodial credit risk:

<u>Investment Type</u>	<u>Fair Value</u>
Corporate Notes and Bonds	\$ 3,816
Exchange Traded Funds - Equity	786
Exchange Traded Funds - Fixed Income	1,559
Government Mortgage Backed Securities	8
Stocks - Common Stock	3,007
Stocks - Preferred Stock	361
U.S. Treasury Obligations -Bonds and Notes	973
Total	<u>\$ 10,510</u>

h. Restricted Cash and Investments

Cash and investments at June 30, 2015 that are restricted by legal or contractual requirements are comprised of the following:

Nonmajor Governmental Funds	
Special Revenue	\$ 9,730
Debt Service	29,024
Capital Projects	222,115
Permanent Endowments	23,965
Total Nonmajor Governmental Funds	<u>284,834</u>
Sewer Utility Enterprise Fund	
Interest and Redemption Funds	82,202
Water Utility Enterprise Fund	
Customer Deposits	7,288
Interest and Redemption Funds	73,818
Total Water Utility Enterprise Fund	<u>81,106</u>
Nonmajor Enterprise Funds	
Airports Fund - Deposits and advances	74
Development Services Fund - Deposits and advances	7,248
Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs	49,383
Golf Course Fund - Customer deposits	5
Recycling Fund - Customer deposits	10,702
Total Nonmajor Enterprise Funds	<u>67,412</u>
Trust Funds	
Private-Purpose Trust Fund	91,997
Miscellaneous Agency Funds	
Special Assessment Funds and Retention Held in Escrow Accounts	<u>29,333</u>
Total Restricted Cash and Investments	<u>\$ 636,884</u>

Summary of Total Cash and Investments

Total Unrestricted Cash and Investments	\$ 10,487,687
Total Restricted Cash and Investments	<u>636,884</u>
Total Cash and Investments	<u>\$ 11,124,571</u>
Total Governmental Activities	\$ 1,599,647
Total Business-Type Activities	1,034,006
Total Fiduciary Activities	<u>8,490,918</u>
Total Cash and Investments	<u>\$ 11,124,571</u>

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

Narratives and tables presented in the following sections (i. through s.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System as of June 30, 2015 (certain terms have been modified to conform to the City's CAFR presentation).

Summary of Cash and Investments – SDCERS

Cash on Deposit with Wells Fargo Bank	\$ 1,615
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	139,137
Investments at Fair Value	
Domestic Fixed Income Securities	1,781,246
International Fixed Income Securities	432,202
Domestic Equity Securities	1,671,938
International Equity Securities	1,201,799
Global Equity Securities	334,108
Real Estate	753,721
Private Equity and Infrastructure	748,337
Securities Lending Collateral	<u>207,945</u>
Total Cash and Investments for SDCERS	<u>\$ 7,272,048</u>

i. Investment Policy and Portfolio Risk

The Board of Administration of SDCERS (Board) has exclusive authority over the administration and investment of SDCERS' Trust Fund assets pursuant to Section 144 of the City Charter and the California State Constitution Article XVI, Section 17. The Board is authorized to invest in bonds, notes or other obligations, common stock, preferred stock, real estate investments, private equity, infrastructure and pooled vehicles. The risks and correlations of each asset class and investment manager are considered relative to an entire portfolio. Investment policies permit the Board to invest in financial futures contracts provided the contracts do not hedge SDCERS' Trust Fund portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts results in the recognition of a gain or loss under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

Investment earnings are recorded in accordance with GASB Statement No. 67. Net investment income includes the net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and other income not included in the appreciation (depreciation) in the fair value of investments, less total investment expenses, including investment management and custodial fees and all other significant investment-related costs. SDCERS' realized gains totaled \$196,600 for the fiscal year ended June 30, 2015. Pursuant to the San Diego Municipal Code, realized gains and losses determine whether certain contingent benefits will be paid each fiscal year. Realized gains and losses are reported in investment income in the financial statements.

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

The following was SDCERS' adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	21.00%
Non-U.S. Equity	14.00%
Emerging Market Equity	1.00%
Global Equity	5.00%
U.S. Fixed Income	22.00%
Emerging Market Debt	5.00%
Real Estate	11.00%
Private Equity and Infrastructure	13.00%
Opportunity Fund	<u>8.00%</u>
Total	<u><u>100.00%</u></u>

For the fiscal year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 3.28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on information derived from the Asset/Liability Study. The returns of fixed income strategies vary less than equity returns. SDCERS' target asset allocation policy is reviewed each year. SDCERS' long-term target allocation to fixed income strategies as of June 30, 2015 was 27%, which includes domestic fixed income and emerging market debt. The fixed income allocation is externally managed and is comprised as follows: 22% to core domestic fixed income (benchmarked to the Barclays Capital Intermediate Aggregate Bond Index) and 5% to emerging market debt (benchmarked 50% to JP Morgan Emerging Market Bond Index Global Diversified and 50% to JP Morgan Government Bond Index-Emerging Global Diversified). A 2% target allocation to convertible bond securities (benchmarked to the Merrill Lynch All Convertibles All Qualities Index) is not included in the fixed income allocation, but instead is included in the domestic equity allocation. However, given that these convertible securities have fixed income attributes, the convertible bond allocation is included in the Portfolio Risk analysis. SDCERS' overall portfolio diversification limits the fixed income invested in the debt security of any one issuer to 10% of the portfolio at the time of the initial commitment, except for U.S. Government obligations (or agencies and instruments of the U.S. Government) to minimize overall market and credit risk.

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

j. Interest Rate Risk

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

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

The following table identifies the durations of SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2015:

Type of Security	Effective Duration (in years)	Fair Value ¹
Asset-Backed Securities	0.88	\$ 59,565
Commercial Mortgage-Backed Securities	1.81	19,748
Collateralized Mortgage Obligations	1.69	62,259
Corporate Bonds ²		
Bank Loans	0.67	1,585
Corporate Bonds	2.25	163,826
Yankee	3.30	34,538
Government and Agency Obligations ³		
Municipal Securities	7.50	5,109
Foreign Securities	3.49	16,409
Agency Securities	0.91	29,366
Treasury Securities	8.02	168,135
Euro	17.27	3,820
Mortgage-Backed Securities	4.27	260,867
Short-Term/Other ⁴		
Cash Equivalents	0.10	2,295
Total	4.11	\$ 827,522

¹ Fair Value does not include convertible bonds, mutual funds and derivative instruments of \$1,385,926. These securities do not exhibit interest rate risk and/or duration cannot be calculated.

² Corporate Bonds do not include convertible securities of \$184,762.

³ Government and Agency Obligations do not include certain Federal National Mortgage Association To-Be-Announced (FNMA TBA) securities of \$108,347.

⁴ Short Term/Other does not include derivative instruments, short-term instruments and mutual funds of \$1,092,817. Although the duration was not available for these securities, the weighted average maturity was calculated for the mutual funds.

The following table depicts the weighted average maturity for the mutual funds:

Name of Institutional Mutual Fund	Fair Value	Weighted Average Maturity (in years)
BlackRock U.S. Debt NL Fund	\$ 627,824	4.80
MetWest Floating Rate	3,981	5.10
PIMCO PAPS Short-Term Floating NAV II Portfolio	16,589	0.15
Stone Harbor	108,705	8.83
Wellington Trust Company CIF II Opportunistic	92,090	11.74
Investec Emerging Market Debt	106,153	7.84
GCM Windandsea Fund	122,360	3.00
Total	\$ 1,077,702	

k. Investments Highly Sensitive to Interest Rate Changes

Certain terms in fixed income securities may increase the sensitivity of their fair values to changes in interest rates. The Portfolio Duration Analysis table on the previous page discloses the degree to which SDCERS' investments are sensitive to interest rate changes due simply to the remaining term to maturity. The total value of securities, as of June 30, 2015, that are highly sensitive to interest rate changes due to factors other than term to maturity are shown in the following table.

Type of Security	Fair Value	Percent of Fixed Income Portfolio
Floating Rate Notes	\$ 79,988	3.60%
Asset-Backed Securities	30,966	1.40%
Range Notes	11,220	0.50%
Adjustable Rate Notes	10,577	0.50%
Total	\$ 132,751	6.00%

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

l. Credit Risk

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

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

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

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

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2015.

S&P Quality Rating	Total Fair Value	Asset- Backed Securities	Commercial Mortgage- Backed Securities	Collateralized Mortgage Obligations	Corporates ¹	Government and Agency Obligations ²	Mortgage Backed Securities	Short-Term/ Other
U.S. Treasuries	\$ 168,135	\$ -	\$ -	\$ -	\$ -	\$ 168,135	\$ -	\$ -
GNMA Securities	46,061	-	-	21,129	-	-	24,932	-
AAA	32,321	16,160	10,724	1,325	2,804	1,308	-	-
AA+	405,294	13,203	-	12,525	2,914	138,422	235,935	2,295
AA	12,747	5,016	-	41	3,983	3,707	-	-
AA-	9,658	1,938	-	-	7,720	-	-	-
A+	25,431	2,006	-	13,301	8,855	1,269	-	-
A	28,143	3,012	-	374	23,770	987	-	-
A-	52,024	20	-	733	49,505	1,766	-	-
BBB+	31,474	-	-	1,353	29,225	896	-	-
BBB	29,910	1,891	-	211	23,023	4,785	-	-
BBB-	30,787	20	105	-	30,662	-	-	-
BB+	8,479	-	-	-	8,385	94	-	-
BB	5,625	-	-	60	5,342	223	-	-
BB-	3,304	-	-	-	3,304	-	-	-
B+	656	-	-	656	-	-	-	-
B	1,738	-	-	490	1,248	-	-	-
B-	1,141	-	-	1,141	-	-	-	-
CCC	400	-	-	-	400	-	-	-
D	108	-	-	108	-	-	-	-
NR	1,320,012	16,299	8,919	8,812	183,571	9,594	-	1,092,817 ³
Totals	<u>\$ 2,213,448</u>	<u>\$ 59,565</u>	<u>\$ 19,748</u>	<u>\$ 62,259</u>	<u>\$ 384,711</u>	<u>\$ 331,186</u>	<u>\$ 260,867</u>	<u>\$ 1,095,112</u>

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

² Includes international and municipal holdings.

³ Includes fixed income mutual fund investments of \$1,077,702. These institutional quality fund investments are not directly rated by major credit rating agencies.

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

m. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2015, SDCERS had no single issuer that exceeded 5% of total investments as required to be disclosed by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, or 5% of plan net position as required to be disclosed by GASB Statement No. 67, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments. With respect to the concentration of credit risk by issuer, SDCERS' Investment Policy states that not more than 10% of the fixed income portfolio shall be invested in the debt security of any one issuer at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

n. Custodial Credit Risk

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

Deposits

As of June 30, 2015 SDCERS' cash balance was \$1,615. Cash and cash equivalents on deposit with custodial bank and fiscal agents was \$139,137, which includes cash collateral for SDCERS' cash overlay program of \$30,489 and residual cash held in each manager's portfolio of \$108,648, which is invested overnight by SDCERS' custodial bank. SDCERS does not have a target allocation to cash. Any cash or cash equivalent balances on deposit are reserved for paying benefits and SDCERS' operational expenses.

SDCERS' un-invested cash balances held in a demand deposit account (DDA) are subject to custodial credit risk. Such a balance or deposit with the bank establishes a debtor-creditor relationship and is not subject to the protection afforded SDCERS' other investments. Cash balances held in Short-Term Investment Funds (STIF) at State Street Bank and Trust Company (State Street) are held in SDCERS' name and are not subject to custodial credit risk. As of June 30, 2015, SDCERS held \$132,691 in STIF and a cash balance of \$6,446. SDCERS does not have a specific policy relating to custodial credit risk because the majority of SDCERS' assets are held in SDCERS' name and are not available to satisfy the obligations of State Street to its creditors.

Investments

As of June 30, 2015, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

Securities Lending Collateral

SDCERS' custodial bank acts as its securities lending agent. SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of non-cash collateral totaled \$153,100 as of June 30, 2015. The non-cash collateral is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled \$207,945 as of June 30, 2015, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pool are disclosed in the Securities Lending section of this note.

o. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities held in a foreign currency as of June 30, 2015.

Local Currency Name	Cash	Equity	Fixed Income	Real Estate	Total
Australian Dollar	\$ 17	\$ 3,230	\$ -	\$ 7,634	\$ 10,881
Brazilian Real	4	228	-	-	232
Canadian Dollar	(157)	1,929	1,269	-	3,041
Danish Krone	-	5,184	-	-	5,184
Euro Currency	2,004	76,214	18,269	11,814	108,301
Hong Kong Dollar	87	15,637	-	4,102	19,826
Japanese Yen	378	60,299	1,961	6,241	68,879
Mexican Peso	-	-	3,160	-	3,160
New Zealand Dollar	-	-	-	880	880
Singapore Dollar	-	3,399	-	3,388	6,787
South Korean Won	-	2,654	-	-	2,654
Swedish Krona	-	3,112	-	-	3,112
Swiss Franc	-	28,204	-	-	28,204
United Kingdom Pound	630	49,566	1,694	3,023	54,913
Total	<u>\$ 2,963</u>	<u>\$ 249,656</u>	<u>\$ 26,353</u>	<u>\$ 37,082</u>	<u>\$ 316,054</u>

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

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

p. Derivative Instruments

Pursuant to the requirements of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, SDCERS has provided a summary of derivative instrument activities during the reporting period and the related risks. As of June 30, 2015, the derivative instruments held by SDCERS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized in the SDCERS Statement of Changes in Fiduciary Net Position.

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

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

The following table provides a summary of the derivative instruments outstanding as of June 30, 2015:

Investment Derivative Instruments	Net Appreciation (Depreciation) in Fair Value	Fair Value at June 30, 2015		
	Amount	Classification	Amount	Notional (Dollars)
Credit Default Swaps	\$ 77	Domestic Fixed Income	\$ 210	\$ 13,815
Fixed Income Futures	6,766	Domestic Fixed Income	-	(69,871)
Fixed Income Options	1,977	Domestic Fixed Income	(16)	(158,780)
Foreign Currency Futures	(1,009)	Domestic Fixed Income	-	3,600
Foreign Currency Options	(3)	Domestic Fixed Income	-	-
Futures Options	411	Domestic Fixed Income	(60)	(124)
Foreign Currency Forwards	7,652	Domestic Fixed Income	3,199	34,233
Index Futures	(2,634)	Domestic Fixed Income	-	41
Interest Rate Swaps	(3,690)	Domestic Fixed Income	1,081	147,932
Rights	(5)	Domestic Equity	96	185
Warrants	4	Domestic Equity	-	-
Total Derivative Instruments	\$ 9,546		\$ 4,510	\$ (28,969)

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

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the futures contracts do not have a fair value as of June 30, 2015. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under investment income as they are incurred.

Foreign currency forward contracts are obligations to buy or sell a currency at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forwards is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2015.

Counterparty Credit Risk

The following table illustrates the counterparty credit ratings of SDCERS' non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2015:

<u>Counterparty Name</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Morgan Stanley CME	\$ 1,654	A-
Bank of America N.A.	1,362	A
National Australia Bank Limited	1,250	AA-
Morgan Stanley Bank N.A.	367	A
Barclays Bank PLC Wholesale	260	A-
Deutsche Bank AG	142	BBB+
JP Morgan Chase Bank N.A.	56	A+
Credit Suisse International	36	A
Citibank N.A.	17	A
HSBC Bank USA	1	AA-
Total	<u>\$ 5,145</u>	

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2015 was \$5,145. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2015, SDCERS did not have any significant exposure to counterparty credit risk with any single party. SDCERS does not have any specific policies relating to the posting of collateral or master netting agreements.

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2015, all of SDCERS' investments in derivative instruments were held in SDCERS' name and were not exposed to custodial credit risk.

Interest Rate Risk

At June 30, 2015, SDCERS was exposed to interest rate risk on its investments in interest rate swaps, options, and credit default swaps. The table below illustrates the maturity periods of these derivative instruments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Credit Default Swaps	\$ 210	\$ 7	\$ 203	\$ -	\$ -
Fixed Income Options	(16)	(5)	(10)	(1)	-
Interest Rate Swaps	1,081	(7)	(625)	61	1,652
Total	<u>\$ 1,275</u>	<u>\$ (5)</u>	<u>\$ (432)</u>	<u>\$ 60</u>	<u>\$ 1,652</u>

Derivative Instruments Highly Sensitive to Interest Rate Changes

Credit default swaps, fixed income futures, options and interest rate swaps are highly sensitive to changes in interest rates. The table below reflects the fair value and notional amount of these derivative instruments as of June 30, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Notional</u>
Credit Default Swaps	\$ 210	\$ 13,815
Fixed Income Futures	-	(69,871)
Fixed Income Options	(16)	(158,780)
Interest Rate Swaps	1,081	147,932
Total	<u>\$ 1,275</u>	<u>\$ (66,904)</u>

Foreign Currency Risk

At June 30, 2015, SDCERS was exposed to foreign currency risk on its investments in options, currency forward contracts and interest rate swaps denominated in foreign currencies.

<u>Currency Name</u>	<u>Options/Rights/ Warrants</u>	<u>Foreign Currency Forwards</u>		<u>Swaps</u>	<u>Total</u>
		<u>Net Receivables</u>	<u>Net Payables</u>		
Canadian Dollar	\$ -	\$ -	\$ (1)	\$ -	\$ (1)
Euro Currency	87	(122)	3,410	-	3,375
Pound Sterling	-	-	(72)	(189)	(261)
Japanese Yen	-	-	(16)	-	(16)
Subtotal	87	(122)	3,321	(189)	3,097
Investments Denominated in USD	(67)	-	-	1,480	1,413
Total	<u>\$ 20</u>	<u>\$ (122)</u>	<u>\$ 3,321</u>	<u>\$ 1,291</u>	<u>\$ 4,510</u>

In addition to the investments listed in the above table, SDCERS has investments in foreign futures contracts with a total notional value of \$7,200 and in foreign index futures with a total notional value of \$2,600. As indicated previously, futures variation margin amounts are settled each trading day and recognized as realized gains/losses as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2015.

Contingent Features

At June 30, 2015, SDCERS did not hold any positions in derivatives containing contingent features.

q. Private Equity and Infrastructure

Private Equity assets are generally defined as direct investments in projects or companies that are privately negotiated and typically do not trade in a capital market. The risk is that these instruments are usually equity interests, generally illiquid and long-term in nature.

Infrastructure is a subset of Private Equity, defined as permanent essential assets society requires to facilitate the orderly operation of the economy, such as roads, water supply, sewers, power and telecommunications. The risk is that these investments are usually equity interests that are generally illiquid and long-term in nature.

SDCERS' target allocation to private equity and infrastructure is 13%, with a portfolio composition focused on value and current income producing strategies. As of June 30, 2015, unfunded capital commitments totaled \$550,000 and private equity and infrastructure investments totaled \$748,337.

Private Equity and Infrastructure were combined as an asset class upon SDCERS' Board approval in November 2014 and are reported as such in the SDCERS' financial statements.

r. Real Estate

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

Certain real estate investments are leveraged. In those cases, partnerships have been established to purchase properties through a combination of equity contributions from SDCERS, other investors and through the utilization of debt. SDCERS engages real estate advisors and operating partners who are responsible for managing a portfolio's daily activities, performance and reporting. As of June 30, 2015, real estate investments totaled \$753,721 and unfunded capital commitments totaled \$253,200. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2015, SDCERS' real estate portfolio had leverage of 28.8%. SDCERS' share of outstanding debt in the real estate portfolio is \$109,622, excluding obligations of limited partnership interests in commingled funds. This balance of debt is comprised of all non-recourse loans that currently bear interest at rates ranging from 3.11% to 6.04% and maturity dates that range from August 2016 through December 2020.

The following table illustrates mortgage loans that SDCERS has outstanding as of June 30, 2015.

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$ 237	\$ 4,863	\$ 5,100
2017	25,495	4,238	29,733
2018	22,777	2,599	25,376
2019	41,611	1,872	43,483
2020	6,852	720	7,572
2021	12,650	256	12,906
Total	<u>\$ 109,622</u>	<u>\$ 14,548</u>	<u>\$ 124,170</u>

s. Securities Lending

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

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

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

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

As of June 30, 2015, securities on loan collateralized by cash had a fair value of \$207,945 and SDCERS received cash collateral of \$208,245, which was reported as securities lending obligations in the accompanying Statement of Fiduciary Net Position in accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. The collateral value exceeds the fair value of the securities on loan because borrowers are required to deliver collateral for each loan up to 102% for domestic loans and 105% for international loans. As of June 30, 2015, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$142,500 and a collateral value of \$153,100, which were not reported as assets or liabilities in the accompanying Statement of Fiduciary Net Position in accordance with GASB Statement No. 28. The total collateral pledged to SDCERS at June 30, 2015 for its securities lending activities was \$361,345.

SDCERS and the borrowers maintain the right to terminate securities lending transactions upon notice. The cash collateral received for lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund, or collateral pool. In July 2010, State Street restructured the securities lending collateral funds creating two pools, a liquidity pool and a duration pool. As of June 30, 2015, these collateral pools were not rated by the NRSROs.

As of June 30, 2015, SDCERS had \$199,724 invested in the Quality D liquidity collateral pool, which had an average duration of 27.6 days and an average weighted final maturity of 109.2 days. SDCERS had \$8,221 invested in the Quality D duration pool, which had an average duration of 42.3 days and an average weighted final maturity of 2,105.7 days. Duration is the weighted time average until cash flows are received in the collateral pool, and is measured in days. Alternatively, the weighted average final maturity measures when all final

maturities in the portfolio will occur. The duration of the investments made with cash collateral does not generally match the duration of the loans. This is because the loans are terminable at any time by SDCERS or the borrower.

Discretely Presented Component Units – Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (t. through u.) are taken directly from the audited financial statements of the San Diego Convention Center Corporation (SDCCC) and the comprehensive annual financial report of the San Diego Housing Commission (SDHC) as of June 30, 2015 (certain terms have been modified to conform to the City's CAFR presentation).

t. San Diego Convention Center Corporation

Cash, deposits and investments were categorized as follows at June 30, 2015:

Cash on hand	\$	20
Deposits		5,161
Bank money market account deposits		5,771
Total cash and investments	<u>\$</u>	<u>10,952</u>

Deposits

At June 30, 2015, the carrying amount of SDCCC's cash on hand, deposits, and bank money market account deposits was \$10,952 and the bank balance was \$11,042. Of the bank balance, \$250 was covered by federal depository insurance. The remaining uninsured balance of \$10,792 was collateralized with the collateral held by an affiliate of the counterparty's financial institution.

Deposit and Investment Policy

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

u. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2015 consisted of the following:

	SDHC	Component Units ¹	Grand Total
Deposits and Petty Cash	\$ 25,695	\$ 10,402	\$ 36,097
U.S. Agency Bonds	68,780	-	68,780
Negotiable Certificates of Deposit	2,455	-	2,455
San Diego County Investment Pool	7,051	-	7,051
State Local Agency Investment Fund	2,038	-	2,038
	<hr/>	<hr/>	<hr/>
Total cash and investments	106,019	10,402	116,421
Restricted cash and cash equivalents	4,303	6,424	10,727
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 110,322</u>	<u>\$ 16,826</u>	<u>\$ 127,148</u>

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

Deposits

The carrying amount of the SDHC's cash deposits and petty cash was \$25,695 at June 30, 2015. The bank balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250. For amounts over \$250, bank balances were collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California financial institutions to secure cash deposits of public institutions not covered by federal deposit insurance by pledging securities as collateral. California Government Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. As a result, the collateral for cash deposits is considered to be held in SDHC's name.

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

Investment Policy

In accordance with state statutes and Housing and Urban Development (HUD) regulations, SDHC has authorized its Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the SDHC Investment Policy.

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

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

Investments

As of June 30, 2015, SDHC had investments in agency bonds, negotiable certificates of deposit, San Diego County Investment Pool and California State Local Agency Investment Fund. The following paragraphs provide further detail for each investment.

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy for ranking the quality and reliability of information used to determine fair values of assets and liabilities. SDHC's management has determined, through early implementation of GASB Statement No. 72, those investments in SDCIP and LAIF are classified within Level 1 of the fair value hierarchy because these investments are valued using quoted market prices. Investments in agency bonds and negotiable certificates of deposit are classified as Level 2 as there are no quoted market prices published. These investments are traded on a secondary market and thus a fair market value is able to be determined using this secondary market.

SDHC's investments under U.S. Government Agency bonds are Mortgage Backed Security (MBS) bonds and debentures traded on an active secondary market. MBS Bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality consumer or commercial mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's do not specifically rate MBS, they carry an implied rating based on the high quality collateral that backs the bonds and the AA+ by Standard & Poor's of the GSE (Fannie Mae/Freddie Mac) that issues/guarantees them. At June 30, 2015, SDHC had \$68,780 invested in Agency MBS bonds.

SDHC had \$2,455 in negotiable certificates of deposit in its investment portfolio. Each certificate of deposit is issued through a separate legal entity and purchased in an amount under the FDIC insured limit of \$250.

SDHC voluntarily participates in the SDCIP. SDCIP is a Standard & Poor's AAA rated fund managed by the San Diego County Treasurer-Tax Collector. The fair value of SDCIP's investment portfolio at June 30, 2015 was \$7,521,105. The investment portfolio had a weighted average yield to maturity of 0.52%, weighted average days to maturity of 356 days and an effective duration of 0.81 years. As of June 30, 2015, SDHC had \$7,051 invested in SDCIP.

In addition to SDCIP, SDHC participates in the State's LAIF. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain SDHC's assets. PMIA is not registered with the SEC but is required to invest in accordance with California State Code. As of June 30, 2015, the average maturity of PMIA investments was 239 days and the balance of the investment portfolio of PMIA was \$69,641,162. SDHC had \$2,038 invested with LAIF as of June 30, 2015.

Investment Risk Factors

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

Market Risk

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

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

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

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

In accordance with its investment policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions. SDHC's exposure to interest rate risk as of June 30, 2015 is as follows:

	Maturities as of June 30, 2015			Total Fair Value
	Less Than 3 Months	4-12 Months	1-5 Years	
Cash and Cash Equivalents ¹				
Deposits	\$ 25,682	\$ -	\$ -	\$ 25,682
Petty Cash	13	-	-	13
Restricted Cash and Cash Equivalents	4,303	-	-	4,303
Total Cash and Cash Equivalents	29,998	-	-	29,998
Short-Term Investments				
U.S. Agency Bonds	383	11,144	-	11,527
Negotiable Certificates of Deposit	246	1,229	-	1,475
San Diego County Investment Pool	-	7,051	-	7,051
State Local Agency Investment Fund	-	2,038	-	2,038
Total Short-Term Investments	629	21,462	-	22,091
Long-Term Investments				
U.S. Agency Bonds	-	-	57,253	57,253
Negotiable Certificates of Deposit ²	-	-	980	980
Total Long-Term Investments	-	-	58,233	58,233
Total Cash, Cash Equivalents, and Investments	\$ 30,627	\$ 21,462	\$ 58,233	\$ 110,322

¹ Cash and Cash Equivalents do not have maturities.

² Reported at amortized cost.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

The exposure of SDHC's debt securities to credit risk as of June 30, 2015 is as follows:

	Standard & Poor's Credit Rating		Total Fair Value
	AAA	Rating Not Provided	
Short-Term Investments			
U.S. Agency Bonds ¹	\$ -	\$ 11,527	\$ 11,527
Negotiable Certificates of Deposit	-	1,475	1,475
San Diego County Investment Pool	7,051	-	7,051
State Local Agency Investment Fund	-	2,038	2,038
Total Short-Term Investments	7,051	15,040	22,091
Long-Term Investments			
U.S. Agency Bonds ¹	-	57,253	57,253
Negotiable Certificates of Deposit ²	-	980	980
Total Long-Term Investments	-	58,233	58,233
Total Investments	\$ 7,051	\$ 73,273	\$ 80,324

¹ As of June 30, 2015, SDHC exceeded the 5% limit of total investments for issuers of various U.S. Agency Bonds.

² Reported at amortized cost.

4. CAPITAL ASSETS (Dollars in Thousands)

Capital asset activities for the year ended June 30, 2015 are as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 1,764,927	\$ 21,890	\$ (3,496)	\$ 77	\$ 1,783,398
Easements	769	471	-	26	1,266
Construction in Progress	239,295	91,660	(1,855)	(53,913)	275,187
Total Non-Depreciable Capital Assets	2,004,991	114,021	(5,351)	(53,810)	2,059,851
Depreciable Capital Assets:					
Structures and Improvements	1,321,509	35,686	(1,078)	7,672	1,363,789
Equipment	385,898	23,316	(33,490)	4,728	380,452
Equipment (Intangible)	46,075	196	-	-	46,271
Infrastructure	3,623,541	65,843	(2,535)	40,812	3,727,661
Total Depreciable Capital Assets	5,377,023	125,041	(37,103)	53,212	5,518,173
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(491,461)	(36,846)	576	(695)	(528,426)
Equipment	(239,064)	(30,511)	32,615	13	(236,947)
Equipment (Intangible)	(33,704)	(616)	-	-	(34,320)
Infrastructure	(2,087,257)	(94,656)	157	772	(2,180,984)
Total Accumulated Depreciation/Amortization	(2,851,486)	(162,629)	33,348	90	(2,980,677)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	2,525,537	(37,588)	(3,755)	53,302	2,537,496
Governmental Activities Capital Assets, Net	\$ 4,530,528	\$ 76,433	\$ (9,106)	\$ (508)	\$ 4,597,347
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 97,013	\$ 129	\$ (4)	\$ (453)	\$ 96,685
Easements	1,702	33	-	439	2,174
Construction in Progress	226,399	121,444	(1,853)	(88,121)	257,869
Total Non-Depreciable Capital Assets	325,114	121,606	(1,857)	(88,135)	356,728
Depreciable Capital Assets:					
Structures and Improvements	1,676,769	323,763	(36,124)	(5,889)	1,958,519
Equipment	449,605	9,273	(5,865)	30,597	483,610
Equipment (Intangible)	24,304	-	-	-	24,304
Distribution and Collection Systems and Other Infrastructure	4,692,232	75,890	(5,484)	64,025	4,826,663
Total Depreciable Capital Assets	6,842,910	408,926	(47,473)	88,733	7,293,096
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(520,680)	(34,381)	32,827	950	(521,284)
Equipment	(311,497)	(16,827)	5,229	(275)	(323,370)
Equipment (Intangible)	(5,962)	(2,407)	-	-	(8,369)
Distribution and Collection Systems and Other Infrastructure	(1,058,995)	(74,677)	4,061	(765)	(1,130,376)
Total Accumulated Depreciation/Amortization	(1,897,134)	(128,292)	42,117	(90)	(1,983,399)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	4,945,776	280,634	(5,356)	88,643	5,309,697
Business-Type Activities Capital Assets, Net	\$ 5,270,890	\$ 402,240	\$ (7,213)	\$ 508	\$ 5,666,425

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

GOVERNMENTAL ACTIVITIES

General Government and Support	\$ 5,083
Public Safety - Police	4,845
Public Safety - Fire and Life Safety and Homeland Security	4,224
Parks, Recreation, Culture and Leisure	42,500
Transportation	82,594
Sanitation and Health	1,575
Neighborhood Services	<u>177</u>
Subtotal	140,998
Internal Service	<u>21,631</u>
Total Depreciation/Amortization Expense	<u>\$ 162,629</u>

BUSINESS-TYPE ACTIVITIES

Sewer Utility	\$ 70,762
Water Utility	51,935
Airports	815
Development Services	42
Environmental Services	3,442
Golf Course	1,273
Recycling	<u>23</u>
Total Depreciation/Amortization Expense	<u>\$ 128,292</u>

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2015 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corporation			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land	\$ 18,599	\$ 561	\$ (19,160)	\$ -
Depreciable Capital Assets:				
Structures and Improvements	29,289	774	(116)	29,947
Equipment	5,784	424	(1,614)	4,594
Total Depreciable Capital Assets	35,073	1,198	(1,730)	34,541
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(18,837)	(1,613)	114	(20,336)
Equipment	(4,882)	(323)	1,605	(3,600)
Total Accumulated Depreciation/Amortization	(23,719)	(1,936)	1,719	(23,936)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	11,354	(738)	(11)	10,605
Capital Assets, Net	<u>\$ 29,953</u>	<u>\$ (177)</u>	<u>\$ (19,171)</u>	<u>\$ 10,605</u>

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land	\$ 63,187	\$ 5,182	\$ -	\$ 68,369
Construction in Progress	751	1,516	-	2,267
Total Non-Depreciable Capital Assets	63,938	6,698	-	70,636
Depreciable Capital Assets:				
Structures and Improvements	122,393	9,657	-	132,050
Equipment	4,105	243	-	4,348
Total Depreciable Capital Assets	126,498	9,900	-	136,398
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(23,932)	(4,542)	-	(28,474)
Equipment	(3,367)	(375)	-	(3,742)
Total Accumulated Depreciation/Amortization	(27,299)	(4,917)	-	(32,216)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	99,199	4,983	-	104,182
Capital Assets, Net	<u>\$ 163,137</u>	<u>\$ 11,681</u>	<u>\$ -</u>	<u>\$ 174,818</u>

Discretely Presented Component Units of the San Diego Housing Commission

Capital assets for the discretely presented component units of SDHC as of December 31, 2014 are as follows:

Non-Depreciable Capital Assets:

Land	\$ 1,655
Construction in Progress	2,843
Total Non-Depreciable Capital Assets	<u>4,498</u>

Depreciable Capital Assets:

Structures and Improvements	23,065
Equipment	744
Total Depreciable Capital Assets	<u>23,809</u>
Less Accumulated Depreciation/Amortization	<u>(3,300)</u>
Total Depreciable Capital Assets - Net of Depreciation/Amortization	<u>20,509</u>

Capital Assets, Net	<u>\$ 25,007</u>
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Successor Agency - Private Purpose Trust Fund

Capital asset activities for the City's Successor Agency for the fiscal year ended June 30, 2015 are as follows:

	Successor Agency - Private-Purpose Trust Fund			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land and Rights of Way	\$ 105,947	\$ -	\$ -	\$ 105,947
Construction in Progress	-	9,989	-	9,989
Total Non-Depreciable Capital Assets	<u>105,947</u>	<u>9,989</u>	<u>-</u>	<u>115,936</u>
Depreciable Capital Assets:				
Structures and Improvements	69,732	-	-	69,732
Equipment	819	-	-	819
Total Depreciable Capital Assets	<u>70,551</u>	<u>-</u>	<u>-</u>	<u>70,551</u>
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(14,091)	(1,744)	-	(15,835)
Equipment	(819)	-	-	(819)
Total Accumulated Depreciation/Amortization	<u>(14,910)</u>	<u>(1,744)</u>	<u>-</u>	<u>(16,654)</u>
Total Depreciable Capital Assets - Net of Depreciation/Amortization	<u>55,641</u>	<u>(1,744)</u>	<u>-</u>	<u>53,897</u>
Capital Assets, Net	<u>\$ 161,588</u>	<u>\$ 8,245</u>	<u>\$ -</u>	<u>\$ 169,833</u>

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

a. Long-Term Liabilities

The composition of the governmental long-term liabilities as of June 30, 2015 is reflected in the table below, followed by additional information on some of these items:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2015
Compensated Absences				\$ 69,906
Liability Claims				325,948
Reimbursement Agreement Obligations				17,715
Equipment Vehicle Financing Program (EVFP) Capital Lease Obligations	0.71-5.0%	2023		48,572
Other Capital Lease Obligations	6.47	2035	\$ 44,000	43,967
Qualified Energy Conservation Bonds (QECCB) Lease Obligation	6.16 ¹	2026	13,142	10,071
Loans Payable - California Energy Resources Conservation and Development Commission:				
Issued January 2007	4.5	2021	1,280	417
Issued March 2007	3.95	2019	2,154	787
Issued December 2011	3.0	2023	2,987	2,577
Issued December 2012	1.0	2027	1,986	<u>1,986</u>
Total Loans Payable				<u>5,767</u>
Section 108 Loans Payable		2025	5,910	3,801
Lease Revenue Bonds:				
Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007 A	5.0 - 5.25 ²	2032	156,560	125,255
Public Facilities Financing Authority Lease Revenue Refunding Bonds, Series 2010 A	3.0-5.25 ²	2040	167,635	149,855
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 2012 A	3.8 - 5.25 ²	2028	140,440	119,930
Public Facilities Financing Authority CIP Lease Revenue Bonds, Series 2012 A	2.0 - 5.25 ²	2042	72,000	68,995
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Refunding Bonds, Series 2012 B	2.0 - 5.0 ²	2032	18,745	17,020
Public Facilities Financing Authority CIP/Old Town Light Rail Extension Lease Revenue Refunding Bonds, Series 2013 A	3.0 - 5.0 ²	2043	43,245	40,305
Public Facilities Financing Authority Balboa Park/Mission Bay Park Lease Revenue Refunding Bonds, Series 2013 B	3.0 - 5.0 ²	2024	6,285	5,360
Public Facilities Financing Authority CIP Lease Revenue Bonds, Series 2015 A	5.0	2045	62,260	62,260
Public Facilities Financing Authority CIP Lease Revenue Bonds, Series 2015 B	5.0	2033	45,030	<u>45,030</u>
Total Lease Revenue Bonds				<u>634,010</u>
Tobacco Settlement Asset-Backed Bonds:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125	2023 ³	105,400	<u>73,705</u>
Total Bonds Payable				<u>707,715</u>
Net Other Postemployment Benefits Obligation				194,492
Net Pension Obligation				1,900
Net Pension Liability				<u>1,231,178</u>
Total Governmental Activities Long-Term Liabilities				<u>\$ 2,661,032</u>

¹ Nominal interest rate of 6.16% with a net effective rate of 2.68% inclusive of QECCB federal subsidy and 7.3% subsidy sequestration calculated by the Federal Office of Management and Budget for fiscal year 2015.

² Interest rates are fixed and reflect the range of rates for various maturities from the date of issuance to maturity.

³ Final maturity date is June 1, 2032. The date listed reflects final turbo redemption payment date projected at the time of issuance.

Arbitrage rebate liability is calculated via third party providers in accordance with the provisions of the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations effective as of July 1, 1993, as amended. As of June 30, 2015, there was no outstanding arbitrage liability for the governmental funds.

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

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

Loans Payable represent obligations owed for proceeds received for qualifying energy efficiency retrofits and improvements for certain City facilities. Repayments are secured from those departments that benefit from the facility improvements.

Reimbursement Agreements related to Facilities Financing have contractual provisions whereby a developer either constructs or provides funding towards a public improvement project, which is included as part of an approved City Public Facilities Financing Plan. Typical improvements constructed under this program are transportation projects, parks, fire stations, and libraries. A developer is obligated to provide the infrastructure and is later reimbursed with cash or provided program credits against future Facilities Benefit Assessment (FBA) or Development Impact Fees (DIF) payments up to the amount of the eligible infrastructure costs as stated in an approved reimbursement agreement. Reimbursement agreements do not have annual repayment schedules and instead only allow for FBA/DIF cash reimbursement based on the availability of funds.

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

Section 108 loans are the loan guarantee provisions of the Community Development Block Grant (CDBG) program. Section 108 loans provide the community with a source of financing for economic development, housing rehabilitation, public facilities, and capital improvement and infrastructure projects. The loans are arranged through the U.S. Department of Housing and Urban Development and a fixed repayment schedule is provided that allocates a portion of the total obligation issued to each borrower including the City as well as other municipalities. No interest rate is stated on the repayment schedule.

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

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

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2015, including interest payments to maturity, are as follows:

Year Ending June 30	Equipment Vehicle Financing Program (EVFP) Capital Lease Obligations				Qualified Energy Conservation Bonds Lease Obligation		Loans Payable	
	Other Capital Lease Obligations							
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 12,985	\$ 805	\$ 413	\$ 2,834	\$ 811	\$ 620	\$ 793	\$ 150
2017	9,930	607	524	2,803	830	570	829	114
2018	7,553	436	645	2,766	850	519	633	90
2019	7,317	298	776	2,720	871	467	651	71
2020	5,154	172	918	2,666	892	413	453	55
2021-2025	5,633	152	7,155	12,154	4,790	63	1,906	116
2026-2030	-	-	12,857	8,989	1,027	63	502	9
2031-2035	-	-	20,679	3,595	-	-	-	-
Total	\$ 48,572	\$ 2,470	\$ 43,967	\$ 38,527	\$ 10,071	\$ 2,715	\$ 5,767	\$ 605

Year Ending June 30	Section 108 Loans Payable		Lease Revenue Bonds		Tobacco Settlement Asset-Backed Bonds	
	Principal	Interest	Principal	Interest	Principal ¹	Interest
	2016	\$ 294	\$ 212	\$ 22,720	\$ 30,984	\$ 5,700
2017	310	195	23,605	30,098	6,200	4,845
2018	325	178	24,650	29,042	6,600	4,404
2019	345	159	25,795	27,913	7,000	3,933
2020	364	139	27,070	26,646	7,600	3,435
2021-2025	2,163	337	151,365	111,548	40,605	6,905
2026-2030	-	-	143,310	72,280	-	-
2031-2035	-	-	87,825	42,422	-	-
2036-2040	-	-	82,440	22,348	-	-
2041-2045	-	-	45,230	4,907	-	-
Total	\$ 3,801	\$ 1,220	\$ 634,010	\$ 398,188	\$ 73,705	\$ 28,773

¹ The Tobacco Asset-Backed Bond Principal Debt Service requirements are based upon final turbo redemption payments projected at time of issuance.

c. Change in Long-Term Liabilities

Additions to governmental activities long-term debt for contracts 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, 2015. The effect of bond issuance premiums and discounts are reflected as adjustments to the carrying value of long-term liabilities.

	Governmental Activities				
	Beginning Balance, as Restated ¹	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 70,646	\$ 54,586	\$ (55,326)	\$ 69,906	\$ 30,853
Liability Claims	331,946	58,377	(64,375)	325,948	39,302
Reimbursement Agreement Obligations	16,820	9,523	(8,628)	17,715	-
Equipment Vehicle Financing Program (EVFP)					
Capital Lease Obligations	58,094	5,073	(14,595)	48,572	12,985
Other Capital Lease Obligations	-	44,000	(33)	43,967	413
Qualified Energy Conservation Bonds					
Lease Obligation	10,864	-	(793)	10,071	811
Loans Payable	13,552	1,512	(9,297)	5,767	793
Section 108 Loans Payable	4,081	-	(280)	3,801	294
Lease Revenue Bonds	546,930	107,290	(20,210)	634,010	22,720
Unamortized Bond Premiums and Discounts	25,078	13,910	(2,021)	36,967	2,022
Net Lease Revenue Bonds	572,008	121,200	(22,231)	670,977	24,742
Tobacco Settlement Asset-Backed Bonds	77,785	-	(4,080)	73,705	5,700
Net Other Postemployment Benefits Obligation	188,846	5,646	-	194,492	-
Net Pension Obligation	2,336	-	(436)	1,900	-
Net Pension Liability	1,732,935	-	(501,757)	1,231,178	-
Total	\$ 3,079,913	\$ 299,917	\$ (681,831)	\$ 2,697,999	\$ 115,893

¹ Beginning balances for net pension liability and net pension obligation have been restated, due to the implementation of GASB 68. Additional information on the restatements is included in Note 23.

PFFA issued \$62,260 of Lease Revenue Bonds, Series 2015A (Capital Improvement Projects) and \$45,030 of Lease Revenue Bonds, Series 2015B (Capital Improvement Projects). The 2015A and 2015B bonds are special, limited obligations of PFFA secured solely by the base rental payments paid by the City for the use and occupancy of the leased property and certain funds held under the indenture.

On February 10, 2015, the City entered into a 20 year lease-to-own agreement with CCP 1200, LLC (Lessor) a Delaware limited liability company, for the land and two buildings located at 1200 Third Avenue and 201 A Street. The land and buildings were acquired for \$44,000 by the Lessor prior to the execution of the lease-to-own agreement. The lease is recognized as a capital lease since the transfer of ownership occurs at the end of the lease term. During the 20 year lease term, the minimum lease payments are recorded using the interest method which produces a constant periodic rate of interest to amortize the total of the future lease payments using the interest rate implicit in the lease.

d. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2015 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Development Impact Fee (DIF) Revenue:				
Kearny Mesa Reimbursement Agreement, dated June 2005		\$ 309	\$ -	\$ -
Pledged Facilities Benefit Assessment (FBA) Revenue:				
Facilities Financing Reimbursement Agreement Obligations		17,406	8,628	8,628
Naval Training Center Civic, Arts, and Cultural Center (Section 108)	2025	5,021	506	506
Total Pledged Facilities Benefit Assessment (FBA) Revenue		22,427	9,134	9,134
Pledged Tobacco Settlement Revenue:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	2023	102,478	9,613	9,020
Total		\$ 125,214	\$ 18,747	\$ 18,154

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

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2015 are comprised of the following:

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2015</u>
Arbitrage Liability				\$ 122
Compensated Absences				12,888
Liability Claims				28,943
Equipment Vehicle Financing Program (EVFP) Capital				
Lease Obligations	1.665% - 1.838% ¹	2022	\$ 2,590	2,250
Loans Payable:				
Sewer Utility - State Water Resources Control Board				
Issued February 9, 2000	1.80% ²	2020	10,606	3,018
Issued February 9, 2000	1.80% ²	2022	6,684	2,617
Issued March 30, 2001	1.80% ²	2022	33,720	13,189
Issued May 17, 2001	1.80% ²	2022	7,742	3,029
Issued May 17, 2001	1.80% ²	2021	860	291
Issued June 11, 2001	1.80% ²	2021	2,525	854
Issued October 3, 2002	1.99% ²	2020	3,767	1,185
Issued October 3, 2002	1.80% ²	2023	8,068	3,575
Issued December 14, 2005	1.89% ²	2024	10,093	5,231
Issued October 15, 2006	1.99% ²	2024	3,858	2,100
Issued February 28, 2007	1.89% ²	2026	11,068	6,881
Issued February 17, 2012	2.70% ²	2034	24,789	24,789
Issued July 10, 2012	2.20% ²	2033	18,835	14,696
Issued June 26, 2013	2.20% ²	2034	4,776	2,320
Issued August 22, 2013	2.20% ²	2034	8,924	7,841
Total Sewer Loans Payable				<u>91,616</u>
Water Utility - Department of Health Services				
Issued July 6, 2005	2.51% ²	2026	21,525	12,630
Issued May 30, 2011	2.31% ²	2032	12,000	10,277
Issued January 1, 2012	2.31% ²	2032	20,000	17,127
Issued January 1, 2012	2.50% ²	2032	18,000	15,837
Issued January 29, 2013	2.093% ²	2034	11,571	7,889
Issued January 29, 2013	2.093% ²	2034	5,978	2,865
Total Water Loans Payable				<u>66,625</u>
Total Loans Payable				<u>158,241</u>

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2015
Bonds Payable:				
Senior Sewer Revenue Bonds, Series 2009 A	2.0-5.375 ¹	2039	\$ 453,775	\$ 378,115
Senior Sewer Revenue Refunding Bonds Series 2009 B	3.0-5.5 ¹	2025	634,940	435,490
Water Revenue Refunding Bonds, Series 2009 A	2.5-5.25 ¹	2039	157,190	150,255
Water Revenue Bonds, Series 2009 B	2.5-5.75 ¹	2040	328,060	300,165
Senior Sewer Revenue Refunding Bonds Series 2010 A	5.25	2029	161,930	161,930
Water Revenue Refunding Bonds, Series 2010 A	5.0-5.25 ¹	2029	123,075	123,075
Water Revenue Refunding Bonds, Series 2012 A	2.0-5.0 ¹	2033	188,610	153,910
Total Bonds Payable				<u>1,702,940</u>
Estimated Landfill Closure and Postclosure Care				23,269
Net Other Postemployment Benefits Obligation				55,943
Net Pension Obligation				240
Net Pension Liability				<u>304,359</u>
Total Business-Type Activities Long-Term Liabilities				<u>\$ 2,289,195</u>

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

² Effective rate.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2015, including interest payments to maturity, are as follows:

Year Ending June 30	Equipment Vehicle Financing Program (EVFP) Capital Lease Obligations		Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 358	\$ 36	\$ 9,608	\$ 2,865	\$ 79,255	\$ 85,847
2017	363	30	9,800	2,665	82,205	82,127
2018	370	24	10,004	2,451	86,410	78,104
2019	376	18	10,212	2,234	90,695	73,818
2020	382	12	10,425	2,011	95,035	69,464
2021-2025	401	5	39,318	6,930	496,210	273,390
2026-2030	-	-	22,794	3,177	357,505	156,192
2031-2035	-	-	10,537	618	212,515	84,490
2036-2040	-	-	-	3	203,110	27,828
Unscheduled ¹	-	-	35,543	-	-	-
Total	<u>\$ 2,250</u>	<u>\$ 125</u>	<u>\$ 158,241</u>	<u>\$ 22,954</u>	<u>\$ 1,702,940</u>	<u>\$ 931,260</u>

¹ The loans payable to the State Water Resources Control Board in the amount of \$24,789 and loans payable to Department of Health Services in the amount of \$10,754 do not have fixed annual repayment schedules until construction of the projects are completed and final billing submitted.

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015. The effect of bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Beginning Balance, as Restated ¹	Business-Type Activities		Ending Balance	Due Within One Year
		Additions	Reductions		
Arbitrage Liability	\$ 90	\$ 32	\$ -	\$ 122	\$ 110
Compensated Absences	13,267	11,225	(11,604)	12,888	6,106
Liability Claims	37,844	(3,340)	(5,561)	28,943	4,488
Equipment Vehicle Financing Program (EVFP)					
Capital Lease Obligation	2,590	-	(340)	2,250	358
Loans Payable	161,360	12,435	(15,554)	158,241	9,608
Revenue Bonds Payable	1,778,310	-	(75,370)	1,702,940	79,255
Unamortized Bond Premiums and Discounts	73,461	-	(5,316)	68,145	5,316
Net Revenue Bonds Payable	1,851,771	-	(80,686)	1,771,085	84,571
Estimated Landfill Closure/Postclosure Care	23,290	-	(21)	23,269	-
Net Other Postemployment Benefits Obligation	54,277	1,666	-	55,943	-
Net Pension Obligation	280	-	(40)	240	-
Net Pension Liability	427,434	-	(123,075)	304,359	-
Totals	\$ 2,572,203	\$ 22,018	\$ (236,881)	\$ 2,357,340	\$ 105,241

¹ Beginning balances for net pension liability and net pension obligation have been restated, due to the implementation of GASB 68. Additional information on the restatements is included in Note 23.

The loans payable reductions for the year ended June 30, 2015 include both scheduled principal payments and loan amounts forgiven by the State Water Resources Control Board. Loan amounts forgiven were contingent upon the City's performance of its obligations under the agreements and include \$3,000 for Segments M-1, N-1, O-1, P-1 issued July 10, 2012, \$2,388 for Segment Q-1 issued June 26, 2013, and \$806 for Segments R-1 and S-1 issued August 22, 2013, of the Sewer Pipeline Rehabilitation Projects. In addition, \$9,360 of scheduled SRF loan repayments were made during the year.

d. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2015 are comprised of the following:

<u>Type of Pledged Revenue</u>	<u>Fiscal Year Maturity Date</u>	<u>Pledged Revenue to Maturity</u>	<u>Debt Principal & Interest Paid</u>	<u>Pledged Revenue Recognized</u>
Pledged Net Sewer Systems Revenue:				
Loans - State Water Resources Control Board				
Issued February 9, 2000	2020	\$ 3,183	\$ 637	\$ 637
Issued February 9, 2000	2022	2,809	401	401
Issued March 30, 2001	2022	14,173	2,024	2,024
Issued May 17, 2001	2022	3,253	464	464
Issued May 17, 2001	2021	308	52	52
Issued June 11, 2001	2021	908	152	152
Issued October 3, 2002	2020	1,256	251	251
Issued October 3, 2002	2023	3,873	484	484
Issued December 14, 2005	2024	5,737	638	638
Issued October 15, 2006	2024	2,316	257	257
Issued February 28, 2007	2026	7,689	699	699
Issued February 17, 2012	2034	24,789	-	-
Issued July 10, 2012	2033	17,956	998	998
Issued June 26, 2013	2034	2,864	125	125
Issued August 22, 2013	2034	9,669	427	427
Bonds				
Senior Sewer Revenue Bonds, Series 2009 A	2039	655,425	36,281	34,703
Senior Sewer Revenue Refunding Bonds, Series 2009 B	2025	550,778	57,704	56,021
Senior Sewer Revenue Refunding Bonds, Series 2010 A	2029	255,841	8,501	8,272
Total Pledged Net Sewer Systems Revenue		1,562,827	110,095	106,605
Pledged Net Water Systems Revenue:				
Loans - Department of Health Services				
Issued July 6, 2005	2026	14,447	1,377	1,377
Issued May 30, 2011	2032	12,417	752	752
Issued January 1, 2012	2032	20,685	1,253	1,253
Issued January 1, 2012	2032	19,539	1,149	1,149
Issued January 29, 2013	2034	9,780	122	122
Issued January 29, 2013	2034	3,544	57	57
Bonds				
Water Revenue Refunding Bonds, Series 2009 A	2039	210,531	8,681	8,563
Water Revenue Bonds, Series 2009 B	2040	543,411	21,737	21,462
Water Revenue Refunding Bonds, Series 2010 A	2029	192,046	6,310	5,802
Water Revenue Refunding Bonds, Series 2012 A	2033	226,168	25,396	25,240
Total Pledged Net Water Systems Revenue		1,252,568	66,834	65,777
Total Pledged Revenues		\$ 2,815,395	\$ 176,929	\$ 172,382

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

Narratives and tables presented in the following sections are taken from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2015.

San Diego Convention Center Corporation

Long-term liabilities of SDCCC as of June 30, 2015 are comprised of the following:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2015	Due Within One Year
Compensated Absences				\$ 1,341	\$ 1,286
Notes Payable:					
CG 7600 LLC	0.00%	2023	\$ 22	17	2
Total Long-Term Liabilities				\$ 1,358	\$ 1,288

SDCCC entered into a non-recourse Note Purchase Contract on May 6, 2010 for \$12,500 with Fifth Avenue Landing, LLC (FAL), the proceeds of which were used for the Phase III expansion site ground lease purchase. The FAL note payable was to be repaid at the rate of 5.27% per annum, simple interest, with a \$12,500 principal payment due by May 6, 2015. SDCCC was required to pay an annual interest payment of \$500, while the remaining accrued interest owed in any one year was payable at the date of final maturity. During May 2015, SDCCC entered into a reconveyance agreement with FAL to transfer and convey the lease back to FAL in lieu of foreclosure, resulting in the \$12,500 note payable no longer being outstanding and payable as of June 30, 2015.

On April 25, 2012, SDCCC entered into a Financing Loan Agreement at a zero percent per annum rate with San Diego Gas & Electric (SDG&E) for \$418, the proceeds of which were used to apply "retrocommissioning," a systematic process for improving and optimizing a building's operations through reduced energy usage, lengthened equipment life, and improved indoor air quality and occupant comfort. The obligation is payable over 23 equal installments payable through an on-bill financing arrangement through SDCCC's monthly utility bill based on estimated energy cost savings. The balance of \$127 was paid during fiscal year 2015, eliminating the amount due.

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

Annual requirements to amortize long-term debt as of June 30, 2015, are as follows:

Notes Payable		
Year Ending June 30	Principal	Interest
2016	\$ 2	\$ -
2017	2	-
2018	2	-
2019	2	-
2020	2	-
2021-2023	7	-
Total	<u>\$ 17</u>	<u>\$ -</u>

San Diego Housing Commission

Long-term liabilities of SDHC as of June 30, 2015 are comprised of the following:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2015 ¹	Due Within One Year
Compensated Absences				\$ 1,832	\$ 1,832
Notes Payable:					
Debts of SDHC					
GE Capital, (Smart Corner & Maya) dated November 2011	6.08%	2027	\$ 15,000	9,701	595
Successor Agency of the Redevelopment Agency of the City of San Diego dated March 1992	0.00% forgivable	2022	696	696	-
Successor Agency of the Redevelopment Agency of the City of San Diego dated March 18, 2010	1.00% forgivable	2065	6,095	6,030	-
State of California, Housing Loan Conversion Program dated March 10, 2013	3.00%	2068	4,555	4,555	-
Debts of the LLCs					
Greystone Servicing Corp, Inc. Fannie Mae (Belden)	7.32%	2040	12,320	11,567	175
Greystone Servicing Corp, Inc. Fannie Mae (Northern)	7.32%	2040	10,810	10,149	153
Greystone Servicing Corp, Inc. Fannie Mae (Central)	7.32%	2040	14,010	13,153	199
PNC Bank, NA FHA (Southern)	3.76%	2046	25,017	23,222	420
PNC Bank, NA FHA (Northern)	3.76%	2046	17,500	16,245	294
PNC Bank, NA FHA (Central)	3.65%	2046	15,726	14,596	268
Total Notes Payable				<u>109,914</u>	<u>2,104</u>
Total Long-Term Liabilities				<u>\$ 111,746</u>	<u>\$ 3,936</u>

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

In November 2011, SDHC entered into a loan agreement with GE Commercial Finance to refinance the Smart Corner Building, which houses the administrative offices of SDHC. The term of the loan is for 15 years, amortized over 25 years with a fixed interest rate of 6.08% until November 2021, at which time the rate will convert to a variable rate. In November 2014, SDHC exercised the annual option to pay down the loan principal in the amount of \$1.1 million.

SDHC entered into a loan agreement with the former RDA as of March 18, 2010, for the acquisition and rehabilitation of the Hotel Sandford. The loan from the former RDA is a forgivable loan, with a term of 55 years and 1% simple interest. The total approved loan amount is \$6,095 with the loan being fully disbursed as of June 30, 2015 with the exception of \$50. This remaining amount was disbursed in July 2015 after approval from the California Department of Finance. The project incurred savings and the City's portion of the savings was returned to them in the form of a payment on the loan. As of June 30, 2015, \$202 of cost savings were returned with \$187 applied to interest and \$15 to principal.

In May 2013, the two State of California loans were renegotiated through the Housing Loan Conversion Program and extended for 55 years to 2068. They now bear an interest rate of 3% with required annual interest payments and with residual receipt requirements.

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

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

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (BABs) program. State and local governments receive directly from the U.S. Treasury subsidy payments for a portion of their borrowing costs on BABs equal to 35% of the total coupon interest paid less reductions in federal appropriations. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA, LLC, the Northern SDHC FHA, LLC and the Southern SDHC FHA, LLC loans have been approved as qualified direct subsidy BABs loans. SDHC has received \$744 in fiscal year 2015 subsidy payments.

The annual requirements to amortize such long-term liabilities as of June 30, 2015 are as follows (excluding forgivable loans of \$696 and \$6,030 since they are forgiven at maturity in 2022 and 2065):

Notes Payable		
Year Ending June 30	Principal	Interest
2016	\$ 2,104	\$ 5,128
2017	2,220	5,011
2018	2,342	4,889
2019	2,471	4,759
2020	2,607	4,622
2021-2025	15,398	20,737
2026-2030	15,764	16,285
2031-2035	18,418	11,814
2036-2040	23,054	5,880
2041-2045	13,449	1,518
2046-2068	5,361	6,808
Total	<u>\$ 103,188</u>	<u>\$ 87,451</u>

Discretely Presented Component Units of the San Diego Housing Commission

The long-term liabilities for the discretely presented component units of SDHC as of December 31, 2014 are as follows:

HDP Mason

Note payable is held by the San Diego Housing Commission in the original amount of \$2,365. The note bears interest at 3% per annum. Beginning May 1, 2014 and annually on May 1 of each year thereafter, principal and interest are due and payable from 47.8% of "residual receipts" as defined in the loan agreement through February 2068. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$186 at December 31, 2014.

\$ 2,365

Note payable is held by the Successor Agency to the former Redevelopment Agency of the City of San Diego in the original amount of \$1,319. The note bears interest at 5% per annum. Principal and interest are due and payable from 26.6% of "residual receipts" each operating year as defined in the loan agreement note through May 2057. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$120 at December 31, 2014.

1,319

Note payable is held by California Housing Finance Agency in the original amount of \$1,181. The note bears interest at 3% per annum. Annual payments of principal and interest are payable from 23.9% of the Development's "residual receipts," as defined in the loan agreement through December 2066. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$85 at December 31, 2014.

1,181

Note payable is held by the San Diego Housing Commission in the original amount of \$226. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 1.7% of "residual receipts," as defined in the loan agreement through May 2057. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$23 at December 31, 2014.

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Continued on Next Page

<p>Note payable is held by the San Diego Housing Commission in the original amount of \$230. The note is noninterest bearing. The note shall be incrementally forgiven beginning May 2013 at 10% per year provided the Corporation has complied with all provisions of the note. The note is secured by a deed of trust on the Mason Hotel. Forgiveness of debt totaled \$23 for the year ended December 31, 2014.</p>	<hr/> 184
<p>Total HDP Mason</p>	<hr/> 5,118
<u>Casa Colina</u>	
<p>Note payable is held by Red Mortgage Capital, Inc. in the original amount of \$3,465. Monthly payments of \$19 including principal and interest at 5.68% are due through February 1, 2039. The note is secured by a deed of trust on Casa Colina. Accrued interest totaled \$14 at December 31, 2014.</p>	2,996
<p>Note payable is held by the San Diego Housing Commission in the original amount of \$1,600. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 50% of "residual receipts," as defined in the loan agreement through February 2059. The note is secured by a deed of trust on Casa Colina. Accrued interest totaled \$35 at December 31, 2014.</p>	<hr/> 1,527
<p>Total Casa Colina</p>	<hr/> 4,523
<u>Logan</u>	
<p>The Series A-1 and Series A-2 promissory notes payable to the Housing Authority of the City of San Diego (Housing Authority) totaling \$5,025 were originated on November 7, 2012 in connection with the Housing Authority's issuance of Multi-family Housing Revenue Bonds in the amount of \$5,300. The Series A-1 note in the amount of \$3,311 and the Series A-2 note in the amount of \$1,714 are being serviced by JP Morgan Chase Bank, N.A. Interest on the notes is payable monthly at the one-month LIBOR rate quoted by JP Morgan Chase Bank, N.A. plus 2.17%. Principal and interest on the Series A-2 was paid in February 2014 at which time the Series A-1 note converted to a permanent loan. The permanent loan bears interest at a fixed rate of 5.58% and is payable in monthly installments of principal and interest through February 2032. The note is secured by a deed of trust on Knox Glen Townhomes. Accrued interest totaled \$16 at December 31, 2014.</p>	3,275
<p>The mortgage note which was originated on November 30, 1995 is held by the San Diego Housing Commission in the original amount of \$1,400 and bears interest at 6% per annum. Payments of principal and interest are payable annually from residual receipts, as defined in the note. Principal and accrued interest are due November 20, 2050. The note is secured by a deed of trust on Knox Glen Townhomes. Accrued interest totaled \$1,279 at December 31, 2014.</p>	1,400
<p>The mortgage note which was originated on December 1, 1995 is held by the Successor Agency to the former Redevelopment Agency of the City of San Diego in the original amount of \$150. The note bears interest at 3% per annum. Principal and accrued interest are due in December, 2050. The note is secured by a deed of trust on Knox Glen Townhomes. Accrued interest totaled \$63 at December 31, 2014.</p>	<hr/> 150
<p>Total Logan</p>	<hr/> 4,825

Broadway

Multi-family note payable to the Housing Authority of the City of San Diego with a maximum principal sum of \$17,825 was originated on November 25, 2014. The note is being serviced by Berkadia Commercial Mortgage and bears interest at 4.49%. The note is payable in monthly installments of principal and interest of \$84 through maturity on December 1, 2044. The note is secured by a deed of trust on San Diego Square. Accrued interest totaled \$67 at December 31, 2014.

17,825

Churchill

Note payable is held by San Diego Housing Commission in the original amount of \$3,800. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 75% of residual receipts as defined in the loan agreement through July 2068. The note is secured by a deed of trust on Hotel Churchill. Accrued interest totaled \$7 at December 31, 2014.

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Total Notes Payable

32,505

Less: Current Portion

(346)

Notes Payable, Net of Current Portion

\$ 32,159

The future principal payments on the notes payable following December 31, 2014 are as follows:

2015	\$	346
2016		362
2017		379
2018		396
2019		415
Thereafter		<u>30,607</u>
Total	\$	<u>32,505</u>

8. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Dollars in Thousands)San Diego Geographic Information Source (SanGIS)

SanGIS was created in 1997 as a joint powers agreement between the City and the County of San Diego. SanGIS is governed by a Board of Directors consisting of one voting member from the City and one from the County. The Board approves the annual budget and fiscal audit, sets long range plans and strategic goals, and authorizes major project funding. All initiatives and decisions must be approved by a consensus of both members of the Board before being implemented. SanGIS objectives are to create and maintain a geographic information system, to market and license digital geographic data and software, to provide technical services, and to publish geographical and land-related information for the City and County, other public agencies, and the private sector. The SanGIS FY 15 annual budget of \$1,223 was funded primarily by equal contributions from the City and County. In its latest audited report, SanGIS reported a decrease in net position of \$88 and an ending net position of \$245 for the fiscal year ended June 30, 2014. Complete stand-alone financial statements are available at www.sangis.org.

San Diego Workforce Partnership (SDWP)

In 1974 the City and County of San Diego jointly formed a Consortium to provide regional employment and training services throughout San Diego County. The City and County jointly govern the 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 Consortium is empowered to make applications for and receive grants from governmental or private sources. The Board assigned the non-profit San Diego Workforce Partnership, Inc. as the grant recipient and administrative entity to operate the Consortium. In 1997 the Consortium and SDWP entered into an agreement assigning all assets, liabilities, and debt of the Consortium, and all rights, powers, duties, obligations, and burdens of the Consortium under any contract to which it is a party, to SDWP. To the extent that law mandates any responsibility upon the City and County for debt obligation or liability, the City and the County have agreed to share equally the payment of such an obligation. In its latest audited report, SDWP reported a decrease in net position of \$81 and ending net position of \$382 for the fiscal year ended June 30, 2014. Complete stand-alone financial statements can be requested from San Diego Workforce Partnership, Inc. 3910 University Avenue, Suite 400, San Diego, CA 92105.

San Dieguito River Valley Regional Open Space Park

The San Dieguito River Valley Regional Open Space Park Joint Powers Authority (JPA) was formed in 1989 by the City and County of San Diego and the Cities of Del Mar, Escondido, Poway, and Solana Beach to create, preserve and enhance the San Dieguito River Valley Regional Open Space Park for the benefit of the public. In 2015 an amended and restated agreement was executed, continuing the JPA for fifty years. The JPA Board is composed of two elected officials each from the County and the City, one elected official each from the Cities of Del Mar, Escondido, Poway, and Solana Beach, and one public member representing the Citizens Advisory Committee. The JPA's funding is primarily comprised of operating grants, contributions, and agency assessments based on population and jurisdictional area. The JPA's FY 2015 annual budget for agency contributions was \$820, of which the City's share was \$254, or 31%. In its latest audited report, for the fiscal year ended June 30, 2014, the JPA reported a decrease in net position of \$748 and an ending net position of \$47,744. The debts, liabilities, or obligations of the JPA belong to the JPA, and not the agencies. Upon termination of the agreement or existence of the JPA, real property owned by the JPA will be distributed to the jurisdiction on which the land is located, while remaining assets and liabilities will be divided among the agencies based on the contribution calculation percentages. Complete stand-alone financial statements are available at www.sdrp.org.

9. LEASE COMMITMENTS (Dollars in Thousands)

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

Capital Leases

The City has entered into various capital leases for equipment, structures, and infrastructure. These capital leases have maturity dates ranging from July 1, 2015 through May 31, 2035 and interest rates ranging from 0.71% to 6.47%. A schedule of future minimum lease payments under capital leases as of June 30, 2015 is provided in Note 5 and Note 6. Increases in the amounts for land and buildings were primarily due to the City entering into a 20 year lease-to-own agreement with CCP 1200, LLC (Lessor) a Delaware limited liability company on February 10, 2015. This lease is recognized as a capital lease, and is included in Note 5. The value of the City's capital leased assets as of June 30, 2015 is \$105,828, net of accumulated depreciation of \$44,670. These amounts are categorized by fund type and major asset class in the table below.

	Gross Value	Depreciation	Net Book Value
Governmental			
Equipment	\$ 103,913	\$ (44,670)	\$ 59,243
Structures & Improvements	29,051	-	29,051
Land	15,015	-	15,015
Construction in Progress	269	-	269
Total Governmental	<u>\$ 148,248</u>	<u>\$ (44,670)</u>	<u>\$ 103,578</u>
Business-Type			
Infrastructure	<u>\$ 2,250</u>	<u>\$ -</u>	<u>\$ 2,250</u>

Operating Leases

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

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, 2015:

Year Ending June 30	Amount
2016	\$ 13,094
2017	12,964
2018	13,125
2019	12,992
2020	8,238
2021-2025	33,210
2026-2030	22,209
Total	<u>\$ 115,832</u>

Rent expense, as related to operating leases, was \$13,667 for the year ended June 30, 2015, of which \$12,469 was reported as governmental activities, and \$1,198 as business-type activities.

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately \$168,841, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. This amount includes \$60,186 for Petco Park which is subject to the Joint Use Management Agreement reported on Note 20. Minimum annual lease revenues are reported in the following schedule:

Year Ending June 30	Amount
2016	\$ 41,364
2017	39,769
2018	37,606
2019	36,590
2020	35,898
2021-2025	167,647
2026-2030	155,105
2031-2035	144,170
2036-2040	133,024
2041-2045	119,349
2046-2050	79,704
2051-2055	22,677
2056-2060	8,111
2061-2065	1,373
Total	<u>\$ 1,022,387</u>

This amount does not include contingent rentals, which may be received under certain leases of property on the basis of percentage returns. Rental income as related to operating leases was \$78,461 for the year ended June 30, 2015, which includes contingent rentals of \$35,805.

10. DEFERRED COMPENSATION PLAN (Dollars in Thousands)

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

Prior to dissolution effective February 6, 2014, San Diego Data Processing Corporation (SDDPC) offered a 457(b) deferred compensation plan to its employees. On August 5, 2013, acting as the sole member of SDDPC, the City Council elected to take the necessary steps to dissolve SDDPC. Additionally, the City Council directed SDDPC's board to adopt retirement plan amendment resolutions ending SDDPC's retirement plans and discontinue funding of the plans effective on or before the date of final dissolution of SDDPC. On December 3, 2013, SDDPC's 457(b) plan was effectively terminated, and the winding down process was substantially complete as of June 30, 2015.

The deferred compensation plans are not considered part of the City's financial reporting entity.

11. PENSION PLANS (Dollars in Thousands)

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

An initiative titled "Comprehensive Pension Reform of San Diego" (Proposition B) was approved by voters on June 5, 2012 and implemented by the City in fiscal year 2013. Generally, the measure amended the City Charter to provide all new City employees hired on or after July 20, 2012, except sworn police officers, with a 401(a) defined contribution plan instead of a defined benefit plan. The initiative contains other provisions intended to limit pension costs for existing employees by directing the City to seek, through labor negotiations, to limit City employees' compensation used to calculate pension benefits. This limitation on the City's negotiating authority is in effect until June 30, 2018. Pensionable pay increases may be authorized with a two-thirds vote of the City Council following preparation of an actuarial report that discloses the impact of any proposed increases in compensation or benefits on the City's Pension Plan.

In fiscal year 2013, the City reached five-year agreements with each of the employees' collective bargaining units for non-pensionable compensation increases for fiscal years 2014 through 2018. The agreements will freeze pensionable pay and cost-of-living increases for the same period (pensionable pay ranges were frozen, but pensionable pay within those ranges continue to go up for some employees based on years of service in salary classes as specified by the 2011 salary ordinance). The labor agreements may be reopened at the option of employee organizations in fiscal years 2017 and 2018, but only for changes in non-pensionable compensation. On July 1, 2015, the San Diego Police Officers Association (SDPOA), the labor group that represents sworn safety officers, entered into a Memorandum of Understanding (MOU) with the City for fiscal years 2016 through 2020. Also, on October 15, 2015, the San Diego Municipal Employee Association (MEA), the labor group that represents technical, office, professionals, and supervisory City employees, voted to ratify a tentative labor agreement between MEA and the City for fiscal years 2017 through 2020. Both labor agreements increased pensionable pay for fiscal years 2019 and 2020 by 3.3% for each fiscal year. The MEA agreement had not been approved by the City Council by the time this report was issued. Additional information on these agreements can be found in Note 24.

Proposition B is the subject of ongoing litigation before the California Public Employment Relations Board (PERB). On February 11, 2013, a PERB administrative law judge issued a proposed decision finding that the City violated state labor laws by failing to meet and confer with City labor organizations prior to placing Proposition B on the ballot. The City has filed exceptions to the proposed decision, which will be reviewed by the full PERB board. There is currently no hearing date set for this review. The decision of the PERB board may also be appealed to the Fourth District Court of Appeal. The litigation could potentially repeal or unwind the implementation of some requirements of Proposition B. The City is unable to quantify the cost impact of any repeal or unwind of Proposition B. Notwithstanding the PERB litigation, the actuarial valuation as of June 30, 2014 assumes the validity of Proposition B, that the City has fully implemented its requirements, and that the City intends to comply with those requirements under the terms specified in the initiative.

DEFINED BENEFIT PLAN**a. Pension Plan Description and Benefits Provided**

SDCERS is a public employee retirement system established in fiscal year 1927 by the City, authorized by Article IX of the City Charter. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the San Diego Unified Port District (Port), and the San Diego County Regional Airport Authority (Airport). The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust for investment purposes. These plans are administered by the SDCERS Board (Board) to provide

retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval and amendments to retirement benefits require a majority vote by those SDCERS members who are also eligible City employees or retirees. Benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code.

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees initially hired before July 20, 2012 working half-time or greater, all sworn police officers of the City irrespective of hire date, and full-time employees of the Port and Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City; however, the financial statements of the SDCERS Pension Trust do include the Port and Airport activity and are reported in the fiduciary funds section of this report.

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

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

Final compensation is based upon either the highest salary earned over a consecutive twelve month period, the highest average salary earned over three one-year periods, or the highest salary earned over a consecutive 36 month period, depending on the member's hire date. To qualify for a service retirement benefit, the Pension Plan requires ten years of service at age 62 for general members (55 for safety members) or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity. Under Proposition B, sworn police officers have a reduction of 3% per year if retiring earlier than age 55. Retirement benefits are awarded at various rates, ranging from 1.0% to 3.5% per year of service multiplied by final compensation depending on the member's plan and hiring date. The actual percentage of final compensation per year served component of the calculation rises as the employee's retirement age increases and depends on the retirement option selected by the employee. Some safety members also have the option to elect 3.0% per year of service at age 50 and above, not to exceed 90% of final compensation, as part of the formula to calculate their retirement benefits. The maximum percentage of final compensation per year served is 2.8% for general members, 3% for safety members and 3.5% for elected officers. Depending on the number of years of service, participants of the Elected Officer's Retirement Pension component of the Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

At June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8,822
Inactive employees entitled to but not yet receiving benefits	2,920
Active employees	<u>7,272</u>
Total	<u><u>19,014</u></u>

Deferred Retirement Option Plan (DROP)

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

Upon entering DROP, the participant stops making pension contributions to SDCERS and stops earning service credit. Instead, amounts equivalent to the participant's retirement benefit plus additional DROP contributions are credited to an interest bearing individual account held in the participant's name. While participants were employed by the City, the annual interest credited to the DROP participant accounts was 1.8%. When the participant leaves DROP and retires from City service, the participant's DROP account balance may be paid in a lump sum, rolled over to another plan, or converted to monthly payments. The DROP annuity factor used to calculate the monthly payments in the first half of fiscal year 2015 was 3.2% and 3.6% in the second half. During the period of participation, the participant continues to receive employer offered benefits available to regular employees with exception to earning service credit, as previously discussed.

Purchase of Service Credits

Pension Plan members hired prior to July 1, 2005 are permitted to purchase service credits to be used in determining retirement allowances. Members hired after July 1, 2005 are only permitted to purchase service credits related to certain employee absences such as military leave, long-term disability leave and leave taken under the Family Leave Act. The cost of purchased service credits is determined by the SDCERS Board consistent with the requirements of the San Diego Municipal Code (SDMC).

Supplemental Cost-of-Living Benefit

On August 5, 2013, the City Council amended the San Diego Municipal Code to provide a method for funding a supplemental cost-of-living benefit (the "Supplemental COLA") previously given to a closed group of retirees who retired on or before June 30, 1982. SDCERS holds a reserve separately from plan assets, and pays Supplemental COLA benefits from this reserve. On a yearly basis, the City cash funds the Supplemental COLA reserve based on an estimate of benefits to be paid during the fiscal year. In fiscal year 2015, the City contributed \$2,060 towards the Supplemental COLA reserve and paid approximately \$2,225 in benefits. As of June 30, 2015, the Supplemental COLA reserve had an unspent balance of \$179.

b. Summary of Significant Accounting Policies – Pension

The pension trust fund uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the Pension Plan. See Note 1(e) for additional disclosures on SDCERS' method used to value investments.

The City has elected to use fiscal year 2014 as its measurement date for purposes of determining the Pension Plan's Total Pension Liability and Plan Fiduciary Net Position. The measurement is based on the fair value of the Plan's assets as of June 30, 2014 and the Total Pension Liability as of the valuation date, June 30, 2013, with updated procedures to roll forward to June 30, 2014. There were no significant events between the valuation date and the measurement date, therefore the update procedures only include the addition of service cost and interest

cost offset by actual benefit provisions. Beginning of year measurements are also based on the actuarial valuation as of June 30, 2013.

c. Funding Policy and Contribution Rates

City Charter Article IX Section 143 requires employees and employers to contribute to the Pension Plan. The Charter section stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and Board enter into any multi-year funding agreements that delay full funding of the Pension Plan. The City's Actuarially Determined Contribution (ADC) is calculated by SDCERS' actuary and approved by the SDCERS Board. The Charter requires that employer contributions for normal retirement allowances be substantially equal to employee contributions. There were no negotiated employee retirement contribution offsets effective in fiscal year 2015.

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 ADC. In January 2015 the SDCERS Board voted to account for expected administrative expenses explicitly in the ADC. The administrative component is \$4.2 million for fiscal year 2016, based on a three year phase-in of \$12,500 in expected expenses. For fiscal year 2017 there will be two-thirds recognition and for all fiscal years following, 100% of the expected administrative expenses will be added to the ADC.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2015, based on the June 30, 2013 actuarial valuation, expressed as percentages of expected payroll:

	<u>Employer Contribution Rates</u>	
	<u>Non-Safety Members</u>	<u>Safety Members</u>
Normal Cost	8.44%	13.19%
Amortization Payment ¹	43.45%	57.89%
Normal Cost Adjusted for Amortization Payment ¹	51.88%	71.08%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	50.11%	68.63%

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

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

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

Members are required to contribute a percentage of their annual salary to the Pension Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2015, the City employee weighted average contribution rates as a percentage of annual covered payroll were 9.19% for general members and 14.37% for safety members.

In accordance with Chapter 2, Article 4, Division 15 of the SDMC, earnings in excess of the assumed actuarial rate of return are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: 1) Pension Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which was 7.25% for fiscal year 2015, to the Employer and Employee Contribution Reserves and 1.8-2% to the DROP member accounts; 2) Pension Plan assets fund the SDCERS Annual Budget; 3) Pension Plan assets are distributed for supplemental or contingent

payments or transfers to reserves. These items include in priority order: 1) Annual Supplement Benefit Payment (13th Check) paid to retirees and their continuances, which ranges from \$30 to \$75 (whole dollars) times the number of years of service credit; 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue and remain an obligation of SDCERS until paid); 3) Crediting interest to the Reserve for Supplemental Cost-of-living Adjustment (SCOLA).

d. Net Pension Liability

The City has relied on the work of the SDCERS actuary to determine the City's Net Pension Liability, considers the assumptions used by the actuary to be reasonable, and agrees with the actuary's calculations, which are premised on such assumptions. The City has elected to use June 30, 2014 as its measurement date. The Net Pension Liability is measured as of June 30, 2014, based on the fair value of assets as of June 30, 2014 and the Total Pension Liability as of the valuation date, June 30, 2013, updated to June 30, 2014. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

<u>Description</u>	<u>Actuarial Assumption</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Method	Entry Age Normal (EAN)
Amortization Method	Closed; Level % (Police) Level \$ (non-Police)
Annual Rate of Return on Investments	7.25% net of investment expenses
Inflation Rate	3.3% per year, compounded annually
Cost of Living Adjustment	2.00% per year, compounded annually
Projected Salary Increases Due to Inflation ¹	0% for FY15-FY18, 3.3% thereafter
Mortality	Healthy retired members use the RP-2000 Combined Mortality Table

¹ Additional merit salary increases of 0.50% to 8.00% based on a participant's years of service, and membership group are also assumed.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study performed by the SDCERS actuary for the period July 1, 2007 through June 30, 2010, and the results of an economic experience study performed by the SDCERS actuary prior to the completion of the June 30, 2013 valuation.

GASB 68 permits the use of the assumed annual rate of return on investments (7.25%) as the discount rate to measure the projected benefit payments used to calculate the Net Pension Liability, without regard to the funding level of the pension system, if (i) the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (ii) pension plan assets are expected to be invested using a strategy to achieve that return. In determining whether condition (i) is satisfied, the actuary can incorporate all projected cash flows for contributions from the City and from current active employees.

To determine the Pension Plan's projected fiduciary net position, SDCERS' actuary has assumed that employees will continue to contribute to SDCERS at the current rates and that the City will continue its historical practice (since 2006) of contributing to SDCERS based on an actuarially determined contribution. Accordingly, the City has calculated its Net Pension Liability using a discount rate of 7.25% (the discount rate used for the prior fiscal year valuation was 7.50%).

e. Long-Term Expected Real Rate of Return

The target allocation and the best estimates for long-term expected real rates of return for each major asset class of the Pension Plan, as of the June 30, 2014 measurement date, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	21.0%	4.7%
Non-U.S. Equity	14.0%	5.0%
Emerging Market Equity	1.0%	6.4%
Global Equity	5.0%	5.0%
U.S. Fixed Income	22.0%	1.7%
Emerging Market Debt	5.0%	4.1%
Real Estate	11.0%	4.3%
Private Equity	10.0%	6.6%
Infrastructure	3.0%	5.4%
Opportunity Fund	8.0%	4.6%
Total	100.0%	

Source: SDCERS CAFR, fiscal year 2014

Expected return estimates for equity and fixed income were developed using a geometric (long-term compounded) building block approach: 1) expected returns based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation, and 2) where necessary, judgment-based modifications are made to these inputs. Return assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment from SDCERS' general investment consultant specialist research teams.

f. Changes in the Net Pension Liability

The following table shows the changes in Net Pension Liability based on the actuarial information provided to the City (dollars in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 7,555,527	\$ 5,395,158	\$ 2,160,369
Changes for the Year:			
Service Cost	107,003	-	107,003
Interest	537,875	-	537,875
Contributions - Employer	-	279,659	(279,659)
Contributions - Employee	-	65,467	(65,467)
Net Investment Income	-	935,051	(935,051)
Benefit Payments, Including Refunds of Employee Contributions	(384,980)	(384,980)	-
Administrative Expense	-	(10,467)	10,467
Net Changes	<u>259,898</u>	<u>884,730</u>	<u>(624,832)</u>
Balances at June 30, 2014	<u>\$ 7,815,425</u>	<u>\$ 6,279,888</u>	<u>\$ 1,535,537</u>

The required schedule of changes in the net pension liability and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total pension liability, the plan assets available for pension benefits (plan net position), and the net pension liability, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan fiduciary net position divided by the total pension liability, the payroll amount for current employees in the plan (covered employee payroll), and a ratio of the net pension liability divided by covered employee payroll. One year of information is presented, and will build to 10 years of information on a prospective basis.

The required schedule of contributions immediately following the notes to the financial statements presents the City's actuarially determined contribution to the Pension Plan, the City's actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions divided by covered employee payroll.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Pursuant to GASB 68, the following table presents the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Total Pension Liability	\$ 8,696,019	\$ 7,815,425	\$ 7,084,198
Plan Fiduciary Net Position	6,279,888	6,279,888	6,279,888
Net Pension Liability	<u>\$ 2,416,131</u>	<u>\$ 1,535,537</u>	<u>\$ 804,310</u>

Pension Plan Fiduciary Net Position - Detailed information about the Pension Plan's Fiduciary Net Position is available in the separately issued SDCERS financial reports available at www.sdcers.org.

g. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$83,256. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 268,054	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Assets	-	428,432
Total	<u>\$ 268,054</u>	<u>\$ 428,432</u>

Pursuant to GASB 71, \$268,053 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. \$428,432 reported as deferred inflows of resources related to the net difference between projected and actual earnings on pension plan assets will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ (107,108)
2017	(107,108)
2018	(107,108)
2019	(107,108)
2019	-

h. Preservation of Benefits (POB) Plan

The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As provided in SDMC section 24.1606 and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. Because the POB Plan has no assets, the entire Actuarial Accrued Liability of \$7,896 as of the June 30, 2014 valuation, is unfunded. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis, which is funded by the City. Because the POB Plan is not administered through a trust, requirements under GASB 27 remain applicable. The POB Plan is not subject to the requirements established by GASB 67 or 68.

In fiscal year 2015, the City contributed approximately \$1,399 in benefits above 415(b) limits for the POB Plan. The number of participants in any given year for the POB Plan is determined by the number of Pension Plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for calendar years 2014 and 2015 was \$210. For non-safety members, the limit is adjusted downward depending on the age of the participant when benefits began. Based on the fiscal year 2014 actuarial valuation, the City's POB Plan pension cost for fiscal year 2015 was approximately \$536; however, the City contributed approximately \$1,399 to the POB Plan in fiscal year 2015 and therefore, the \$863 difference decreased the City's Net Pension Obligation (NPO). Financial statements for

the POB Plan are included in the fiduciary funds section of this report.

Funded Status and Funding Progress

The following table summarizes the POB Plan's funding status as reported in the June 30, 2014 valuation (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ¹ ((b - a)/c)
6/30/2014	\$ -	\$ 7,896	\$ 7,896	0.00%	N/A	N/A

¹ Payments are based on annual determination of pension benefits that are above IRS section 415(b) limits and are funded on a pay-go basis.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information on the funding status of the POB Plan.

Annual Pension Cost and Net Pension Obligation

The City's POB Plan pension cost for fiscal year 2015 is based on the June 30, 2014 actuarial valuation prepared by the SDCERS actuary. The Net Pension Obligation (NPO) is the cumulative difference between the annual POB Plan pension cost and the City's contributions towards the POB Pension Plan. As of June 30, 2015, the City's NPO associated with POB is approximately \$2,140.

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

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

	POB
ARC [Fiscal Year 2015]	\$ 876
Interest on NPO	218
ARC Adjustment	(558)
Annual Pension Cost	536
Contributions [Fiscal Year 2015]	(1,399)
Change in NPO	(863)
NPO Beginning of Year [July 1, 2014] ¹	3,003
NPO End of Year [June 30, 2015]	\$ 2,140

The table below reflects the assumptions used for the POB Pension Plan actuarial valuation:

Description	Method/Assumption for the Valuation Ended	
	June 30, 2013	June 30, 2014
Actuarial Method	Entry Age Normal (EAN)	Entry Age Normal (EAN)
Amortization Method	Closed; Level % (Police) Level \$ (non-Police)	Closed; Level % (Police) Level \$ (non-Police)
Annual Rate of Return on Investments	7.25% net of investment expenses	7.25% net of investment expenses
Inflation Rate	3.3% per year, compounded annually	3.3% per year, compounded annually
Cost of Living Adjustment	2.00% per year, compounded annually	2.00% per year, compounded annually
Projected Salary Increases Due to Inflation ¹	0% for FY15-FY18, 3.3% thereafter	0% for FY16-FY18, 3.3% thereafter

¹ Additional merit salary increases of 0.50% to 8.00% based on a participant's years of service, and membership group are also assumed. These increases are not used in the amortization of City's UAL.

Amortization of the UAAL for the June 30, 2014 valuation is based on 20 years of the 2007 UAAL, 15 years for subsequent experienced gains and losses, 30 years for changes in methods and assumptions, 5 years for benefit changes, and 15 years for the non-police UAAL as of June 30, 2012.

The following table shows the City's annual pension cost (APC) for the POB Plan and the percentage of APC contributed for the fiscal year ended June 30, 2015 and the two preceding years (dollars in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2013	\$ 1,289	121.96%	\$ 3,744
2014	662	211.93%	3,003
2015	536	261.01%	2,140

DEFINED CONTRIBUTION PLANS

a. Supplemental Pension Savings Plan - City

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan (SPSP). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare (SPSP-M). The SPSP and SPSP-M were merged into a single plan (SPSP) on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act (FICA) effective July 1, 1991, the City Council established the Supplemental Pension Savings Plan-Hourly (SPSP-H). These supplemental plans are defined contribution plans administered by Wells Fargo to provide pension benefits for eligible employees. The City Council can amend any provisions of the plans that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Millais-Brown Act. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general

members, lifeguard members and elected officers participate in the plan. Eligible employees may participate from the date of employment; however, the plan was closed to general and lifeguard members hired on or after July 1, 2009 and January 1, 2011, respectively.

The following table details plan participation as of June 30, 2015:

<u>Plan</u>	<u>Participants</u>
SPSP	6,554
SPSP-H	5,945

The SPSP requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each pay period. Participants in the plan hired before July 1, 1986 may voluntarily contribute up to an additional 4.5% and participants hired on or after July 1, 1986 may voluntarily contribute up to an additional 3.05% of total salary, with the City matching each. Hourly employees contribute 3.75% on a mandatory basis, which was matched by City contributions of 4.25% during fiscal year 2015 for employees represented by the MEA and the California Teamsters Local 911. Beginning July 1, 2015, City contributions are increased to 6.00%

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

401(a) Plan Under Proposition B - Proposition B amended the City Charter to provide all new City employees initially hired on or after July 20, 2012, except sworn police officers, with a 401(a) plan that is administered along with SPSP but with different contribution rates, vesting periods and employer match. Non-public safety employees contribute an amount equal to 9.2% of salary and firefighters, lifeguards, and police recruits contribute 11% of salary (including overtime) on a mandatory basis. The City matches all such contributions and contributions are fully vested immediately upon employment. Police recruits participate in SDCERS upon acceptance of full-time police employment. Due to ongoing litigation regarding Proposition B, the City has not established a new plan for eligible employees. Instead, the City has contributed funds to SPSP-H, an existing 401(a) plan, to eligible employees in accordance with the SPSP-H plan provisions. The City will continue to contribute funds for such employees through the SPSP-H, pending resolution of Proposition B litigation.

In fiscal year 2015, the City and the covered employees contributed \$24,070 and \$24,005, respectively, including contributions made under the 401(a) Plan under Proposition B. The City also recognized approximately \$1,289 in forfeitures. As of June 30, 2015, the plan fiduciary net position totaled \$661,988. SPSP, which includes SPSP-H, is considered part of the City's financial reporting entity and is reported as a pension trust fund.

b. 401(a) Plan - City

The City Council established a 401(a) Plan for all General Member employees hired on or after July 1, 2009 and before July 20, 2012. The 401(a) Plan is a defined contribution plan administered by Wells Fargo to provide pension benefits for eligible employees. Employees are eligible to participate from the date of employment and are immediately 100% vested. Employees contribute 1% on a mandatory basis, which is matched by City contributions. Additionally, employees can make voluntary contributions to their 401(a) Plan accounts through payroll deductions not to exceed IRS limits. Voluntary contributions to the plan are not matched by the City. The City Council can amend any provisions of the plan that is not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Millais-Brown Act.

The City and employees contributed \$357 and \$459, respectively, during the year ended June 30, 2015. As of June 30, 2015, the plan fiduciary net position totaled \$3,080. The 401(a) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

c. 401(k) Plan - City

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

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed \$17,363 during the year ended June 30, 2015. There is no City contribution towards the 401(k) Plan.

As of June 30, 2015, the plan fiduciary net position totaled \$334,956. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

d. Pension Plan - San Diego Data Processing Corporation

Prior to dissolution, SDDPC administered a Money Purchase Pension Plan (SDDPC 401(a) Plan), a defined contribution plan covering all employees of SDDPC who were eligible for membership as defined by the plan document. On August 5, 2013, acting as the sole member of SDDPC, the City Council elected to take the necessary steps to wind-up and dissolve SDDPC. Additionally, the City Council directed SDDPC's board to adopt retirement plan amendment resolutions ending SDDPC's retirement plans and discontinuing funding of the Plans effective on or before the date of final dissolution of SDDPC. On December 3, 2013, the SDDPC 401(a) plan was effectively terminated and the process of winding down was substantially complete as of June 30, 2015.

Narratives presented in the following sections (e. through g.) are taken directly from the fiscal year 2015 annual financial reports of the corresponding entity (certain terms have been modified to conform to the City's CAFR presentation).

e. Pension Plan - Civic San Diego (CSD)

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

CSD's contributions for each employee are fully vested at the time of contribution. CSD's total payroll (excluding benefits) for fiscal year 2015 was \$2,697. CSD's contributions were calculated based on the CSD Plan's compensation amounts for all eligible employees, which totaled \$2,697. CSD made its required contribution amounting to \$310 for fiscal year 2015.

The fiduciary responsibilities of CSD consist of making timely contributions and remitting deposits collected. The

CSD Plan is not a component unit of CSD and is therefore not reported in the basic financial statements.

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

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

f. Pension Plan - San Diego Convention Center Corporation

The SDCCC Money Purchase Pension Plan (SDCCC Plan) is a governmental plan under IRC section 414(d), which was established effective January 1, 1986, by SDCCC's Board of Directors. The SDCCC Plan is administered by SDCCC through a Defined Contribution Committee, represented by the SDCCC Board and staff, who act by a majority of its members in office to carry out the general administration of the plan. Any recommended plan amendments are subject to the approval and adoption by SDCCC's Board of Directors. As part of the SDCCC Plan, SDCCC through Board action selected Wells Fargo & Company as Trustee, to hold and administer plan assets subject to the terms of the SDCCC Plan. The SDCCC Plan is a qualified defined contribution plan and as such, benefits depend on amounts contributed to the plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers all employees who have completed at least 1,000 or more hours of service in one year and are not covered through a union retirement plan. Employees are eligible to participate in the SDCCC Plan on the first day of the month after completion of 1,000 hours of service during the twelve-month period beginning from the employee's hire date (or during any subsequent plan year). For each plan year, SDCCC contributes 10% of compensation paid after becoming an eligible participant, which is transferred to the fund on behalf of each qualifying individual.

SDCCC's Plan year is defined as a calendar year. The balance in the SDCCC Plan for each eligible employee is vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with SDCCC Plan provisions. A trustee bank holds the SDCCC Plan assets.

For the year ended June 30, 2015, pension expense amounted to \$1,187 with no employee contributions made to the SDCCC Plan. Included in pension expense were forfeitures in the amount of \$226. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in gross income covered compensation.

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

g. Pension Plan - San Diego Housing Commission

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

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce SDHC's current-period contribution requirement.

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

SDHC made its required 14% contribution in the amount of \$2,316 and plan members contributed \$144 for the fiscal year ended June 30, 2015.

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

12. OTHER POSTEMPLOYMENT BENEFITS (Dollars in Thousands)

a. Plan Description

The City provides postemployment healthcare benefits to qualifying general, safety and elected members, as provided for in SDMC Sections 24.1201 through 24.1204 and 29.0101 through 29.0103. The Other Postemployment Benefit Plan (OPEB Plan), which includes approximately 6,618 retirees and 5,701 active employees as of June 30, 2015, is comprised of defined benefit and defined contribution options. The defined benefit option includes 6,103 retirees and 1,334 active employees and the defined contribution plan includes 515 retirees and 4,367 active employees.

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

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

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

Defined Benefit Plan

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

¹ Reported as whole number

Defined Contribution Plan

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

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

b. Summary of Significant Accounting Policies

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

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

c. Contributions and Reserves

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

Pursuant to the Healthcare MOU, the City has allocated \$57,782 in its annual budget for fiscal years 2013-15, with any costs exceeding this amount being drawn from the CERBT. After fiscal year 2015, the City's payment will increase by up to 2.5% annually. Beginning in fiscal year 2015, the terms of the Healthcare MOU may be renegotiated. In addition to the payments required under the Healthcare MOU, the City also made contributions to the Medical Trust Plan totaling \$197.

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

In fiscal year 2015, the City made Healthcare MOU payments of \$57,782 related to the postemployment healthcare benefit plan as follows: (1) \$31,177 was contributed to the defined benefit plan, (2) \$338 was incurred for administration of the defined benefit plan; and (3) \$26,267 was contributed to the Option C Plan. In addition, the City also paid \$6,543 of pay-go defined benefit costs by drawing funds from the CERBT and \$1,016 from funds collected from contributions from members of the defined benefit plan.

All contributions to the CERBT become trust assets, which can only be used to pay for expenses of the defined benefit plan. As of June 30, 2015, the fair value of the City's assets invested in the CERBT was approximately \$121,115. This balance is net of all contributions to and distributions from the plan, as well as fiscal year 2015 annual investment losses and administrative expenses amounting to approximately \$450 and \$130, respectively.

d. Funded Status and Funding Progress

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

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAL as % of Covered Payroll ((b-a)/c)
6/30/2015	\$ 121,115	\$ 658,408	\$ 537,293	18.40%	\$ 87,252	615.79%

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

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

The Schedule of Employer Contributions is intended to present trend information about the amounts contributed to the OPEB Plan by employers in comparison to the ARC determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed 23 year period commencing with fiscal year 2015.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the City and plan members through June 30, 2015. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the actuarial value of assets.

The table on the following page summarizes the more significant actuarial methods and assumptions used to calculate the ARC for the fiscal year 2015 (actuarial valuation as of June 30, 2014), as well as for the most current actuarial valuation (as of June 30, 2015):

Description	Method/Assumption	
	June 30, 2014	June 30, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar	Level Dollar
Remaining Amortization Period	23 years, closed	22 years, closed
Actuarial Asset Valuation Method	Market Value	Market Value
Discount Rate	6.81%	6.73%
Inflation Rate	N/A ¹	N/A ¹
Projected Payroll Increases	N/A ¹	N/A ¹
Healthcare Cost Trend Rate	FY14 8.0% grading down 0.5% each year to 4.5%	FY15 7.5% grading down 0.5% each year to 4.5%

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

Source: Buck Consultants

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

The following table presents the annual NOPEBO cost, the percentage of annual NOPEBO cost contributed during the fiscal year, and the NOPEBO at the end of fiscal year 2015, as well as for the two preceding fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/13	\$ 34,078	109.94%	\$ 244,081
06/30/14	34,773	98.48%	244,610
06/30/15	38,018	84.68%	250,435

The following table shows the calculation of the City's NOPEBO for the fiscal year ended June 30, 2015 (based on the valuation as of June 30, 2014):

ARC [Fiscal Year 2015]	\$ 41,740
Interest on NOPEBO	16,657
ARC Adjustment	<u>(20,379)</u>
Annual OPEB Cost	38,018
Contributions [Fiscal Year 2015]	<u>(32,193)</u>
Change in NOPEBO	5,825
NOPEBO Beginning of Year [July 1, 2014]	<u>244,610</u>
NOPEBO End of Year [June 30, 2015]	<u><u>\$ 250,435</u></u>

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

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. The \$27,990 balance is comprised of several items, including a loan of \$11,322 from the General Fund to the PFFA capital projects fund, in order to fund expenditures related to the PFFA Lease Revenue Bonds Series 2012A and 2013A until eligible costs are reimbursed from the trustee held funds. In addition, loans were made from the General Fund to the Grants Special Revenue Fund and the Capital Grants Fund of \$5,284 and \$6,312, respectively, in order to cover negative cash resulting from deferred inflows of resources (unavailable grant revenue). The Transportation & Storm Water Department (General Fund) has accrued expenditures of \$5,053 for low-flow diversion capacity charges due to the Sewer Utility Fund.

<u>Contributing Fund (Receivable)</u>	<u>Benefitting Fund (Payable)</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	
General Fund	\$ -	\$ 22,937	\$ 22,937
Sewer Utility	5,053	-	5,053
Total	\$ 5,053	\$ 22,937	\$ 27,990

Interfund Working Capital Advance (WCA) balances are the result of loans between funds (recorded as advances to/from other funds) that are expected to be repaid in excess of one year. The \$6,055 balance is comprised of an \$848 advance from the General Fund to Civic San Diego, mainly for administrative costs, and \$5,207 advanced from the Capital Outlay Fund to Civic San Diego for various construction projects.

<u>Contributing Fund (Receivable)</u>	<u>Benefitting Fund (Payable)</u>
	<u>Nonmajor Governmental</u>
General Fund	\$ 848
Nonmajor Governmental	5,207
Total	\$ 6,055

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for the capital projects and debt service needs during the fiscal year. Interfund transfer balances for the year ended June 30, 2015 are as follows:

<u>Contributing Fund</u>	<u>Benefitting Fund</u>						<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	
General Fund	\$ -	\$ 52,182	\$ -	\$ -	\$ 52	\$ 667	\$ 52,901
Nonmajor Governmental	34,628	165,610	-	-	-	-	200,238
Sewer Utility	-	24	-	-	-	-	24
Water Utility	-	16	3,651	-	-	-	3,667
Nonmajor Enterprise	-	566	-	-	537	-	1,103
Internal Service	268	276	92	58	46	-	740
Total	\$ 34,896	\$ 218,674	\$ 3,743	\$ 58	\$ 635	\$ 667	\$ 258,673

14. RISK MANAGEMENT (Dollars in Thousands)

The City is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is self-insured for public liability, workers' compensation and long-term disability (LTD) claims, and also maintains contracts with various insurance companies to manage excessive risks.

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

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

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2015 were determined based on results of independent actuarial valuations and include amounts for claims incurred but not reported. Claims liabilities were calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Non-incremental claims adjustment expenses have been included in the actuarial calculations for public liability. Estimated liabilities for public liability claims have been recorded in the government-wide financial statements, Sewer Utility Fund, Water Utility Fund, and the Successor Agency Private-Purpose Trust Fund. Estimated liabilities for workers' compensation claims have been recorded in the government-wide financial statements, the Water Utility Fund, Sewer Utility Fund, Nonmajor Enterprise Funds, and Internal Service Funds. Estimated liabilities for long-term disability claims were recorded in the Internal Service Funds.

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

	Public Liability ¹	Workers' Compensation & Long-Term Disability	Total
Balance, July 1, 2013	\$ 225,415	\$ 221,270	\$ 446,685
Claims and Changes in Estimates	26,367	45,013	71,380
Claim Payments	<u>(52,373)</u>	<u>(25,695)</u>	<u>(78,068)</u>
Balance, June 30, 2014	199,409	240,588	439,997
Claims and Changes in Estimates	31,069	23,968	55,037
Claim Payments	<u>(42,888)</u>	<u>(27,446)</u>	<u>(70,334)</u>
Balance, June 30, 2015	<u>\$ 187,590</u>	<u>\$ 237,110</u>	<u>\$ 424,700</u>

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

The City, in collaboration with CSAC-EIA, maintains an "All Risk" policy, which includes flood coverage for amounts up to \$25,000 per occurrence under the primary policy and with access to additional excess limits. The policy is subject to a \$25 deductible. Additional excess limits are available as part of the City's insurance property program through CSAC-EIA, where coverage "towers" with designated coverage limits are provided. Coverage towers are groups of properties, which are diversified based on ownership (risk-pool members) and geographical location. The City participates in four coverage towers with dedicated coverage limits of \$300,000 for "All Risk" and Flood. If tower limits are exhausted, additional coverage may be accessible by any of the towers in the risk-pool. These additional coverage limits are shared by all towers in the risk-pool and may not exceed an aggregate amount of \$300,000 for "All Risk" and \$190,000 for Flood for all claims made by all towers during the coverage period. Limits include coverage for business interruption losses for designated leased properties for various financings. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member counties are mutually subject to the losses due to the same occurrence. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, grant requirements, acquisitions, and in response to changes in the insurance marketplace.

CSAC-EIA's insurance property program structure of dedicated tower limits also applies to earthquake coverage. The City participates in four coverage towers. Earthquake coverage is provided for designated buildings/structures in the amount of \$100,000 under primary policies per tower. If tower limits are exhausted, additional coverage may be accessible by any of the towers in the risk pool. The additional coverage limits are shared by all towers in the risk-pool and may not exceed an aggregate amount of \$390,000 for all claims made by all towers during the coverage period, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 5% of total insured values per unit per occurrence, subject to a \$100 minimum. The City's earthquake coverage is purchased jointly and limits are shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an individual earthquake occurrence. Depending upon the availability and affordability of earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

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

During fiscal year 2015, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements which were covered by insurance have not exceeded the City's insurance coverage limits. However, some losses may not be covered by insurance and would need to be funded by the City. The City can give no assurance that particular losses will be covered or that coverage providers will be able to pay recorded losses.

See Note 17 for additional information.

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

The TransNet-Budgeted Capital Projects Fund has a fund balance deficit of \$959, due to the fact that it has accrued expenditures related to the program for which funds have not been drawn. TransNet operates on a cash reimbursement basis and expects to draw funds when the accrued liability is liquidated in fiscal year 2016.

The Capital Grants Capital Projects Fund has a fund balance deficit of \$6,959, which represents deferred inflows of resources related to grant revenue which did not meet the City's availability criteria.

Implementation of GASB 68 has resulted in a significant reporting impact to the net position of most proprietary funds. The Development Services and Recycling Enterprise Funds have net position deficits of \$58,184 and \$786, respectively. The Central Stores and Publishing Services Internal Service Funds have net position deficits of \$826 and \$1,091, respectively. These deficits are primarily due to the Net Pension Liability (NPL) expected to be repaid over the long-term. Generally, the NPL is reduced yearly as the City continues to fully pay its ADC for the Pension Plan, which includes amortized payments of the unfunded actuarial accrued liability (see Note 11). The cost recovery rates for these funds are developed to fully fund the respective ADC on a yearly basis. As the City continues to fully pay its ADC for the Pension Plan, the net position deficit of these funds will be corrected over the long-term.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of \$424,927, which represents unfunded liabilities of the former RDA, mainly related to long-term debt. Every six months, the Successor Agency submits funding requests to the County of San Diego, through Recognized Obligation Payment Schedules (ROPS). Funding is then allocated to the Successor Agency from the County's Redevelopment Property Tax Trust Fund (RPTTF) to satisfy obligations of the corresponding six month period. As obligations are funded every six months and liabilities are paid, the net position deficit will continue to decrease until being eliminated once all the obligations of the Successor Agency are fully satisfied.

16. COMMITMENTS (Dollars in Thousands)

The City has contractual and regulatory commitments that will result in expenses/expenditures in future years. These include operating and capital contractual commitments for which funds have been encumbered as of June 30, 2015 and are reflected in the table below. It is the City's policy to pay for operating encumbrances remaining at the end of the fiscal year from the following year's appropriations, not from fund balance. Encumbrances related to capital projects are funded through the current year appropriated budget, which carries over to the following fiscal year. Additional commitments resulting from regulatory matters are described following the table.

General Fund	\$ 6,870
Nonmajor Governmental Funds	112,635
Sewer Utility	80,202
Water Utility	53,482
Nonmajor Enterprise Funds	<u>26,872</u>
Total Contractual Commitments	<u>\$ 280,061</u>

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

The federal Clean Water Act (Clean Water Act) requires every state to provide a list of the beneficial uses of their receiving waters, such as fishing or swimming. The Regional Water Quality Control Board (RWQCB) is the State agency charged with implementing the Clean Water Act. The RWQCB issues the San Diego Regional Municipal Storm Water National Pollutant Discharge Elimination System Permits (NPDES Permit) as required by the Clean Water Act. To determine if the receiving waters are achieving their beneficial uses, the RWQCB uses water quality tests to monitor the receiving waters to assess whether they are meeting the water quality objectives requirements. When a receiving water does not meet the water quality objectives, the RWQCB places the receiving water on the Clean Water Act Section 303(d) List of Impaired Water Bodies. The RWQCB has two methods to bring receiving water bodies into compliance: (1) establishing Total Maximum Daily Loads (TMDLs), such as the Chollas Creek Dissolved Metals TMDL; or (2) issuing Clean-up & Abatement Orders (CAO). A TMDL is a numeric limitation on the maximum amount of a pollutant that a natural body of water can legally receive while still meeting water quality standards under the Clean Water Act. A CAO is an order that requires the removal of pollutants from a water body.

The Ocean Plan, which was adopted by the California State Water Resources Control Board (SWRCB), prohibits certain discharges, with some exceptions, into designated Areas of Special Biological Significance (ASBS). ASBS areas support an unusual variety of aquatic life, and often host unique individual species. The City has a Compliance Plan, which describes the approach the City must take to comply with the requirements of SWRCB Resolution Number 2012-0012, approving exceptions to the Ocean Plan for selected discharges into areas of special biological significance. The Compliance Plan requires structural controls to limit discharges into the ASBS.

The San Diego Region Municipal NPDES Permit covers the City, the County and other municipalities within the County (Co-Permittees). TMDLs and ASBS can be incorporated into the NPDES Permit. By incorporating TMDLs and ASBS requirements into the San Diego Region Municipal NPDES Permit they become enforceable, making violations of these regulations by the City and Co-Permittees subject to fines and penalties. The 303(d) list is updated by the RWQCB every 2 years. If new impairments are included in the 303(d) list, additional clean up or pollution reduction activities may be required by the City and may become enforceable if incorporated into the NPDES Permit.

On May 8, 2013, the RWQCB adopted a new San Diego Region Municipal NPDES Permit (Order R9-2013-0001), which became effective in July 2013. On July 14, 2014, the State Office of Administrative Law approved a TMDL for

Sediment in Los Peñasquitos Lagoon. The Sediment TMDL became enforceable when it was incorporated into the San Diego Region Municipal NPDES Permit on February 11, 2015, through the adoption of Order R9-2015-0001. By incorporating the TMDLs into the San Diego Region Municipal Permit, the RWQCB made numeric measurements of pollutants a basis for enforcing violations of the permit, and not solely on the basis of the City failing to control pollutants to the maximum extent practical. Additionally, the permit requires that the City implement a schedule of operation and maintenance activities and verify proper operation of all municipal structures in order to minimize the possibility of erosion and sedimentation due to pipe and other system failures.

The San Diego Region Municipal NPDES Permit requires the Co-Permittees to develop Water Quality Improvement Plans (WQIPs) to identify and address the highest water quality problems in each of the region's eight watersheds. The City led or participated in the development of WQIPs for each of the six watersheds in the City's jurisdiction. In the City's six WQIPs, the City included cost estimates to comply with the TMDLs and provide flood risk management over the next 20 years. The WQIP cost estimates were included in the City's Watershed Asset Management Plan (WAMP), which is the City Storm Water Division's long-range planning document used to manage the City's storm water assets to improve water quality and mitigate flood risk. The annual compliance costs for fiscal years 2016 through 2035 are presented in the City Storm Water Division's WAMP: Storm Water Quality Compliance Period (20-Year) Outlook Forecast dated October 23, 2015. The City Storm Water Division's estimated operating and capital costs to comply with the TMDLs and with flood risk management from fiscal years 2016 through 2020 are estimated to be approximately \$616,189, of which approximately \$326,833 are projected capital costs and \$289,356 are operating costs. Compliance costs from fiscal years 2021 through 2035 are estimated to be up to approximately \$2,497,120, of which an estimated \$1,587,915 are projected capital expenses and \$909,205 are operating expenses. These estimates could be higher or lower depending on numerous factors, including but not limited to: changes in regulatory standards; science and technology advancements; and/or maintenance projects determined to be capital expenditures due to the magnitude of the repair. It is important to note that the current estimates have been revised based on the RWQCB's review of the draft WQIPs that were submitted in June 2015. The RWQCB is currently reviewing the updated WQIPs, which include the revised cost estimates above, to determine compliance with the San Diego Region Municipal NPDES Permit. Until the plans are "accepted" by the RWQCB's Executive Officer, they remain a draft and subject to change. The City has been negotiating with the RWQCB since November 2015 to update the Chollas Creek Dissolved Metals TMDL, which could result in a cost reduction of approximately \$861,000 in capital expenditures between fiscal year 2019 and 2028. This potential cost reduction is assumed in the estimated operating and capital costs identified above.

The City Storm Water Division's estimated costs to comply with the TMDLs are significantly higher compared to current spending levels. The City currently has no comprehensive long-term plan to fully fund Municipal Storm Water Permit activities and costs associated with the WQIPs. Estimated expenses budgeted for fiscal year 2016 are approximately \$55,000 which are funded with available storm water fees, general City revenues and bond proceeds. The City's storm water fees generated approximately \$5,773 in fiscal year 2015 and cover only a small portion of the City's annual storm water costs. Since 2009, approximately \$52,000 in bond proceeds has been allocated to the Storm Water Division's Capital Improvement Program, including storm drains and watershed projects. The City expects to continue to use proceeds from future bond issues to finance a portion of the storm water program and water quality capital projects. Absent an increase in storm water fees or other new funding sources, the unfunded or increased compliance costs would continue to be paid from the General Fund.

The Municipal Storm Water Permit contains regulatory deadlines including: (1) compliance with Areas of Special Biological Significance structural controls by March 2018; (2) dry weather bacteria reductions by April 2018; and (3) dissolved metal reductions in Chollas Creek by October 2018. Most of these activities represent pollution prevention or control obligations with respect to current storm water operations and are not subject to accrual in the basic financial

statements. If compliance activities are deferred to later fiscal years, the City would risk non-compliance. Penalties may be assessed for non-compliance, which can amount to \$10 per day per violation from the State, and federal EPA penalties of \$16 per day per violation. Each storm drain outfall that flows to a receiving water body may be assessed as a separate violation. Additionally, should the City fall out of compliance, it could be exposed to litigation from third parties.

California Department of Public Health Compliance Order

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

Water Utility expects to substantially fulfill all terms of the Compliance Order by fiscal year 2018. For fiscal years 2016 through 2018, the City estimates Compliance Order project costs to total \$77,876. Water Utility expects to fund these commitments through a combination of existing net position, system revenues, and financing proceeds from future bond issuances or loans.

Additionally, the City plans to continue with 20 miles of water main replacements in fiscal year 2016 at an estimated cost of \$30,000 to \$40,000. The City will continue to evaluate the water main replacement program for the remaining 50 miles of distribution cast iron mains and progress with a condition assessment program for the 2,100 miles of asbestos cement water pipeline to determine the appropriate replacement rate for the next 10 years.

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

The City recognizes as revenue grant monies received as reimbursement for costs incurred related to certain Federal and State programs it administers. Although the City's federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget Circular A-133 and 2 CFR 200 Uniform Guidance, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2015 is in process.

LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material matters, including claims asserted, which are incidental to performing routine governmental and other functions. This litigation includes, but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City received 1,547 notices of claims in fiscal year 2015.

As of June 30, 2015, the City estimates the amount of tort and non-tort liabilities to be \$187,590, which has been reported in the government-wide statement of net position, the proprietary funds financial statements, and the fiduciary funds financial statements. The liability was actuarially determined and was supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The liability recorded is the City's best estimate based on information available as of the issuance of this report. The City Attorney also estimates that in the event of an adverse ruling, certain pending lawsuits and claims have a reasonable possibility of resulting in an additional liability, in the aggregate, ranging from \$0 to \$155,189. However, the potential liabilities related to these claims are not individually accrued because it is not probable that a loss has been incurred as of June 30, 2015.

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

Adverse Fiscal Impacts to the City

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

The dissolution of the former RDA has resulted in adverse fiscal impacts to the City, mainly from the general rule in ABX1 26 that purports to invalidate agreements between the City and the former RDA, subject to limited exceptions. The California Department of Finance (DOF) has relied upon this general rule to object to payments owed by the Successor Agency to the City under several agreements between the City and the former RDA. However, on September 22, 2015, the Governor signed Senate Bill 107 (SB 107), which clarifies or modifies existing dissolution laws. SB 107 effectively reverses certain adverse decisions made by the DOF affecting agreements between the City and the former RDA by establishing a new, broader legal standard to determine the enforceability of Successor Agency obligations. On October 1, 2015, the Successor Agency submitted its most recent Recognized Obligation Payments Schedule (ROPS 15-16B) to the DOF which included revival of certain obligations subject to SB 107 provisions. The City reports the balance of related interfund loan receivables in the fund level financial statements, net of allowances

for uncollectible amounts. Allowances have been established in these funds to reflect the uncertainty regarding collectability of these loans (see Note 1(f) and Note 18(j) for additional information). Additional information on the specific obligations affected by passage of SB 107 can be found in Note 24.

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

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In December 2008, the City received a second renewal of a Modified Permit for the Point Loma Wastewater Treatment Plant (Point Loma) and agreed to identify opportunities to maximize recycling wastewater for potable and non potable uses. In August 2010, the EPA issued another waiver for secondary treatment at Point Loma and renewed the Modified Permit for 5 more years which expired in July 2015. The City submitted a renewal application in January 2015 and the existing Modified Permit has been administratively continued, pending a decision by the regulatory agencies. Based on the City's past experience and its high level of compliance with the Federal Clean Water Act (CWA), it expects to receive approval of a new Modified Permit by the end of 2016. If the City does not obtain a renewal of the Modified Permit, there could be significant future obligations to fund the secondary treatment requirements. If the City is required to upgrade to secondary treatment, the estimated cost could be approximately \$2,100,000 (current dollars) through fiscal year 2050, with approximately \$1,800,000 occurring by fiscal year 2030, not including financing costs.

The City has worked with the environmental community to develop strategies for the recently submitted permit application. This strategy includes implementing a potable water reuse program (Pure Water Program). In November 2014, the Mayor and City Council approved a Cooperative Agreement between the City and local environmental groups to work together to implement the Pure Water program. The centerpiece of the Cooperative Agreement is an amendment to the Ocean Pollution Reduction Act of 1994 (OPRA) called OPRA II. OPRA II would amend the CWA to allow the Point Loma Plant to remain at advanced primary treatment in return for implementing a total of up to 83 million gallons per day of potable reuse by the end of calendar year 2035. Building the facilities necessary to implement potable reuse will offload wastewater from the Point Loma Plant such that effluent levels will be equivalent to converting the Point Loma Plant to secondary treatment. OPRA II would also change the permitting process for the Point Loma Plant to treat it like every other secondary wastewater treatment plant.

The Modified Permit renewal application was based on compliance with CWA requirements as modified by the OPRA, the proposed requirements for secondary equivalency, and a reduction in permitted emissions from the current permit level by December 31, 2015. The total capital cost to build the Pure Water Program facilities and infrastructure is estimated to be approximately \$3,000,000 (current dollars) of which approximately \$1,800,000 will be a cost to the Sewer Utility Fund, and approximately \$1,200,000 will be a cost to the Water Utility Fund. The first phase of the Pure Water Program is estimated to cost approximately \$1,000,000, of which approximately \$266,000 will be a cost to the Sewer Utility Fund, and approximately \$734,000 will be a cost to the Water Utility Fund.

POLLUTION REMEDIATION OBLIGATIONS

Los Peñasquitos Lagoon Sedimentation Total Maximum Daily Load (TMDL)

The City is a listed responsible party regarding the sedimentation of Los Peñasquitos Lagoon. This TMDL was adopted by the State of California in July 2014. The TMDL included requirements for sediment reductions in the Los Peñasquitos Watershed and the establishment of 84 acres of new salt marsh habitat in the Los Peñasquitos Lagoon by July 2034. The habitat restoration requirements associated with the establishment of 84 acres of salt marsh habitat represent pollution remediation obligations; however any estimated costs cannot be reasonably determined at this time pending the development of the final concept design for the restoration of Los Peñasquitos Lagoon. In addition, because a design for the restoration of the lagoon has not been developed, the City has not yet estimated what portion of the costs would be operating or capital costs.

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

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

The CAO divided the cleanup area into two sections, the northern yard adjacent to operator BAE Systems, Inc. leasehold, and the southern yard adjacent to the National Steel and Shipbuilding Co. (NASSCO) leasehold. A Remedial Action Plan for the cleanup project has been submitted by the Dischargers to the RWQCB. The cleanup project has an estimated cost between \$70,000 and \$75,000, plus an additional \$6,000 to \$9,000 of costs related to site investigation, assessment, and RWQCB oversight. Actual costs could be higher. The order includes post-remedial monitoring requirements, which, depending on monitoring results and trends, may lead to further cleanup orders. The City settled the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) litigation with BAE and NASSCO in the Spring of 2015, with the City receiving a 24% allocation of costs for the northern shipyard and a 17% cost allocation for the southern yard sediment cleanup work. In addition, the City agreed to reimburse BAE and NASSCO for a portion of their past response costs. The City’s total share of the remedial work is projected to be approximately \$15,100, which has been fully funded by insurance proceeds of approximately \$15,100 in fiscal year 2015.

The CAO included post-remedial monitoring requirements which may lead to further cleanup orders, depending on monitoring results and trends. Future cleanup costs resulting from monitoring requirements, if any, cannot be estimated at this time.

Boat Channel at Naval Training Center (NTC)

The old Naval Training Center was closed and conveyed to the City under the Base Realignment and Closure (BRAC) process that culminated in an MOU between the City and the U.S. Navy in 2000. The NTC base was redeveloped as Liberty Station by McMillin. The transfer of the NTC Boat Channel was excluded from the conveyance because it was known to be polluted. The MOU stipulates that the boat channel is to be conveyed to the City after the Navy completes investigation and remediation. In the years that have ensued since the MOU, the Navy BRAC arm did investigate the pollution and took the position that the City was partly responsible for discharges which polluted the channel. The City disagrees because the NTC base itself surrounded the channel for decades, and most if not all discharges were Navy-originated. The City is not able to estimate the pollution remediation costs, if any, at this time.

Chollas Creek Mouth Sediment Tentative Investigative Order

On August 27, 2015, the RWQCB released for public review and comments draft Sediment Investigative Order (SIO) R9-2015-0058 regarding sediment contamination at the mouth of Chollas Creek in San Diego Bay and potential sediment contamination of the tidal prism of Chollas Creek. The City submitted comments on September 30, 2015 which the RWQCB is reviewing. It is expected that the SIO will be adopted in the winter of 2016. Costs of remediation cannot be estimated until the investigation is complete and cleanup levels are negotiated with and ultimately imposed by the RWQCB.

18. DEBT WITHOUT GOVERNMENT COMMITMENT (Dollars in Thousands)

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

The following describes the outstanding debt without government commitment:

a. Mortgage Revenue Bonds

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

As of June 30, 2015, the status of mortgage revenue bonds issued is as follows:

	Original Amount	Balance June 30, 2015
Mortgage Revenue	\$ 15,700	\$ 1,485

b. Special Assessment/Special Tax Bonds

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

As of June 30, 2015, the status of each of the special assessment/special tax bonds issued is as follows:

	Original Amount	Balance June 30, 2015
Reassessment District No. 1999-1, Issued February 1999	\$ 38,145	\$ 1,442
Reassessment District No. 2003-1, Issued August 2003	8,850	2,385
Communities Facilities District No.4 (Black Mountain Ranch Villages), Series 2008 A	12,365	10,925
Communities Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2011 A	51,680	44,605
Communities Facilities District No.1 (Miramar Ranch North), Series 2012	24,795	19,295
Communities Facilities District No.3 (Liberty Station), Series 2013	15,770	15,120
Assessment District No.4096 (Piper Ranch), Issued July 2013	3,830	3,750
Communities Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2015	3,380	3,380
Communities Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2015	6,215	6,215
Total Special Assessment / Special Tax Bonds	<u>\$ 165,030</u>	<u>\$ 107,117</u>

On June 16, 2015, Communities Facilities District No. 2 (Santaluz), Improvement Area No. 3, Special Tax Refunding Bonds, Series 2015 and Communities Facilities District No. 2 (Santaluz), Improvement Area No. 4, Special Tax Refunding Bonds, Series 2015 were issued to fully refund the outstanding Communities Facilities District No. 2 (Santaluz) Improvement Area No.3, Series 2000 B and Communities Facilities District No. 2 (Santaluz), Improvement Area No. 4, Series 2004 A bonds, respectively. The refunded bonds were fully redeemed on September 1, 2015.

c. Refunding Revenue Bonds

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

As of June 30, 2015, the status of each of the refunding revenue bonds issued is as follows:

	Original Amount	Balance June 30, 2015
Reassessment District No. 1999-1, Series 1999 A Senior Lien Bonds	\$ 30,515	\$ 955
Reassessment District No. 1999-1, Series 1999 B Subordinate Lien Bonds	7,630	235
Total Refunding Revenue Bonds	<u>\$ 38,145</u>	<u>\$ 1,190</u>

d. Parking Revenue and Tax Allocation Bonds

The former RDA issued parking revenue bonds for the purpose of financing certain public parking facilities and tax allocation bonds for the purpose of financing or refinancing redevelopment activities. The parking revenue and tax allocation bonds are secured by certain pledged revenues of the former RDA and are not direct liabilities of the City. In no event will the bonds be payable out of any funds or properties other than those of the Successor

Agency or former RDA, along with any monies held by the Trustee in the funds and accounts established under the indenture, and any amounts, including proceeds of the sale of the Bonds, held in any fund or account established pursuant to the Indenture.

As of June 30, 2015, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance June 30, 2015
Revenue Bonds:		
Centre City Parking Revenue Bonds, Series 1999 A	\$ 12,105	\$ 6,835
Centre City Parking Revenue Bonds, Series 2003 B	20,515	8,715
Total Revenue Bonds	<u>32,620</u>	<u>15,550</u>
Tax Allocation Bonds:		
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	1,200	400
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	12,970	1,070
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	25,680	14,950
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	13,610	9,570
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	5,690	4,070
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	10,141	6,138
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	6,100	3,480
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	21,390	14,175
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	15,025	8,800
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	13,000	9,370
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	7,000	5,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A	58,425	51,039
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	31,000	11,980
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	4,955	4,825
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	4,530	3,235
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	8,000	4,255

Continued on Next Page

	Original Amount	Balance June 30, 2015
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	\$ 7,145	\$ 4,700
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	5,360	5,360
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	101,180	69,365
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	27,785	19,690
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	8,905	6,335
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	76,225	63,190
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	33,760	28,205
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	69,000	39,900
North Park Redevelopment Project Tax Allocation Bonds, Series 2009 A	13,930	13,930
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 A	5,635	5,635
City Heights Redevelopment Project Tax Allocation Bonds, Series 2010 B	9,590	9,590
Crossroads Redevelopment Project Tax Allocation Bonds, Series 2010 A	4,915	4,715
Housing Set-Aside Tax Allocation Bonds, Series 2010 A	58,565	57,535
Naval Training Center Redevelopment Project Tax Allocation Bonds, Series 2010 A	19,765	18,420
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 A	2,900	2,900
San Ysidro Redevelopment Project Tax Allocation Bonds, Series 2010 B	5,030	4,625
Total Tax Allocation Bonds	<u>697,786</u>	<u>515,887</u>
Total Parking Revenue and Tax Allocation Bonds	<u>\$ 730,406</u>	<u>\$ 531,437</u>
Accreted Interest Payable on Tax Allocation Bonds:		
City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 B		\$ 10,545
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A		14,212
Total Accreted Interest Payable		<u>\$ 24,757</u>

e. Pooled Financing Bonds

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

	Original Amount	Balance June 30, 2015
Pooled Financing Bonds:		
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	\$ 17,230	\$ 13,735
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	17,755	14,740
Total Pooled Financing Bonds	<u>\$ 34,985</u>	<u>\$ 28,475</u>

f. Loans Payable

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

	Original Amount	Balance June 30, 2015
Loans Payable:		
City San Diego - Naval Training Center Section 108 Loan dated June 2004	\$ 5,910	\$ 4,346
City San Diego - HUD Settlement Agreement dated various dates	45,311	34,130
City of San Diego - Miscellaneous dated various dates	65,167	65,795
Total Loans Payable	<u>\$ 117,638</u>	<u>\$ 104,271</u>
Accrued Interest Payable:		
City San Diego - HUD Settlement Agreement	\$ 33,476	\$ 33,204
City of San Diego - Miscellaneous	-	771
Total Accrued Interest Payable	<u>\$ 33,476</u>	<u>\$ 33,975</u>

g. Amortization Requirements

The annual requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2015, including interest payments to maturity, are as follows:

Year Ending June 30	Loans Payable		Revenue Bonds			
	Principal	Interest	Principal	Interest		
2016	\$ 8,516	\$ 1,146	\$ 1,320	\$ 848		
2017	11,687	1,614	1,390	776		
2018	788	14,488	1,465	697		
2019	673	16,233	1,545	614		
2020	364	139	1,635	524		
2021-2025	2,163	323	6,570	1,346		
2026-2030	-	15	1,625	70		
Unscheduled ¹	80,080	1,478	-	-		
Total	\$ 104,271	\$ 35,436	\$ 15,550	\$ 4,875		

Year Ending June 30	Tax Allocation Bonds			Pooled Financing Bonds	
	Principal	Unaccrued Appreciation ²	Interest	Principal	Interest
2016	\$ 28,502	\$ 2,440	\$ 27,724	\$ 1,000	\$ 1,621
2017	30,006	2,414	26,222	1,050	1,568
2018	31,572	2,376	24,648	1,105	1,512
2019	33,188	2,325	22,986	1,175	1,450
2020	33,655	2,175	21,255	1,235	1,382
2021-2025	135,699	7,694	83,535	5,710	5,916
2026-2030	103,984	1,137	51,431	7,290	4,052
2031-2035	61,020	-	28,650	7,100	1,712
2036-2040	48,600	-	12,259	2,810	255
2041-2045	9,661	-	334	-	-
Total	515,887	20,561	299,044	28,475	19,468
Add: Accrued Appreciation through June 30, 2015	24,757	-	-	-	-
Total	\$ 540,644	\$ 20,561	\$ 299,044	\$ 28,475	\$ 19,468

¹ The loans payable to the City in the amount of \$80,080 and accrued interest associated with loans payable of \$1,478 are payable when practicable under the original loan terms prior to dissolution of the former RDA, but could be disallowed under provisions of AB X1 26 (see Note 17).

² Unaccrued Appreciation represents the amount to be accrued in future years regardless of the timing of cash flows.

h. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the private-purpose trust fund for the year ended June 30, 2015. The effects of bond accretion, bond premiums and discounts are reflected as adjustments to long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Arbitrage Liability	\$ 4	\$ -	\$ (1)	\$ 3
Liability Claims	70,207	-	(398)	69,809
Loans Payable	102,339	3,182	(1,250)	104,271
Revenue Bonds	21,980	-	(6,430)	15,550
Unamortized Bond Premiums and Discounts	(62)	-	5	(57)
Net Revenue Bonds	21,918	-	(6,425)	15,493
Tax Allocation Bonds	542,989	-	(27,102)	515,887
Interest Accretion	23,754	2,459	(1,456)	24,757
Balance with Accretion	566,743	2,459	(28,558)	540,644
Unamortized Bond Premiums and Discounts	3,047	-	(218)	2,829
Net Tax Allocation Bonds	569,790	2,459	(28,776)	543,473
Pooled Financing Bonds	29,425	-	(950)	28,475
Unamortized Bond Premiums and Discounts	290	-	(14)	276
Net Pooled Financing Bonds	29,715	-	(964)	28,751
Interest Accrued on City Loans and Note	161,056	112	(127,193)	33,975
Total	<u>\$ 955,029</u>	<u>\$ 5,753</u>	<u>\$ (165,007)</u>	<u>\$ 795,775</u>

i. Revival of Long-Term Debt Interfund Loan

On October 1, 2015, the City submitted its most recent Recognized Obligation Payments Schedule (ROPS 15-16B) to the California Department of Finance, which included new line items that will become "enforceable obligations" as a result of language in Senate Bill 107 (SB 107) which clarifies or modifies the previous dissolution laws, subject to approval from the DOF. Specifically, line item 628, which revives the portion of the Long Term Debt Agreement regarding the outstanding CDBG and HUD section 108 loans. The City has dismissed pending litigation regarding the Long-Term Debt Agreement of March 1, 2011 due to the low likelihood of success on the merits and the submission of the new line 628 in ROPS 15-16B; therefore, the City has written off the accrued interest of \$127,193, resulting in an extraordinary gain to the Successor Agency Private-Purpose Trust Fund. See Note 24 for more information on the potential impacts of SB 107 (See Note 24 - Subsequent Events).

j. Revival of CDBG Repayment Agreement

Under the terms of SB 107, line item 626 was added to the ROPS 15-16B submission to revive the outstanding amount owed by the Successor Agency to the City of San Diego under the CDBG Repayment Agreement of \$67,334, which includes the annual installment payments for fiscal year 2014 through 2019 in the aggregate amount of \$64,040, and the annual installment payment for fiscal year 2011 in the amount of \$3,294 that the DOF "clawed back" from the City as part of the Non-Housing DDR. See Note 24 for more information on the potential impacts of SB 107 (See Note 24 - Subsequent Events).

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

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

Postclosure Care Liability

The City is currently permitted by the State to keep the landfill open through fiscal year 2025. However, based on recent changes in recycling policies and compaction methods, the City projects the life expectancy of the landfill will be extended through 2030. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$23,269 reported as landfill closure and postclosure care liability as of June 30, 2015 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 postclosure care of \$4,584 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2015. The costs are estimates and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Funding Requirements

As of June 30, 2015, the City is in compliance with state and federal laws and regulations requiring annual contributions to finance closure and postclosure care costs. At the end of fiscal year 2015, cash or equity in pooled cash and investments of \$47,810 was currently held for this purpose. The net position related to this amount is reported as restricted assets on the Statement of Net Position for the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on the balance of these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

As of June 30, 2015, the City is in compliance with state and federal laws and regulations to demonstrate financial resources sufficient to conduct corrective action for all known or reasonably foreseeable releases from the Miramar Landfill site, meeting the cost estimate approved by the San Diego Regional Water Quality Control Board. At the end of fiscal year 2015, cash or equity in pooled cash and investments of \$1,573 was currently held for this purpose. This amount is reported as restricted assets on the Statement of Net Position in the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

20. OPERATING AGREEMENTS (Dollars in Thousands)City of San Diego and Padres L.P.

On February 1, 2000, the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the Petco Park Ballpark Facility (Facility). The Padres own 30% and the City owns 70% of the Facility, which is shown as a capital asset on the City's Statement of Net Position. The occupancy agreement expires on December 14, 2033 and includes the right of the Padres to exercise two five-year extensions. Upon expiration, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, subject to certain inflationary adjustments. In fiscal year 2015, the City paid approximately \$4,355 related to the operation and maintenance of the Facility.

21. FUND BALANCES (Dollars in Thousands)

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
NONSPENDABLE			
Not in Spendable Form	\$ 849	\$ 24	\$ 873
Legally/Contractually Required to be Maintained Intact	-	21,300	21,300
Total Nonspendable	<u>849</u>	<u>21,324</u>	<u>22,173</u>
RESTRICTED			
Low and Moderate Income Housing	-	286,129	286,129
Facilities Benefit Assessments	-	-	-
Public Facilities Financing Authority	-	170,448	170,448
Capital Outlay	-	6,567	6,567
Impact Fees	-	-	-
Emergency Reserve	89,922	-	89,922
Underground Surcharge	-	86,979	86,979
Grants ¹	658	67,230	67,888
Traffic Congestion Relief (Prop 42)	-	35,900	35,900
Tourism Marketing Districts	-	32,235	32,235
Parking Meter Districts	27,694	-	27,694
Maintenance Assessment Districts	-	20,946	20,946
Developer Contributions	-	19,674	19,674
Mission Bay Reserve	-	19,296	19,296
TransNet	-	-	-
Tobacco Settlement Revenue Funding Corporation	-	12,261	12,261
Regional Parks	-	11,221	11,221
Special Gas Tax Street Improvement	10,965	-	10,965
Sea World Traffic Mitigation	-	8,945	8,945
Fiesta Island Sludge Mitigation	-	7,071	7,071
Environmental Growth	6,972	-	6,972
Library Donations	-	5,852	5,852
Section 108	-	5,093	5,093
6th & K Operating Fund	-	2,840	2,840
Seized Assets	-	2,277	2,277
Animal Shelter Campaign	-	1,780	1,780
Prop C Implementation	-	1,734	1,734
Storm Drain	1,625	-	1,625
Civic San Diego	-	1,662	1,662
Other ²	2,522	482,599	485,121
Total Restricted	<u>140,358</u>	<u>1,288,739</u>	<u>1,429,097</u>

¹ Restricted Fund Balance for Grants of \$64,040 and Committed Fund Balance for Capital Outlay of \$31,183 represent long-term receivables due from the Successor Agency. These amounts are not available to satisfy liabilities of the current period.

² The amounts reported in the Restricted and Committed categories as "Other" are composed of a variety of small restrictions/commitments, none of which are significant enough to be identified separately in this schedule.

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
COMMITTED			
Public Liability	\$ 61,690	\$ -	\$ 61,690
Workers' Compensation	47,741	-	47,741
Capital Outlay ¹	-	-	-
Transient Occupancy Tax	-	12,279	12,279
Civil Penalty Enforcement	-	6,186	6,186
Parks and Recreation Districts	-	-	-
Low-Income Housing Lease Revenue	-	5,744	5,744
SAP Support	5,064	-	5,064
Qualcomm Stadium Operations	-	4,690	4,690
City TV	-	4,669	4,669
Library Improvement	4,261	-	4,261
Foreign Trade Zone Expansion	-	3,881	3,881
Tobacco Settlement Revenue	-	3,790	3,790
Police Decentralization	2,459	-	2,459
Major Events	-	2,245	2,245
Information Technology	2,189	-	2,189
Trench Cut Fees	-	2,179	2,179
Miscellaneous Public Safety Funds	-	2,066	2,066
De Anza Operating/Settlement	1,933	-	1,933
Wireless Communications Technology	1,853	-	1,853
Proposition 64	-	1,557	1,557
Automated Refuse Containers	-	1,547	1,547
Cemetery Pre-Need Trust	-	1,502	1,502
Imperial Marketplace	1,137	-	1,137
Emergency Medical Services	269	-	269
Other ²	2,295	11,371	13,666
Total Committed	<u>130,891</u>	<u>63,706</u>	<u>194,597</u>
ASSIGNED			
Budgeted Excess Equity	<u>6,162</u>	<u>-</u>	<u>6,162</u>
UNASSIGNED	<u>99,555</u>	<u>(4,328)</u>	<u>95,227</u>
TOTAL FUND BALANCE	<u>\$ 377,815</u>	<u>\$ 1,369,441</u>	<u>\$ 1,747,256</u>

22. EXTRAORDINARY GAIN AND SPECIAL ITEM (Dollars in Thousands)Private-Purpose Trust Fund

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

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

On September 21, 2015, the Successor Agency Oversight Board passed and adopted a resolution approving the ROPS15-16B which included new line items that will become "enforceable obligations" as a result of language in Senate Bill 107 (SB 107) which clarifies or modifies the previous dissolution laws. Specifically, line item 628 reaffirms the portion of the Long-Term Debt Agreement regarding the outstanding CDBG and HUD section108 loans in the approximate amount of \$151,494. While the City had filed an appeal of a trial court decision upholding the DOF's invalidation of the Long-Term Debt Agreement of March 1, 2011, the City recently dismissed the appeal due to the low likelihood of success on the merits and the submission of the new line 628 in ROPS 15-16B. Therefore, the City has written off the accrued interest of \$127,193 under the Long-Term Debt Agreement, resulting in an extraordinary gain to the Successor Agency Private-Purpose Trust Fund. This amount represents the final resolution of the issue that existed at the time of the dissolution of the former RDA, which was deemed an extraordinary event.

The City and the former RDA entered into the CDBG Repayment Agreement dated June 30, 2010 by and between the Redevelopment Agency of the City of San Diego and the City of San Diego. The CDBG Repayment Agreement requires the former RDA to pay the total amount of \$78,787 to the City, in specific annual installments from fiscal year 2010 through 2019 that generally escalate over time, and further requires the City to treat all repayments as program income to the San Diego CDBG Program. In the final determination letter for the due diligence review of non-housing funds ("Non-Housing DDR"), the DOF compelled the City to return the fiscal year 2011 payment of \$3,294 to the Successor Agency and compelled the Successor Agency to include this amount in the Non-Housing DDR payment to the County Auditor-Controller for distribution to the local taxing entities. Under the terms of SB 107, the Successor Agency added line item 626 to the ROPS 15-16B submission to reaffirm the outstanding amount owed by the Successor Agency to the City under the CDBG Repayment Agreement in the amount of \$67,334, which includes the annual installment payments for fiscal years 2014 through 2019 in the aggregate amount of \$64,040, and the annual installment payment for fiscal year 2011 in the amount of \$3,294, that the DOF "clawed back" from the City as part of the Non-Housing DDR. The revival of the fiscal year 2011 payment resulted in an extraordinary loss to the Successor Agency Private-Purpose Trust Fund.

See Note 24 for more information on the potential impacts of SB 107.

San Diego Convention Center Corporation

During fiscal year 2015, a special item totaling \$5,362 was recognized upon the disposal of the Phase III expansion project, as a result of not receiving funding from expansion bonds to satisfy the note payable obligation. In order for the City to issue bonds, a public vote of the funding mechanism for expansion bonds is required as determined by a state appeals court ruling in July 2014.

23. RESTATEMENTS OF NET POSITION (Dollars in Thousands)Implementation of GASB Statements No. 68 and 71

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68). Accounting changes adopted to conform to the provisions of this statement were applied retroactively by restating the City's beginning net position for its governmental and business-type activities, as well as the Pension Trust Fiduciary Fund. The restatements resulted from reversing the Net Pension Obligation and reducing Net Position for the Net Pension Liability and deferred outflows of resources as described in the next paragraph. The restatement resulted in a decrease to Net Position of \$1,747,070.

In addition, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of GASB 68. The statement requires that, in the year of implementation of GASB 68, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning Net Pension Liability. The restatement increased Net Position by \$279,659 as a result of reporting actual contributions made during fiscal year 2014 as deferred outflows of resources.

Readers interested in more detailed information regarding the Pension Plans should refer to Note 11.

The tables below summarize the net position restatements:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	
			Pension Trust	
Net Position as of June 30, 2014, as Previously Reported	\$ 4,819,721	\$ 4,192,152	\$ 7,749,894	
GASB Statement No. 68 Adjustments:				
Reverse Net Pension Obligation	111,685	22,330	218	
Establish Net Pension Liability	(1,732,935)	(427,434)	-	
Reverse FY 2014 Employer Contributions	224,328	55,331	-	
Net Position as of June 30, 2014, as Restated	<u>\$ 3,422,799</u>	<u>\$ 3,842,379</u>	<u>\$ 7,750,112</u>	
			Proprietary Funds	
	Sewer Utility	Water Utility	Other Enterprise	Internal Service
Net Position as of June 30, 2014, as Previously Reported	\$ 2,349,378	\$ 1,683,916	\$ 166,022	\$ 162,548
GASB Statement No. 68 Adjustments:				
Reverse Net Pension Obligation	8,142	6,187	8,001	2,133
Establish Net Pension Liability	(159,317)	(135,224)	(132,893)	(61,796)
Reverse FY 2014 Employer Contributions	20,623	17,505	17,203	7,999
Net Position as of June 30, 2014, as Restated	<u>\$ 2,218,826</u>	<u>\$ 1,572,384</u>	<u>\$ 58,333</u>	<u>\$ 110,884</u>

24. SUBSEQUENT EVENTS (Dollars in Thousands)

The following information describes certain events that occurred after the end of the fiscal year.

Labor Agreements

On July 1, 2015, the San Diego Police Officers Association (SDPOA), the labor group that represents sworn safety officers, entered into a Memorandum of Understanding (MOU) with the City for fiscal years 2016 through 2020, which increased salaries and benefits for its members. The MOU included general salary increases of 3.3% on July 1, 2018 and 3.3% on July 1, 2019, in addition to increases in benefits and other non-pensionable compensation for the five year period. SDPOA employees represent approximately 18% of the City's labor force, based on fiscal year 2016 budgeted positions. The City estimates total additional personnel costs for fiscal year 2016 resulting from the agreement to be approximately \$11,096, and approximately \$91,914 for the five year period of the agreement.

On October 15, the San Diego Municipal Employee Association (MEA), the labor group that represents technical, office, professional, and supervisory City employees, voted to ratify a tentative agreement between MEA and the City for fiscal years 2017 through 2020, which increased salaries and benefits for its members. The tentative agreement includes general salary increases of 3.3% on July 1, 2018 and 3.3% on July 1, 2019, in addition to increases in benefits and other non-pensionable compensation for the four year period. MEA employees represent approximately 44% of the City's labor force, based on fiscal year 2016 budgeted positions. The City estimates total additional personnel costs for fiscal year 2017 resulting from the agreement to be approximately \$6,362 and approximately \$73,281 for the four year period of the agreement.

Loan Agreements

On July 14, 2015, the City received an additional \$2,166 disbursement from a \$30,235 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the Point Loma Grit Processing Improvement Project. The interest rate on the loan is 2.70% and the repayment period for the loan is 20 years, beginning one year after the completion of construction on the project.

On July 14, 2015, the City received a \$3,597 disbursement from a \$12,000 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the Metropolitan Biosolids Center (MBC) - Dewatering Centrifuge Replacement Project. The interest rate on the loan is 1.70% and the repayment period for the loan is 20 years, beginning one year after the completion of construction on the project.

On August 14, 2015, the City received a \$5,902 disbursement from a \$7,554 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the MBC - Storage Silos Project. The interest rate on the loan is 1.70% and the repayment period for the loan is 20 years, beginning one year after the completion of construction on the project.

Redemption of Reassessment District Series 1999A, 1999B and No. 1999-1

On September 2, 2015, all remaining outstanding bonds of the PFFA Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999A and 1999B were optionally called. District funds, including the cash funded portion of the debt service reserve fund and other available funds of the district were used to redeem the obligations. In conjunction with the optional redemption of the Series 1999A and 1999B, the Reassessment District 1999-1 Limited Obligation Refunding Bonds, issued February 1999, were also extinguished.

Sewer Revenue Refunding Bonds Issued

On September 24, 2015, the PFFA of the City of San Diego issued senior sewer revenue refunding bonds in an amount of \$313,620 for the purpose of refunding a portion of the outstanding Senior Sewer Revenue Bonds, Series 2009A, Senior Sewer Revenue Refunding Bonds, Series 2009B and Senior Sewer Revenue Refunding Bonds, Series 2010A. The 2015 Bonds are limited obligations of the PFFA and are payable solely from the revenues of the pledged sewer system net revenue.

Changes to Pension Actuarial Assumptions

On November 13, 2015, the SDCERS Board approved a change in the long-term discount rate to include in the June 30, 2015 actuarial valuation. The discount rate was lowered from 7.25% to 7.125% effective July 1, 2016, and to 7.00% effective July 1, 2017. Employer and employee contributions are anticipated to change; however the revised contribution rates are not expected until Spring of 2016.

Passage of California Senate Bill 107 (SB 107)

On September 22, 2015, the Governor signed SB 107, which clarifies or modifies existing redevelopment dissolution laws. SB 107 effectively reverses certain adverse decisions made by the California Department of Finance (DOF), affecting agreements between the City and the former RDA by establishing a new, broader legal standard to determine the enforceability of Successor Agency obligations. SB 107 includes two significant clarifying provisions affecting the City and Successor Agency: 1) An "enforceable obligation" includes an agreement between a City and its counterpart RDA if the agreement requires the RDA to repay or fulfill an outstanding loan or development obligation imposed by a grant or loan awarded or issued by a federal agency, including Housing and Urban Development (HUD), to the City which subsequently loaned or provided those funds to the RDA; and 2) A City and its counterpart Successor Agency may reinstate, on modified terms, a previously-invalidated agreement under which the City transferred real property to the RDA for a lawful purpose and the RDA agreed to pay the City for the real property.

On October 1, 2015, the City submitted its most recent Recognized Obligation Payments Schedule (ROPS 15-16B) to the DOF. Relying on the first provision in SB 107, the Successor Agency has added line items to ROPS 15-16B to revive or reiterate the Successor Agency's obligation to repay federal obligations under the following agreements: 1) Community Development Block Grant (CDBG) Repayment Agreement dated June 30, 2010 for an outstanding loan amount of \$67,334 including \$64,040 in loan repayments payable to the CDBG fund to be recognized as CDBG program income, subject to restrictions of the CDBG program; and the balance of \$3,294 payable to the General Fund, related to a loan repayment made by the General Fund to the CDBG fund on behalf of the Successor Agency in fiscal year 2011; 2) Naval Training Center (NTC) Section 108 loan agreement dated March 1, 2011 with outstanding payments of approximately \$6,244 owed to HUD; and 3) Long-Term Debt Agreement dated March 1, 2011 with outstanding CDBG and Section 108 loans of approximately \$151,494 also payable to the CDBG fund to be recognized as CDBG program income.

Relying on the second provision in SB 107, the Successor Agency has added a new line item to ROPS 15-16B reinstating the NTC interfund purchase price loan on modified terms. Pursuant to the NTC cooperation agreement executed on June 26, 2000, the City sold to the former RDA the majority of the NTC site, comprising of approximately 259 acres, for the purchase price of \$8,300. The RDA agreed to pay the purchase price on a deferred basis, accruing interest at 8% per annum. The DOF had previously invalidated the NTC purchase price loan, but SB 107 will allow the City and the Successor Agency to reinstate the loan on modified terms. Under the modified terms, the City will receive

repayment of the original \$8,300, plus accrued interest at 3% compounded annually, for an approximate total of \$11,989.

On November 12, 2015, the DOF issued its preliminary determination letter in response to the submission of ROPS 15-16B and summarily approved each of these items subject to the provisions of SB 107.

The City receives property tax revenue from tax sharing distributions in accordance with redevelopment dissolution laws and a proportional share of residual property tax payments of funds remaining in the Redevelopment Property Tax Trust Fund (RPTTF) after Recognized Obligation Payments are made. This revenue is deposited in the General Fund. Approval of the additional Recognized Obligation Payments described above will reduce the amount of residual property tax payments to the City by approximately 17.7% of the approved Recognized Obligation Payment amounts.

Water Rate Increases

On November 17, 2015, the City Council authorized a water rate adjustment, increasing water rate system revenue by 9.8% effective January 1, 2016, 6.4% effective July 1, 2016 and July 1, 2017, 5.0% effective July 1, 2018, and 7.0% effective July 1, 2019. Additionally, the City Council authorized adjustments to the proposed water base fee and commodity charge consistent with the recommendations of the 2015 Water Cost of Service Study (COSS), to reflect a proportionate share of revenue between user classifications.

The City Council further authorized unitary recycled water based fee and commodity charge adjustments consistent with the revised Recycled Water Pricing Study. The rate charged for recycled water increased from its current rate of \$0.80 (whole dollars) per hundred cubic feet (HCF) to \$1.73 (whole dollars) per HCF.

Litigation

On November 17, 2015, the City Council approved a global settlement regarding outstanding litigation with several De La Fuente actions. The settlement amount of \$25,000, including accrued defense costs, will be fully funded by the City's insurance carrier.

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REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

DEFINED BENEFIT PENSION PLAN
OPEB PLAN

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2015

PRESERVATION OF BENEFITS (POB) PLAN

Schedule of Funding Progress

The following table shows the funding progress of the City's POB Plan for the last three valuations (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ¹ ((b - a)/c)
6/30/2012	\$ -	\$ 7,447	\$ 7,447	0.00%	N/A	N/A
6/30/2013	-	8,393	8,393	0.00%	N/A	N/A
6/30/2014	-	7,896	7,896	0.00%	N/A	N/A

Source: Cheiron, Inc.

¹Payments are based on annual determination of pension benefits that are above IRS section 415(b) limits and are funded on a pay-go basis.

GASB 67 and 68 Reporting for June 30, 2014 Measurement Date
Schedule of Changes in Net Pension Liability and Related Ratios

Total Pension Liability

Service Cost	\$ 107,003
Interest (Includes Interest on Service Cost)	537,875
Benefit Payments, Including Refunds of Member Contributions	<u>(384,980)</u>
Net change in Total Pension Liability	259,898
Total Pension Liability, Beginning	<u>7,555,527</u>
Total Pension Liability, Ending	<u>7,815,425</u>

Plan Fiduciary Net Position

Contributions-Employer	279,659
Contributions-Member	65,467
Net Investment Income	935,051
Benefit Payments, Including Refunds of Member Contributions	<u>(384,980)</u>
Administrative Expense	<u>(10,467)</u>
Net Change in Plan Fiduciary Net Position	884,730
Plan Fiduciary Net Position, Beginning	<u>5,395,158</u>
Plan Fiduciary Net Position, Ending	<u>6,279,888</u>
Net Pension Liability, Ending	<u>\$ 1,535,537</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.35%
Covered-Employee Payroll	\$ 611,580
Net Pension Liability as a Percentage of Covered Employee Payroll	251.08%

**Schedule of Employer Contributions
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Contribution	\$ 263,600	\$ 275,400	\$ 231,100	\$ 231,200	\$ 229,100
Contributions in Relation to the Actuarially Determined Contribution	<u>263,600</u>	<u>275,400</u>	<u>231,143</u>	<u>231,200</u>	<u>229,297</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ -</u>	<u>\$ (197)</u>
Covered-Employee Payroll ¹	\$ 602,361	\$ 611,580	\$ 628,435	\$ 615,202	\$ 621,973
Contributions as a Percentage of Covered-Employee Payroll	43.76%	45.03%	36.78%	37.58%	36.87%

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially Determined Contribution	\$ 154,200	\$ 161,700	\$ 137,700	\$ 162,000	\$ 170,071
Contributions in Relation to the Actuarially Determined Contribution	<u>192,533</u>	<u>162,475</u>	<u>165,581</u>	<u>169,126</u>	<u>271,349</u>
Contribution Deficiency/(Excess)	<u>\$ (38,333)</u>	<u>\$ (775)</u>	<u>\$ (27,881)</u>	<u>\$ (7,126)</u>	<u>\$ (101,278)</u>
Covered-Employee Payroll ¹	\$ 536,591	\$ 535,774	\$ 512,440	\$ 534,103	\$ 557,631
Contributions as a Percentage of Covered-Employee Payroll	35.88%	30.33%	32.31%	31.67%	48.66%

Valuation Date: 6/30/2013

Key Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal. Prior to the 2007 valuation, Projected Unit Credit was used.
Asset Valuation Method	Expected Value Method. Prior to the 2006 valuation, the "book value" smoothing method was used. The actuarial value of assets was set to the market rate for the 2006 valuation, with the new smoothing method first applying to investment experience for the 2007 fiscal year.
Amortization Method ²	Closed periods. Payments are a level percentage of payroll (Police) or level dollar (non-Police).
Discount Rate	7.25%. The discount rate was reduced from 8.00% to 7.75% in the 2008 valuation, from 7.75% to 7.50% in the 2011 valuation, and from 7.50% to 7.25% in the 2013 valuation.
Amortization Growth Rate	3.30%. Same pattern of changes described below for salary increase assumption (excluding freezes).
Salary Increases	3.30% (following assumed freezes in fiscal years 2013-2018) plus merit component based on employee classification and years of service. The across-the-board salary increase assumption was reduced from 4.25% to 4.00% in the 2008 valuation, from 4.00% to 3.75% in the 2011 valuation, and from 3.75% to 3.30% in the 2013 valuation. In the 2011 valuation, a two-year salary freeze assumption (for fiscal years 2013-2014) was added and in the 2013 valuation an additional four-year freeze was assumed (fiscal years 2015-2018).
Cost-Of-Living Adjustments	2.00%
Mortality	Healthy retired members use the RP-2000 Combined Mortality Table (male and female). For Safety female members, rates are set forward one year. From 2004-2007 (valuation years), the UP-1994 table was used, with a two-year set back for males and females. From 2008-2010, the RP-2000 Combined Mortality Table was used, with a two-year set forward for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2015 can be found in the June 30, 2013 actuarial valuation reports.

¹ Covered-Employee Payroll from fiscal years 2011-2015 represents total compensation for pensionable employees. Comparable information for fiscal years 2006-2010 is not available, but represents pensionable pay only.

² In the 2007 valuation, the amortization period was reduced from 27 to 20 years, with subsequent gains or losses amortized over different periods depending on the source. In the 2012 valuation, as a result of Proposition B, the UAL for the non-Police portion of the Plan was re-amortized over a closed 15-year period with level dollar payments.

OPEB TRUST FUND**Schedule of Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2013	\$ 113,404	\$ 557,551	\$ 444,147	20.34%	\$ 112,782	393.81%
6/30/2014	128,238	607,712	479,474	21.10%	98,742	485.58%
6/30/2015	121,115	658,408	537,293	18.40%	87,252	615.79%

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

Schedule of Employer Contributions

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

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2013	\$ 35,348	\$ 37,464	105.99%
6/30/2014	38,097	34,244	89.89%
6/30/2015	41,740	32,193	77.13%

Source: Buck Consultants

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GENERAL FUND

GENERAL FUND

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

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

Current expenditures are classified by the following functions: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; Capital Outlay; and Debt Service Principal and Interest. This fund is appropriated annually.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts ¹	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 445,429	\$ 446,628	\$ 449,244	\$ 2,616
Sales Taxes	257,106	258,106	256,507	(1,599)
Transient Occupancy Taxes	92,332	93,732	98,138	4,406
Other Local Taxes	81,220	86,620	89,915	3,295
Licenses and Permits	24,460	25,309	24,732	(577)
Fines, Forfeitures and Penalties	28,929	28,929	30,194	1,265
Revenue from Use of Money and Property	47,326	50,675	51,320	645
Revenue from Federal Agencies	3,257	3,257	520	(2,737)
Revenue from Other Agencies	6,238	10,833	11,520	687
Revenue from Private Sources	2,150	2,150	2,164	14
Charges for Current Services	120,671	118,716	120,898	2,182
Other Revenue	2,299	2,709	9,385	6,676
TOTAL REVENUES	1,111,417	1,127,664	1,144,537	16,873
EXPENDITURES				
Current:				
General Government and Support	200,242	192,778	185,026	7,752
Public Safety - Police	414,098	421,658	419,278	2,380
Public Safety - Fire and Life Safety and Homeland Security	217,462	225,825	225,421	404
Parks, Recreation, Culture and Leisure	138,562	139,898	139,849	49
Transportation	52,449	52,774	51,847	927
Sanitation and Health	75,370	75,082	75,082	-
Neighborhood Services	27,751	28,315	26,149	2,166
Capital Outlay	3,356	2,988	2,951	37
Debt Service:				
Principal Retirement	2,813	2,294	2,168	126
Interest	1,274	1,274	1,110	164
TOTAL EXPENDITURES	1,133,377	1,142,886	1,128,881	14,005
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,960)	(15,222)	15,656	30,878
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	-	268	268	-
Transfers from Other Funds	77,133	75,457	76,418	961
Transfers to Proprietary Funds	(12,940)	(719)	(719)	-
Transfers to Other Funds	(56,106)	(73,658)	(73,658)	-
TOTAL OTHER FINANCING SOURCES (USES)	8,087	1,348	2,309	961
NET CHANGE IN FUND BALANCE	(13,873)	(13,874)	17,965	31,839
FUND BALANCE AT BEGINNING OF YEAR	183,777	183,777	183,777	-
FUND BALANCE AT END OF YEAR	\$ 169,904	\$ 169,903	\$ 201,742	\$ 31,839

See accompanying note to required supplementary information.

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

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

- **General Fund**
- **Special Revenue Funds**
 - City of San Diego:
 - Acquisition, Improvement and Operations
 - Qualcomm Stadium Operations
 - Transient Occupancy Tax
 - Underground Surcharge
 - Zoological Exhibits
 - Other Special Revenue
 - Civic San Diego
- **Capital Projects Funds**
 - City of San Diego:
 - TransNet
 - Capital Outlay

Included in the budget are funds that include appropriations for personnel expenses and capital projects and certain funds that collect restricted or committed revenue sources. For those funds not specifically included in the budget, the Appropriation Ordinance includes authorization to appropriate funds for the purpose established by applicable laws and/or in accordance with provisions of agreements authorized by the City Council.

Public hearings are conducted to obtain residents' comments on the proposed budget. A budget resolution legally adopting the budget for the next fiscal year is passed prior to June 30. During the month of July, the Appropriation Ordinance is passed by the City Council appropriating funds according to the budget resolution. Budgets are prepared on the modified accrual basis of accounting, with the exception that any increase/decrease in advances to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments and proceeds from capital leases.

Budgetary control is established at the highest level by the City Charter and further defined by the City Council in the Appropriation Ordinance. The level of budgetary control for all City funds is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the General Fund is at the department level, while control for 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 Appropriation Ordinance.

Reported budget figures are as originally adopted or subsequently amended. Appropriations lapse at year-end to the extent that they have not been expended except for those of a capital nature, which continue to subsequent years.

The following is a reconciliation of the net change in fund balance for the General Fund prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2015 (dollars in thousands):

	General Fund
Net Change in Fund Balance - GAAP Basis	\$ 27,701
Add (Deduct):	
Unrealized Gain, June 30, 2015	(519)
Unrealized Gain, June 30, 2014	321
Working Capital Advance, June 30, 2015	(848)
Working Capital Advance, June 30, 2014	1,248
Other Perspective Differences ¹	5,053
Other Fund Activity ²	<u>(14,991)</u>
Net Change in Fund Balance - Budgetary Basis	<u>\$ 17,965</u>

¹In fiscal year 2015, the General Fund accrued expenditures of \$5,053, in the Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP Basis), for low flow diversion capacity charges due to the Sewer Utility Fund. The City budgeted the first of five equal installment payments in fiscal year 2016 and intends to budget the next four payments over the following four fiscal years. The City considers this to be a perspective difference between the GAAP basis and the budgetary basis of accounting. As such, the \$5,053 has been excluded from the budgetary comparison schedule for the General Fund and reported as Other Perspective Differences in the table above.

²The General Fund budgetary schedule includes funds associated with General Fund operations as reported in the City's budget. General Fund financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as a special revenue fund, pursuant to GASB Statement No. 54. The City administers certain of these funds as separate budgetary entities.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

**GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)**

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAXES					
One Percent Property Tax Allocation	\$ -	\$ -	\$ -	\$ 314,336	\$ (314,336)
Current Year - Secured (One Percent Allocation)	286,575	-	286,575	-	286,575
Current Year Supplemental - Secured	3,827	-	3,827	-	3,827
Current Year - Unsecured	9,655	-	9,655	-	9,655
Current Unsecured Supplemental Roll	42	-	42	-	42
Homeowners' Exemptions - Secured	2,547	-	2,547	-	2,547
Homeowners' Exemptions - Unsecured	2	-	2	-	2
Prior years' - Secured	1,045	-	1,045	-	1,045
Prior years' - Unsecured	(198)	-	(198)	-	(198)
In-Lieu Vehicle License Fees	115,334	-	115,334	115,168	166
Interest and Penalties on Delinquent Taxes	1,170	-	1,170	-	1,170
Escapes - Secured	4,082	-	4,082	-	4,082
Escapes - Unsecured	393	-	393	-	393
Other Property Taxes	18,556	-	18,556	17,124	1,432
State Secured Unitary	6,214	-	6,214	-	6,214
TOTAL PROPERTY TAXES	449,244	-	449,244	446,628	2,616
SALES TAXES	256,507	-	256,507	258,106	(1,599)
TRANSIENT OCCUPANCY TAXES	98,138	-	98,138	93,732	4,406
OTHER LOCAL TAXES					
Franchises	81,251	-	81,251	77,444	3,807
Property Transfer Tax	8,664	-	8,664	9,176	(512)
TOTAL OTHER LOCAL TAXES	89,915	-	89,915	86,620	3,295
LICENSES AND PERMITS					
General Business Licenses	7,663	-	7,663	7,477	186
Refuse Collection Business Licenses	854	-	854	700	154
Other Regulatory Business Licenses	-	-	-	1	(1)
Rental Unit Tax	7,328	-	7,328	7,272	56
Other Licenses and Permits	8,887	-	8,887	9,859	(972)
TOTAL LICENSES AND PERMITS	24,732	-	24,732	25,309	(577)
FINES, FORFEITURES AND PENALTIES					
California Vehicle Code Violations	25,957	-	25,957	25,893	64
Other City Ordinance Code Violations	4,237	-	4,237	3,036	1,201
TOTAL FINES, FORFEITURES AND PENALTIES	30,194	-	30,194	28,929	1,265
REVENUE FROM USE OF MONEY AND PROPERTY					
Interest on Investments	787	(198)	589	1,414	(825)
Balboa Park Rents and Concessions	453	-	453	389	64
Mission Bay Park Rents and Concessions	29,526	-	29,526	30,045	(519)
Other Rents and Concessions	20,752	-	20,752	18,827	1,925
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	51,518	(198)	51,320	50,675	645
REVENUE FROM FEDERAL AGENCIES	520	-	520	3,257	(2,737)

Continued on Next Page

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM OTHER AGENCIES					
State Motor Vehicle License Fees	\$ 564	\$ -	\$ 564	\$ -	\$ 564
Local Relief	87	-	87	110	(23)
State Grants	10,869	-	10,869	10,723	146
TOTAL REVENUE FROM OTHER AGENCIES	11,520	-	11,520	10,833	687
REVENUE FROM PRIVATE SOURCES	2,164	-	2,164	2,150	14
CHARGES FOR CURRENT SERVICES					
Administrative Services to Other Agencies	1,299	-	1,299	1,305	(6)
Cemetery Revenue	651	-	651	665	(14)
Engineering Services	50	-	50	38	12
Fire Services	5,620	-	5,620	8,179	(2,559)
Library Revenue	1,200	-	1,200	933	267
Miscellaneous Recreation Revenue	4,739	-	4,739	4,023	716
Other Services	2,326	-	2,326	947	1,379
Planning and Miscellaneous Filing Fees	87	-	87	30	57
Police Services	5,582	-	5,582	5,606	(24)
Swimming Pools Revenue	1,165	-	1,165	1,166	(1)
Services Rendered to Other Funds for:					
General Government and Financial	90,143	-	90,143	86,565	3,578
Park Design	-	-	-	1,735	(1,735)
Miscellaneous Services	8,036	-	8,036	7,524	512
TOTAL CHARGES FOR CURRENT SERVICES	120,898	-	120,898	118,716	2,182
OTHER REVENUE					
Other Refunds of Prior Years' Expenditures	6,393	128	6,521	470	6,051
Repairs and Damage Recoveries	582	-	582	370	212
Sale of Personal Property	35	-	35	113	(78)
Miscellaneous Revenue	2,247	-	2,247	1,756	491
TOTAL OTHER REVENUE	9,257	128	9,385	2,709	6,676
TOTAL REVENUES	1,144,607	(70)	1,144,537	1,127,664	16,873
TRANSFERS FROM PROPRIETARY FUNDS					
Internal Service Funds:					
City of San Diego:					
Fleet Services	268	-	268	268	-
TRANSFERS FROM OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Interfund Transfers	45,143	-	45,143	44,182	961
Transient Occupancy Tax	17,353	-	17,353	17,353	-
Zoological Exhibits	17	-	17	17	-
Grants	3,926	-	3,926	3,926	-
Other Special Revenue - Unbudgeted	238	-	238	238	-
Capital Projects Funds:					
City of San Diego:					
TransNet	8,913	-	8,913	8,913	-
Capital Grants	45	-	45	45	-
Capital Outlay - Unbudgeted	311	-	311	311	-
Permanent Funds:					
Cemetery Perpetuity	472	-	472	472	-
TOTAL TRANSFERS FROM OTHER FUNDS	76,418	-	76,418	75,457	961
CAPITAL LEASE PROCEEDS	44,806	(44,806)	-	-	-
TOTAL REVENUE, TRANSFERS, AND CAPITAL LEASE PROCEEDS	\$ 1,266,099	\$ (44,876)	\$ 1,221,223	\$ 1,203,389	\$ 17,834

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT AND SUPPORT					
Departmental:					
Office of the Mayor					
Salaries and Wages	\$ 2,175	\$ -	\$ 2,175	\$ 2,237	\$ 62
Non-Personnel	1,966	-	1,966	2,041	75
Total Office of the Mayor	4,141	-	4,141	4,278	137
City Council District 1					
Salaries and Wages	468	-	468	469	1
Non-Personnel	470	-	470	559	89
Total City Council District 1	938	-	938	1,028	90
City Council District 2					
Salaries and Wages	641	-	641	642	1
Non-Personnel	602	-	602	662	60
Total City Council District 2	1,243	-	1,243	1,304	61
City Council District 3					
Salaries and Wages	604	-	604	616	12
Non-Personnel	777	-	777	843	66
Total City Council District 3	1,381	-	1,381	1,459	78
City Council District 4					
Salaries and Wages	529	-	529	529	-
Non-Personnel	435	-	435	504	69
Total City Council District 4	964	-	964	1,033	69
City Council District 5					
Salaries and Wages	545	-	545	588	43
Non-Personnel	377	-	377	687	310
Total City Council District 5	922	-	922	1,275	353
City Council District 6					
Salaries and Wages	512	-	512	628	116
Non-Personnel	406	-	406	494	88
Total City Council District 6	918	-	918	1,122	204
City Council District 7					
Salaries and Wages	640	-	640	709	69
Non-Personnel	467	-	467	490	23
Total City Council District 7	1,107	-	1,107	1,199	92
City Council District 8					
Salaries and Wages	596	-	596	645	49
Non-Personnel	543	-	543	602	59
Total City Council District 8	1,139	-	1,139	1,247	108
City Council District 9					
Salaries and Wages	514	-	514	514	-
Non-Personnel	565	-	565	731	166
Total City Council District 9	1,079	-	1,079	1,245	166
Council Administration					
Salaries and Wages	975	-	975	1,078	103
Non-Personnel	876	-	876	1,045	169
Total Council Administration	1,851	-	1,851	2,123	272

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
City Clerk					
Salaries and Wages	2,292	-	2,292	2,293	1
Non-Personnel	2,882	-	2,882	3,001	119
Total City Clerk	5,174	-	5,174	5,294	120
Independent Budget Analyst					
Salaries and Wages	\$ 1,054	\$ -	\$ 1,054	\$ 1,063	\$ 9
Non-Personnel	737	-	737	753	16
Total Independent Budget Analyst	1,791	-	1,791	1,816	25
City Attorney					
Salaries and Wages	25,643	-	25,643	25,739	96
Non-Personnel	19,898	-	19,898	19,946	48
Total City Attorney	45,541	-	45,541	45,685	144
Personnel					
Salaries and Wages	3,908	-	3,908	3,909	1
Non-Personnel	3,335	-	3,335	3,336	1
Total Personnel	7,243	-	7,243	7,245	2
Ethics Commission					
Salaries and Wages	457	-	457	458	1
Non-Personnel	486	-	486	566	80
Total Ethics Commission	943	-	943	1,024	81
Office of the City Auditor					
Salaries and Wages	1,875	-	1,875	1,876	1
Non-Personnel	1,299	-	1,299	1,618	319
Total Office of the City Auditor	3,174	-	3,174	3,494	320
Assistant Chief Operating Officer					
Salaries and Wages	631	-	631	636	5
Non-Personnel	450	-	450	470	20
Total Assistant Chief Operating Officer	1,081	-	1,081	1,106	25
Performance and Analytics					
Salaries and Wages	695	-	695	739	44
Non-Personnel	595	-	595	595	-
Total Performance and Analytics	1,290	-	1,290	1,334	44
Human Resources					
Salaries and Wages	1,596	-	1,596	1,647	51
Non-Personnel	1,482	-	1,482	1,486	4
Total Human Resources	3,078	-	3,078	3,133	55
Department of Information Technology					
Non-Personnel	416	-	416	417	1
Office of the Chief Operating Officer					
Salaries and Wages	533	-	533	533	-
Non-Personnel	396	-	396	405	9
Total Office of the Chief Operating Officer	929	-	929	938	9
Internal Operations					
Salaries and Wages	231	-	231	231	-
Non-Personnel	183	-	183	183	-
Total Internal Operations	414	-	414	414	-

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Communications					
Salaries and Wages	881	-	881	1,849	968
Non-Personnel	713	-	713	714	1
Total Communications	1,594	-	1,594	2,563	969
Chief Financial Officer					
Salaries and Wages	\$ 284	\$ -	\$ 284	\$ 285	\$ 1
Non-Personnel	216	-	216	216	-
Total Chief Financial Officer	500	-	500	501	1
City Comptroller					
Salaries and Wages	5,746	-	5,746	5,747	1
Non-Personnel	5,293	-	5,293	5,293	-
Total City Comptroller	11,039	-	11,039	11,040	1
Debt Management					
Salaries and Wages	1,461	-	1,461	1,462	1
Non-Personnel	1,062	-	1,062	1,062	-
Total Debt Management	2,523	-	2,523	2,524	1
Financial Management					
Salaries and Wages	2,161	-	2,161	2,274	113
Non-Personnel	1,791	-	1,791	1,791	-
Total Financial Management	3,952	-	3,952	4,065	113
Purchasing and Contracting					
Salaries and Wages	3,070	-	3,070	3,265	195
Non-Personnel	2,372	-	2,372	2,375	3
Total Purchasing and Contracting	5,442	-	5,442	5,640	198
City Treasurer					
Salaries and Wages	5,678	-	5,678	5,790	112
Non-Personnel	8,965	-	8,965	8,978	13
Total City Treasurer	14,643	-	14,643	14,768	125
Neighborhood Services					
Salaries and Wages	561	-	561	585	24
Non-Personnel	244	-	244	244	-
Total Neighborhood Services	805	-	805	829	24
Real Estate Assets					
Salaries and Wages	2,049	-	2,049	2,065	16
Non-Personnel	2,183	-	2,183	2,184	1
Total Real Estate Assets	4,232	-	4,232	4,249	17
General Services					
Salaries and Wages	6,504	-	6,504	6,588	84
Non-Personnel	10,380	-	10,380	10,410	30
Total General Services	16,884	-	16,884	16,998	114
Public Works/Infrastructure					
Salaries and Wages	624	-	624	659	35
Non-Personnel	442	-	442	442	-
Total Public Works/Infrastructure	1,066	-	1,066	1,101	35

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Public Works - Contracts					
Salaries and Wages	1,046	-	1,046	1,186	140
Non-Personnel	843	-	843	946	103
Total Public Works - Contracts	1,889	-	1,889	2,132	243
Citywide Expenses					
Non-Personnel	33,700	-	33,700	37,155	3,455
TOTAL GENERAL GOVERNMENT AND SUPPORT	185,026	-	185,026	192,778	7,752
PUBLIC SAFETY - POLICE					
Departmental:					
Police					
Salaries and Wages	\$ 209,571	\$ -	\$ 209,571	\$ 211,951	\$ 2,380
Non-Personnel	209,707	-	209,707	209,707	-
Total Police	419,278	-	419,278	421,658	2,380
TOTAL PUBLIC SAFETY - POLICE	419,278	-	419,278	421,658	2,380
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY					
Fire - Rescue					
Salaries and Wages	115,577	-	115,577	115,629	52
Non-Personnel	107,802	-	107,802	107,996	194
Total Fire - Rescue	223,379	-	223,379	223,625	246
Office of Homeland Security					
Salaries and Wages	1,023	-	1,023	1,081	58
Non-Personnel	1,019	-	1,019	1,119	100
Total Office of Homeland Security	2,042	-	2,042	2,200	158
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY	225,421	-	225,421	225,825	404
PARKS, RECREATION, CULTURE AND LEISURE					
Departmental:					
Library					
Salaries and Wages	18,559	-	18,559	18,560	1
Non-Personnel	26,244	-	26,244	26,244	-
Total Library	44,803	-	44,803	44,804	1
Parks and Recreation					
Salaries and Wages	33,870	-	33,870	33,871	1
Non-Personnel	59,058	-	59,058	59,065	7
Total Parks and Recreation	92,928	-	92,928	92,936	8
Reservoir Concessions					
Non-Personnel	2,118	-	2,118	2,158	40
TOTAL PARKS, RECREATION CULTURE AND LEISURE	139,849	-	139,849	139,898	49

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSPORTATION					
Departmental:					
Transportation & Storm Water					
Salaries and Waqes	17,191	-	17,191	17,776	585
Non-Personnel	34,656	-	34,656	34,998	342
Total Transportation & Storm Water	51,847	-	51,847	52,774	927
TOTAL TRANSPORTATION	51,847	-	51,847	52,774	927
SANITATION AND HEALTH					
Departmental:					
Environmental Services					
Salaries and Wages	\$ 7,764	\$ -	\$ 7,764	\$ 7,764	\$ -
Non-Personnel	26,093	-	26,093	26,093	-
Total Environmental Services	33,857	-	33,857	33,857	-
Storm Water					
Salaries and Wages	7,433	-	7,433	7,433	-
Non-Personnel	33,792	-	33,792	33,792	-
Total Storm Water	41,225	-	41,225	41,225	-
TOTAL SANITATION AND HEALTH	75,082	-	75,082	75,082	-
NEIGHBORHOOD SERVICES					
Departmental:					
Development Services					
Salaries and Wages	3,414	-	3,414	3,545	131
Non-Personnel	3,272	-	3,272	3,476	204
Total Development Services	6,686	-	6,686	7,021	335
Economic Development					
Salaries and Wages	2,992	-	2,992	3,354	362
Non-Personnel	8,723	(272)	8,451	8,731	280
Total Economic Development	11,715	(272)	11,443	12,085	642
Planning					
Salaries and Wages	3,869	-	3,869	4,395	526
Non-Personnel	4,151	-	4,151	4,814	663
Total Planning	8,020	-	8,020	9,209	1,189
TOTAL NEIGHBORHOOD SERVICES	26,421	(272)	26,149	28,315	2,166
CAPITAL OUTLAY	47,757	(44,806)	2,951	2,988	37
DEBT SERVICE					
Principal Retirement	2,168	-	2,168	2,294	126
Interest	1,110	-	1,110	1,274	164
TOTAL DEBT SERVICE	3,278	-	3,278	3,568	290
TOTAL EXPENDITURES	1,173,959	(45,078)	1,128,881	1,142,886	14,005

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSFERS TO PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Development Services	\$ 52	\$ -	\$ 52	\$ 52	\$ -
Internal Service Funds:					
City of San Diego:					
Fleet Services	667	-	667	667	-
TOTAL TRANSFERS TO PROPRIETARY FUNDS	719	-	719	719	-
TRANSFERS TO OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Interfund Transfers	24,446	-	24,446	24,446	-
Acquisition, Improvement and Operations	2,104	-	2,104	2,104	-
Other Special Revenue - Budgeted	9,528	-	9,528	9,528	-
Grants	137	-	137	137	-
Other Special Revenue - Unbudgeted	1,383	-	1,383	1,383	-
Total Special Revenue Funds	37,598	-	37,598	37,598	-
Debt Service Funds:					
City of San Diego:					
McGuigan Loan Fund	8,008	-	8,008	8,008	-
Public Facilities Financing Authority	11,987	-	11,987	11,987	-
Total Debt Service Funds	19,995	-	19,995	19,995	-
Capital Projects Funds:					
City of San Diego:					
Capital Outlay - Unbudgeted	15,964	-	15,964	15,964	-
Public Facilities Financing Authority	101	-	101	101	-
Total Capital Projects Funds	16,065	-	16,065	16,065	-
TOTAL TRANSFERS TO OTHER FUNDS	73,658	-	73,658	73,658	-
TOTAL EXPENDITURES AND TRANSFERS	\$ 1,248,336	\$ (45,078)	\$ 1,203,258	\$ 1,217,263	\$ 14,005

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015
(Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	\$ 361,293	\$ 5	\$ 450,501	\$ -	\$ 811,799
Receivables:					
Taxes - Net of Allowance for Uncollectibles	27,616	-	55,387	-	83,003
Accounts - Net of Allowance for Uncollectibles	6,181	5,021	2,152	1	13,355
Special Assessments	375	-	-	-	375
Notes	230,032	-	31,183	-	261,215
Loans	68,386	-	-	-	68,386
Accrued Interest	466	8	640	15	1,129
Grants	11,743	-	7,579	-	19,322
Advances to Other Funds	-	-	5,207	-	5,207
Advances to Other Agencies	12,313	-	11	-	12,324
Land Held for Resale	32,212	-	-	-	32,212
Prepaid Items	24	-	-	-	24
Restricted Cash and Investments	9,730	29,024	222,115	23,965	284,834
TOTAL ASSETS	\$ 760,371	\$ 34,058	\$ 774,775	\$ 23,981	\$ 1,593,185
LIABILITIES					
Accounts Payable	\$ 34,988	\$ -	\$ 12,512	\$ 17	\$ 47,517
Accrued Wages and Benefits	639	-	-	-	639
Other Accrued Liabilities	904	-	-	-	904
Due to Other Funds	5,303	-	17,634	-	22,937
Unearned Revenue	5,709	-	20,390	-	26,099
Advances from Other Funds	6,055	-	-	-	6,055
TOTAL LIABILITIES	53,598	-	50,536	17	104,151
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	4,146	-	55,387	-	59,533
Unavailable Revenue - Grants	3,374	-	6,959	-	10,333
Unavailable Revenue - Other	4,877	5,021	2,151	1	12,050
TOTAL DEFERRED INFLOWS OF RESOURCES	12,397	5,021	64,497	1	81,916
FUND BALANCES					
Nonspendable	24	-	103	21,300	21,427
Restricted	634,015	29,037	623,024	2,663	1,288,739
Committed	63,706	-	44,533	-	108,239
Unassigned	(3,369)	-	(7,918)	-	(11,287)
TOTAL FUND BALANCES	694,376	29,037	659,742	23,963	1,407,118
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 760,371	\$ 34,058	\$ 774,775	\$ 23,981	\$ 1,593,185

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2015
(Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	\$ 11,271	\$ -	\$ -	\$ -	\$ 11,271
Special Assessments	57,343	-	-	-	57,343
Sales Taxes	-	-	28,634	-	28,634
Transient Occupancy Taxes	88,552	-	-	-	88,552
Other Local Taxes	78,965	-	2	-	78,967
Licenses and Permits	10,679	-	21,982	-	32,661
Fines, Forfeitures and Penalties	3,234	-	-	2	3,236
Revenue from Use of Money and Property	25,150	511	4,388	551	30,600
Revenue from Federal Agencies	39,755	-	4,883	-	44,638
Revenue from Other Agencies	3,075	9,020	63,359	-	75,454
Revenue from Private Sources	6,097	-	63,185	135	69,417
Charges for Current Services	26,317	-	660	80	27,057
Other Revenue	18,662	-	498	-	19,160
TOTAL REVENUES	369,100	9,531	187,591	768	566,990
EXPENDITURES					
Current:					
General Government and Support	43,910	-	2,193	-	46,103
Public Safety - Police	4,766	-	-	-	4,766
Public Safety - Fire, Life Safety and Homeland Security	23,114	-	11	-	23,125
Parks, Recreation, Culture and Leisure	86,007	-	1,246	124	87,377
Transportation	46,444	-	4,212	-	50,656
Sanitation and Health	2,213	-	368	70	2,651
Neighborhood Services	43,880	-	1,290	-	45,170
Capital Outlay	21,091	-	113,606	-	134,697
Debt Service:					
Principal Retirement	280	32,951	636	-	33,867
Cost of Issuance	-	1,140	-	-	1,140
Interest	227	32,454	145	-	32,826
Refunding Escrow	-	-	-	-	-
TOTAL EXPENDITURES	271,932	66,545	123,707	194	462,378
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	97,168	(57,014)	63,884	574	104,612
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	819	63	-	882
Transfers from Other Funds	26,638	54,937	136,217	-	217,792
Transfers to Other Funds	(67,909)	(120,042)	(11,700)	(587)	(200,238)
Proceeds from the Sale of Capital Assets	-	-	45	-	45
Loans Issued	-	-	1,512	-	1,512
Revenue Bonds Issued	-	107,290	-	-	107,290
Premium on Bonds Issued	-	13,910	-	-	13,910
TOTAL OTHER FINANCING SOURCES (USES)	(41,271)	56,914	126,137	(587)	141,193
NET CHANGE IN FUND BALANCES	55,897	(100)	190,021	(13)	245,805
Fund Balances at Beginning of Year	638,479	29,137	469,721	23,976	1,161,313
FUND BALANCES AT END OF YEAR	\$ 694,376	\$ 29,037	\$ 659,742	\$ 23,963	\$ 1,407,118

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE

SPECIAL REVENUE FUNDS

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

CITY OF SAN DIEGO

ACQUISITION, IMPROVEMENT AND OPERATIONS - BUDGETED

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

QUALCOMM STADIUM OPERATIONS - BUDGETED

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

TRANSIENT OCCUPANCY TAX - BUDGETED

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

UNDERGROUND SURCHARGE - BUDGETED

This fund was established to account for activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with SDG&E.

ZOOLOGICAL EXHIBITS - BUDGETED

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

OTHER SPECIAL REVENUE – BUDGETED

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

GRANTS - UNBUDGETED

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

LOW-MODERATE INCOME HOUSING - UNBUDGETED

This fund was established to account for affordable housing assets transferred from the Successor Agency to the Successor Housing Entity, which is the City, as required by California Health and Safety Code Section 34176(d), due to the dissolution of the Redevelopment Agency. This fund will also account for any future revenues generated from the housing assets.

OTHER SPECIAL REVENUE - UNBUDGETED

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

BLENDED COMPONENT UNITS

CIVIC SAN DIEGO

Civic San Diego (CSD) is a not-for-profit public benefit corporation resulting from restructuring and reorganizing the former Centre City Development Corporation (CCDC) and the Southeastern Economic Development Corporation (SEDC) into a single corporation. CCDC and SEDC were originally established to administer certain redevelopment project areas throughout the City. Upon dissolution of the former San Diego Redevelopment Agency (former RDA), CSD's main function is now focused on providing administrative and advisory services to the City as the Successor Agency. CSD also assists the City with downtown parking management administration and affordable housing development.

SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

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

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)

This fund was established to account for the activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City.

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**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2015
(Dollars in Thousands)**

	City of San Diego	Civic San Diego	San Diego Industrial Development Authority	Tobacco Settlement Revenue Funding Corporation	Total
ASSETS					
Cash and Investments	\$ 359,473	\$ 1,753	\$ 67	\$ -	\$ 361,293
Receivables:					
Taxes - Net of Allowance for Uncollectibles	27,616	-	-	-	27,616
Accounts - Net of Allowance for Uncollectibles	4,765	1,416	-	-	6,181
Special Assessments	375	-	-	-	375
Notes	230,032	-	-	-	230,032
Loans	68,386	-	-	-	68,386
Accrued Interest	466	-	-	-	466
Grants	11,743	-	-	-	11,743
Advances to Other Agencies	12,313	-	-	-	12,313
Land Held for Resale	32,212	-	-	-	32,212
Prepaid Items	7	7	-	10	24
Restricted Cash and Investments	4,113	5,452	-	165	9,730
TOTAL ASSETS	\$ 751,501	\$ 8,628	\$ 67	\$ 175	\$ 760,371
LIABILITIES					
Accounts Payable	\$ 34,988	\$ -	\$ -	\$ -	\$ 34,988
Accrued Wages and Benefits	639	-	-	-	639
Other Accrued Liabilities	19	885	-	-	904
Due to Other Funds	5,284	19	-	-	5,303
Unearned Revenue	5,709	-	-	-	5,709
Advances from Other Funds	-	6,055	-	-	6,055
TOTAL LIABILITIES	46,639	6,959	-	-	53,598
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	4,146	-	-	-	4,146
Unavailable Revenue - Grants	3,374	-	-	-	3,374
Unavailable Revenue - Other	4,877	-	-	-	4,877
TOTAL DEFERRED INFLOWS OF RESOURCES	12,397	-	-	-	12,397
FUND BALANCES					
Fund Balances:					
Nonspendable	7	7	-	10	24
Restricted	632,188	1,662	-	165	634,015
Committed	63,639	-	67	-	63,706
Unassigned	(3,369)	-	-	-	(3,369)
TOTAL FUND BALANCES	692,465	1,669	67	175	694,376
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 751,501	\$ 8,628	\$ 67	\$ 175	\$ 760,371

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2015
(Dollars in Thousands)

	City of San Diego	Civic San Diego	San Diego Industrial Development Authority	Tobacco Settlement Revenue Funding Corporation	Total
REVENUES					
Property Taxes	\$ 11,271	\$ -	\$ -	\$ -	\$ 11,271
Special Assessments	57,343	-	-	-	57,343
Transient Occupancy Taxes	88,552	-	-	-	88,552
Other Local Taxes	78,965	-	-	-	78,965
Licenses and Permits	10,679	-	-	-	10,679
Fines, Forfeitures and Penalties	3,234	-	-	-	3,234
Revenue from Use of Money and Property	24,975	175	-	-	25,150
Revenue from Federal Agencies	39,755	-	-	-	39,755
Revenue from Other Agencies	2,870	205	-	-	3,075
Revenue from Private Sources	6,097	-	-	-	6,097
Charges for Current Services	18,582	7,735	-	-	26,317
Other Revenue	18,567	95	-	-	18,662
TOTAL REVENUES	360,890	8,210	-	-	369,100
EXPENDITURES					
Current:					
General Government and Support	36,439	7,422	-	49	43,910
Public Safety - Police	4,766	-	-	-	4,766
Public Safety - Fire and Life Safety and Homeland Security	23,114	-	-	-	23,114
Parks, Recreation, Culture and Leisure	86,007	-	-	-	86,007
Transportation	46,444	-	-	-	46,444
Sanitation and Health	2,213	-	-	-	2,213
Neighborhood Services	43,880	-	-	-	43,880
Capital Outlay	20,728	363	-	-	21,091
Debt Service:					
Principal Retirement	280	-	-	-	280
Interest	227	-	-	-	227
TOTAL EXPENDITURES	264,098	7,785	-	49	271,932
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	96,792	425	-	(49)	97,168
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	26,596	-	-	42	26,638
Transfers to Other Funds	(67,909)	-	-	-	(67,909)
TOTAL OTHER FINANCING SOURCES (USES)	(41,313)	-	-	42	(41,271)
Extraordinary Gain.....	-	-	-	-	-
NET CHANGE IN FUND BALANCES	55,479	425	-	(7)	55,897
Fund Balances at Beginning of Year	636,986	1,244	67	182	638,479
FUND BALANCES AT END OF YEAR	\$ 692,465	\$ 1,669	\$ 67	\$ 175	\$ 694,376

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2015
(Dollars in Thousands)

	<u>City of San Diego</u>	
	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>
REVENUES		
Property Taxes	\$ 11,238	\$ 10,746
Special Assessments	16,247	15,862
Sales Taxes	8,788	8,803
Transient Occupancy Taxes	88,552	83,938
Other Local Taxes	118,907	98,022
Licenses and Permits	10,466	9,556
Fines, Forfeitures and Penalties	-	116
Revenue from Use of Money and Property	12,268	10,865
Revenue from Federal Agencies	806	1,200
Revenue from Other Agencies	109	238
Revenue from Private Sources	1,137	930
Charges for Current Services	122,524	123,287
Other Revenue	1,520	1
TOTAL REVENUES	<u>392,562</u>	<u>363,564</u>
EXPENDITURES		
Current:		
General Government and Support	84,221	92,133
Public Safety - Police	6,273	6,920
Public Safety - Fire and Life Safety and Homeland Security	9,000	9,532
Parks, Recreation, Culture and Leisure	95,598	132,368
Transportation	91,135	153,899
Sanitation and Health	1,480	1,614
Neighborhood Services	1,926	2,886
Capital Outlay	16,861	-
Debt Service:		
Principal Retirement	6,775	7,184
Interest	199	516
TOTAL EXPENDITURES	<u>313,470</u>	<u>407,052</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>79,092</u>	<u>(43,488)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds	28,972	31,375
Transfers to Other Funds	(106,908)	(117,948)
Proceeds from the Sale of Capital Assets	2	-
Capital Leases	266	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(77,668)</u>	<u>(86,573)</u>
NET CHANGE IN FUND BALANCES	1,425	(130,061)
Fund Balances - Beginning	197,420	197,420
FUND BALANCES - ENDING	<u>\$ 198,845</u>	<u>\$ 67,359</u>

Civic San Diego		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 11,238	\$ 10,746	\$ 492
-	-	16,247	15,862	385
-	-	8,788	8,803	(15)
-	-	88,552	83,938	4,614
-	-	118,907	98,022	20,885
-	-	10,466	9,556	910
-	-	-	116	(116)
175	-	12,443	10,865	1,578
-	-	806	1,200	(394)
205	-	314	238	76
-	-	1,137	930	207
7,735	6,740	130,259	130,027	232
95	-	1,615	1	1,614
<u>8,210</u>	<u>6,740</u>	<u>400,772</u>	<u>370,304</u>	<u>30,468</u>
7,422	6,740	91,643	98,873	7,230
-	-	6,273	6,920	647
-	-	9,000	9,532	532
-	-	95,598	132,368	36,770
-	-	91,135	153,899	62,764
-	-	1,480	1,614	134
-	-	1,926	2,886	960
363	-	17,224	-	(17,224)
-	-	6,775	7,184	409
-	-	199	516	317
<u>7,785</u>	<u>6,740</u>	<u>321,255</u>	<u>413,792</u>	<u>92,537</u>
425	-	79,517	(43,488)	123,005
-	-	28,972	31,375	(2,403)
-	-	(106,908)	(117,948)	11,040
-	-	2	-	2
-	-	266	-	266
-	-	(77,668)	(86,573)	8,905
425	-	1,850	(130,061)	131,911
<u>1,244</u>	<u>1,244</u>	<u>198,664</u>	<u>198,664</u>	<u>-</u>
<u>\$ 1,669</u>	<u>\$ 1,244</u>	<u>\$ 200,514</u>	<u>\$ 68,603</u>	<u>\$ 131,911</u>

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2015
(Dollars in Thousands)

	<u>Budgeted</u>		
	<u>Acquisition, Improvement and Operations</u>	<u>Qualcomm Stadium Operations</u>	<u>Transient Occupancy Tax</u>
ASSETS			
Cash and Investments	\$ 23,969	\$ 6,538	\$ 7,515
Receivables:			
Taxes - Net of Allowance for Uncollectibles	-	-	12,498
Accounts - Net of Allowance for Uncollectibles	427	188	908
Special Assessments	362	-	-
Notes	-	-	-
Loans	-	-	-
Accrued Interest	34	8	5
Grants	-	-	-
Advances to Other Agencies	419	-	98
Land Held for Resale	-	-	-
Prepaid Items	-	-	7
Restricted Cash and Investments	-	3	-
TOTAL ASSETS	<u>\$ 25,211</u>	<u>\$ 6,737</u>	<u>\$ 21,031</u>
LIABILITIES			
Accounts Payable	\$ 2,015	\$ 1,671	\$ 4,724
Accrued Wages and Benefits	237	179	74
Other Accrued Liabilities	-	3	-
Due to Other Funds	-	-	-
Unearned Revenue	-	4	-
	-	-	-
TOTAL LIABILITIES	<u>2,252</u>	<u>1,857</u>	<u>4,798</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	-	-	3,947
Unavailable Revenue - Grants	-	-	-
Unavailable Revenue - Other	749	190	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>749</u>	<u>190</u>	<u>3,947</u>
FUND BALANCES			
Nonspendable	-	-	7
Restricted	20,946	-	-
Committed	1,264	4,690	12,279
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>22,210</u>	<u>4,690</u>	<u>12,286</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 25,211</u>	<u>\$ 6,737</u>	<u>\$ 21,031</u>

							Unbudgeted
Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Low-Moderate		Total	
				Income Housing	Other Special Revenue		
\$ 80,473	\$ 6,957	\$ 73,675	\$ 5,519	\$ 24,599	\$ 130,228	\$ 359,473	
14,874	244	-	-	-	-	27,616	
-	-	304	6	-	2,932	4,765	
-	-	-	-	-	13	375	
-	-	-	-	227,506	2,526	230,032	
-	-	-	64,040	-	4,346	68,386	
120	-	99	13	32	155	466	
-	-	-	11,743	-	-	11,743	
-	-	-	-	-	11,796	12,313	
-	-	-	-	32,212	-	32,212	
-	-	-	-	-	-	7	
-	-	-	-	4,110	-	4,113	
<u>\$ 95,467</u>	<u>\$ 7,201</u>	<u>\$ 74,078</u>	<u>\$ 81,321</u>	<u>\$ 288,459</u>	<u>\$ 151,996</u>	<u>\$ 751,501</u>	
\$ 8,447	\$ 6,391	\$ 2,637	\$ 3,160	\$ 2,330	\$ 3,613	\$ 34,988	
41	-	108	-	-	-	639	
-	-	-	-	-	16	19	
-	-	-	5,284	-	-	5,284	
-	-	-	5,642	-	63	5,709	
<u>8,488</u>	<u>6,391</u>	<u>2,745</u>	<u>14,086</u>	<u>2,330</u>	<u>3,692</u>	<u>46,639</u>	
-	199	-	-	-	-	4,146	
-	-	-	3,374	-	-	3,374	
-	-	18	-	-	3,920	4,877	
-	199	18	3,374	-	3,920	12,397	
-	-	-	-	-	-	7	
86,979	611	68,924	67,230	286,129	101,369	632,188	
-	-	2,391	-	-	43,015	63,639	
-	-	-	(3,369)	-	-	(3,369)	
<u>86,979</u>	<u>611</u>	<u>71,315</u>	<u>63,861</u>	<u>286,129</u>	<u>144,384</u>	<u>692,465</u>	
<u>\$ 95,467</u>	<u>\$ 7,201</u>	<u>\$ 74,078</u>	<u>\$ 81,321</u>	<u>\$ 288,459</u>	<u>\$ 151,996</u>	<u>\$ 751,501</u>	

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2015
(Dollars in Thousands)

	Budgeted		
	Acquisition, Improvement and Operations	Qualcomm Stadium Operations	Transient Occupancy Tax
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Special Assessments	16,247	-	-
Transient Occupancy Taxes	-	-	88,552
Other Local Taxes	-	-	-
Licenses and Permits	-	14	64
Fines, Forfeitures and Penalties	-	-	-
Revenue from Use of Money and Property	125	6,003	1,921
Revenue from Federal Agencies	-	-	-
Revenue from Other Agencies	-	-	-
Revenue from Private Sources	40	-	1,097
Charges for Current Services	5,324	11	31
Other Revenue	575	11	31
TOTAL REVENUES	22,311	6,039	91,696
EXPENDITURES			
Current:			
General Government and Support	3,286	-	-
Public Safety - Police	-	-	-
Public Safety - Fire and Life Safety and Homeland Security	-	-	-
Parks, Recreation, Culture and Leisure	18,473	10,736	39,995
Transportation	-	-	3
Sanitation and Health	-	-	-
Neighborhood Services	1,921	-	-
Capital Outlay	1,540	217	17
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	25,220	10,953	40,015
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,909)	(4,914)	51,681
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	3,818	10,275	-
Transfers to Other Funds	(15)	(4,795)	(54,545)
TOTAL OTHER FINANCING SOURCES (USES)	3,803	5,480	(54,545)
NET CHANGE IN FUND BALANCES	894	566	(2,864)
Fund Balances at Beginning of Year	21,316	4,124	15,150
FUND BALANCES AT END OF YEAR	\$ 22,210	\$ 4,690	\$ 12,286

		Unbudgeted					
Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total	
\$ -	\$ 11,238	\$ -	\$ -	\$ -	\$ 33	\$ 11,271	
-	-	-	-	-	41,096	57,343	
-	-	-	-	-	-	88,552	
64,402	-	14,480	-	-	83	78,965	
-	-	10,393	-	-	208	10,679	
-	-	-	-	-	3,234	3,234	
456	17	467	24	4,719	11,243	24,975	
-	-	806	38,949	-	-	39,755	
-	-	-	2,772	98	-	2,870	
-	-	-	-	-	4,960	6,097	
-	-	1,592	-	-	11,624	18,582	
-	-	-	-	16,905	1,045	18,567	
<u>64,858</u>	<u>11,255</u>	<u>27,738</u>	<u>41,745</u>	<u>21,722</u>	<u>73,526</u>	<u>360,890</u>	
352	-	2,551	2,357	-	27,893	36,439	
-	-	1,272	3,295	-	199	4,766	
-	-	586	20,104	-	2,424	23,114	
-	11,193	492	144	-	4,974	86,007	
37,329	-	9,063	39	-	10	46,444	
-	-	1,420	761	-	32	2,213	
-	-	-	12,406	13,913	15,640	43,880	
8,330	-	4,318	2,497	-	3,809	20,728	
-	-	-	-	-	280	280	
-	-	-	-	-	227	227	
<u>46,011</u>	<u>11,193</u>	<u>19,702</u>	<u>41,603</u>	<u>13,913</u>	<u>55,488</u>	<u>264,098</u>	
<u>18,847</u>	<u>62</u>	<u>8,036</u>	<u>142</u>	<u>7,809</u>	<u>18,038</u>	<u>96,792</u>	
-	-	9,678	87	1,181	1,557	26,596	
(7)	(17)	(7,288)	(875)	-	(367)	(67,909)	
(7)	(17)	2,390	(788)	1,181	1,190	(41,313)	
18,840	45	10,426	(646)	8,990	19,228	55,479	
<u>68,139</u>	<u>566</u>	<u>60,889</u>	<u>64,507</u>	<u>277,139</u>	<u>125,156</u>	<u>636,986</u>	
<u>\$ 86,979</u>	<u>\$ 611</u>	<u>\$ 71,315</u>	<u>\$ 63,861</u>	<u>\$ 286,129</u>	<u>\$ 144,384</u>	<u>\$ 692,465</u>	

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 Year Ended June 30, 2015
 (Dollars in Thousands)

	Acquisition, Improvement and Operations				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	16,247	-	16,247	15,862	385
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	125	(11)	114	76	38
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	40	-	40	-	40
Charges for Current Services	5,324	-	5,324	2,316	3,008
Other Revenue	575	-	575	-	575
TOTAL REVENUES	22,311	(11)	22,300	18,254	4,046
EXPENDITURES					
Current:					
General Government and Support	3,286	19	3,305	3,661	356
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security	-	-	-	-	-
Parks, Recreation, Culture and Leisure	18,473	1,342	19,815	35,188	15,373
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	1,921	5	1,926	2,886	960
Capital Outlay	1,540	-	1,540	-	(1,540)
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	25,220	1,366	26,586	41,735	15,149
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,909)	(1,377)	(4,286)	(23,481)	19,195
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	3,818	-	3,818	5,600	(1,782)
Transfers to Other Funds	(15)	-	(15)	(15)	-
Proceeds from the Sale of Capital Assets	-	-	-	-	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,803	-	3,803	5,585	(1,782)
NET CHANGE IN FUND BALANCES	894	(1,377)	(483)	(17,896)	17,413
Fund Balances at Beginning of Year	21,316	-	21,316	21,316	-
FUND BALANCES AT END OF YEAR	\$ 22,210	\$ (1,377)	\$ 20,833	\$ 3,420	\$ 17,413

Qualcomm Stadium Operations					Transient Occupancy Tax				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	88,552	-	88,552	83,938	4,614
-	-	-	-	-	-	-	-	-	-
14	-	14	8	6	64	-	64	50	14
-	-	-	-	-	-	-	-	-	-
6,003	(4)	5,999	6,277	(278)	1,921	(1)	1,920	1,087	833
-	-	-	-	-	-	-	-	-	-
-	-	-	43	(43)	-	-	-	-	-
-	-	-	-	-	1,097	-	1,097	930	167
11	-	11	49	(38)	31	-	31	100	(69)
11	-	11	1	10	31	-	31	-	31
<u>6,039</u>	<u>(4)</u>	<u>6,035</u>	<u>6,378</u>	<u>(343)</u>	<u>91,696</u>	<u>(1)</u>	<u>91,695</u>	<u>86,105</u>	<u>5,590</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
10,736	7	10,743	15,049	4,306	39,995	76	40,071	41,425	1,354
-	-	-	-	-	3	-	3	27	24
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
217	-	217	-	(217)	17	-	17	-	(17)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>10,953</u>	<u>7</u>	<u>10,960</u>	<u>15,049</u>	<u>4,089</u>	<u>40,015</u>	<u>76</u>	<u>40,091</u>	<u>41,452</u>	<u>1,361</u>
<u>(4,914)</u>	<u>(11)</u>	<u>(4,925)</u>	<u>(8,671)</u>	<u>3,746</u>	<u>51,681</u>	<u>(77)</u>	<u>51,604</u>	<u>44,653</u>	<u>6,951</u>
10,275	-	10,275	10,275	-	-	-	-	175	(175)
(4,795)	-	(4,795)	(4,795)	-	(54,545)	-	(54,545)	(54,550)	5
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>5,480</u>	<u>-</u>	<u>5,480</u>	<u>5,480</u>	<u>-</u>	<u>(54,545)</u>	<u>-</u>	<u>(54,545)</u>	<u>(54,375)</u>	<u>(170)</u>
566	(11)	555	(3,191)	3,746	(2,864)	(77)	(2,941)	(9,722)	6,781
<u>4,124</u>	<u>-</u>	<u>4,124</u>	<u>4,124</u>	<u>-</u>	<u>15,150</u>	<u>-</u>	<u>15,150</u>	<u>15,150</u>	<u>-</u>
<u>\$ 4,690</u>	<u>\$ (11)</u>	<u>\$ 4,679</u>	<u>\$ 933</u>	<u>\$ 3,746</u>	<u>\$ 12,286</u>	<u>\$ (77)</u>	<u>\$ 12,209</u>	<u>\$ 5,428</u>	<u>\$ 6,781</u>

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CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 Year Ended June 30, 2015
 (Dollars in Thousands)

	Underground Surcharge				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	64,402	-	64,402	50,393	14,009
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	456	(47)	409	200	209
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	64,858	(47)	64,811	50,593	14,218
EXPENDITURES					
Current:					
General Government and Support	352	157	509	2,672	2,163
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	37,329	14,297	51,626	86,796	35,170
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Outlay	8,330	-	8,330	-	(8,330)
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	46,011	14,454	60,465	89,468	29,003
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,847	(14,501)	4,346	(38,875)	43,221
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	-	-	-	-	-
Transfers to Other Funds	(7)	-	(7)	(7)	-
Proceeds from the Sale of Capital Assets	-	-	-	-	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(7)	-	(7)	(7)	-
NET CHANGE IN FUND BALANCES	18,840	(14,501)	4,339	(38,882)	43,221
Fund Balances at Beginning of Year	68,139	-	68,139	68,139	-
FUND BALANCES AT END OF YEAR	\$ 86,979	\$ (14,501)	\$ 72,478	\$ 29,257	\$ 43,221

Zoological Exhibits					Other Special Revenue				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ 11,238	\$ -	\$ 11,238	\$ 10,746	\$ 492	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,788	-	8,788	8,803	(15)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	54,505	-	54,505	47,629	6,876
-	-	-	-	-	10,388	-	10,388	9,498	890
-	-	-	-	-	-	-	-	116	(116)
17	-	17	17	-	3,881	(72)	3,809	3,208	601
-	-	-	-	-	806	-	806	1,200	(394)
-	-	-	-	-	109	-	109	195	(86)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	117,158	-	117,158	120,822	(3,664)
-	-	-	-	-	903	-	903	-	903
11,255	-	11,255	10,763	492	196,538	(72)	196,466	191,471	4,995
-	-	-	-	-	79,966	441	80,407	85,800	5,393
-	-	-	-	-	5,782	491	6,273	6,920	647
-	-	-	-	-	8,931	69	9,000	9,532	532
11,193	-	11,193	11,193	-	12,789	987	13,776	29,513	15,737
-	-	-	-	-	26,615	12,891	39,506	67,076	27,570
-	-	-	-	-	1,480	-	1,480	1,614	134
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	6,757	-	6,757	-	(6,757)
-	-	-	-	-	6,775	-	6,775	7,184	409
-	-	-	-	-	199	-	199	516	317
11,193	-	11,193	11,193	-	149,296	14,879	164,175	208,155	43,980
62	-	62	(430)	492	47,242	(14,951)	32,291	(16,684)	48,975
-	-	-	-	-	14,879	-	14,879	15,325	(446)
(17)	-	(17)	(17)	-	(47,529)	-	(47,529)	(58,564)	11,035
-	-	-	-	-	2	-	2	-	2
-	-	-	-	-	266	-	266	-	266
(17)	-	(17)	(17)	-	(32,382)	-	(32,382)	(43,239)	10,857
45	-	45	(447)	492	14,861	(14,951)	(90)	(59,923)	59,833
566	-	566	566	-	88,125	-	88,125	88,125	-
\$ 611	\$ -	\$ 611	\$ 119	\$ 492	\$ 102,986	\$ (14,951)	\$ 88,035	\$ 28,202	\$ 59,833

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CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 Year Ended June 30, 2015
 (Dollars in Thousands)

	Total				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Property Taxes	\$ 11,238	\$ -	\$ 11,238	\$ 10,746	\$ 492
Special Assessments	16,247	-	16,247	15,862	385
Sales Taxes	8,788	-	8,788	8,803	(15)
Transient Occupancy Taxes	88,552	-	88,552	83,938	4,614
Other Local Taxes	118,907	-	118,907	98,022	20,885
Licenses and Permits	10,466	-	10,466	9,556	910
Fines, Forfeitures and Penalties	-	-	-	116	(116)
Revenue from Use of Money and Property	12,403	(135)	12,268	10,865	1,403
Revenue from Federal Agencies	806	-	806	1,200	(394)
Revenue from Other Agencies	109	-	109	238	(129)
Revenue from Private Sources	1,137	-	1,137	930	207
Charges for Current Services	122,524	-	122,524	123,287	(763)
Other Revenue	1,520	-	1,520	1	1,519
TOTAL REVENUES	392,697	(135)	392,562	363,564	28,998
EXPENDITURES					
Current:					
General Government and Support	83,604	617	84,221	92,133	7,912
Public Safety - Police	5,782	491	6,273	6,920	647
Public Safety - Fire and Life Safety and Homeland Security	8,931	69	9,000	9,532	532
Parks, Recreation, Culture and Leisure	93,186	2,412	95,598	132,368	36,770
Transportation	63,947	27,188	91,135	153,899	62,764
Sanitation and Health	1,480	-	1,480	1,614	134
Neighborhood Services	1,921	5	1,926	2,886	960
Capital Outlay	16,861	-	16,861	-	(16,861)
Debt Service:					
Principal Retirement	6,775	-	6,775	7,184	409
Interest	199	-	199	516	317
TOTAL EXPENDITURES	282,688	30,782	313,470	407,052	93,582
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	110,009	(30,917)	79,092	(43,488)	122,580
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	28,972	-	28,972	31,375	(2,403)
Transfers to Other Funds	(106,908)	-	(106,908)	(117,948)	11,040
Proceeds from the Sale of Capital Assets	2	-	2	-	2
Capital Leases	266	-	266	-	266
TOTAL OTHER FINANCING SOURCES (USES)	(77,668)	-	(77,668)	(86,573)	8,905
NET CHANGE IN FUND BALANCES	32,342	(30,917)	1,425	(130,061)	131,486
Fund Balances at Beginning of Year	197,420	-	197,420	197,420	-
FUND BALANCES AT END OF YEAR	\$ 229,762	\$ (30,917)	\$ 198,845	\$ 67,359	\$ 131,486

NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for general long-term debt principal, interest, and related costs.

CITY OF SAN DIEGO

MCGUIGAN LOAN FUND

This fund was established to account for the initial receipt and principal and interest payments related to a loan from Bank of America; the proceeds of which were used to satisfy the outstanding obligation of the McGuigan Settlement. This loan is serviced by contributions from various operating departments within the City. The Judgment Installment Payments to BANA have a fixed rate of 3.79% and the fourth and final payment was made on July 1, 2014.

BLENDED COMPONENT UNITS

CONVENTION CENTER EXPANSION FINANCING AUTHORITY

This fund was established to account for the debt service activities of the CCEFA. CCEFA, created by the City and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the San Diego Convention Center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the debt service activities of the PFFA. PFFA, a joint powers authority consisting of the City, the Successor Agency and the Housing Authority of the City of San Diego, facilitates the financing, acquisition and construction of public capital facility improvements. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)

This fund was established to account for the debt service activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
 June 30, 2015
 (Dollars in Thousands)

	City of San Diego	Convention Center Expansion Financing Authority
ASSETS		
Cash and Investments	\$ -	\$ -
Receivables:		
Accounts	-	-
Accrued Interest	-	-
Restricted Cash and Investments	-	-
TOTAL ASSETS	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Other	\$ -	\$ -
FUND BALANCES		
Restricted	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND		
BALANCES	\$ -	\$ -

<u>Public Facilities Financing Authority</u>	<u>Tobacco Settlement Revenue Funding Corporation</u>	<u>Total</u>
\$ 5	\$ -	\$ 5
-	5,021	5,021
8	-	8
<u>16,928</u>	<u>12,096</u>	<u>29,024</u>
<u>\$ 16,941</u>	<u>\$ 17,117</u>	<u>\$ 34,058</u>
<u>\$ -</u>	<u>\$ 5,021</u>	<u>\$ 5,021</u>
<u>16,941</u>	<u>12,096</u>	<u>29,037</u>
<u>\$ 16,941</u>	<u>\$ 17,117</u>	<u>\$ 34,058</u>

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2015
(Dollars in Thousands)

	City of San Diego	Convention Center Expansion Financing Authority
REVENUES		
Revenue from Use of Money and Property	\$ -	\$ -
Revenue from Other Agencies	-	-
TOTAL REVENUES	-	-
EXPENDITURES		
Debt Service:		
Principal Retirement	8,661	6,680
Cost of Issuance	-	-
Interest	333	5,881
TOTAL EXPENDITURES	8,994	12,561
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(8,994)	(12,561)
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	819	-
Transfers from Other Funds	8,175	12,561
Transfers to Other Funds	-	-
Revenue Bonds Issued	-	-
Premium on Bonds Issued	-	-
TOTAL OTHER FINANCING SOURCES (USES)	8,994	12,561
NET CHANGE IN FUND BALANCE	-	-
Fund Balance at Beginning of Year	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -

Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	Total
\$ 23	\$ 488	\$ 511
<u>-</u>	<u>9,020</u>	<u>9,020</u>
<u>23</u>	<u>9,508</u>	<u>9,531</u>
13,530	4,080	32,951
1,140	-	1,140
<u>20,707</u>	<u>5,533</u>	<u>32,454</u>
<u>35,377</u>	<u>9,613</u>	<u>66,545</u>
<u>(35,354)</u>	<u>(105)</u>	<u>(57,014)</u>
-	-	819
34,201	-	54,937
(120,000)	(42)	(120,042)
107,290	-	107,290
<u>13,910</u>	<u>-</u>	<u>13,910</u>
<u>35,401</u>	<u>(42)</u>	<u>56,914</u>
47	(147)	(100)
<u>16,894</u>	<u>12,243</u>	<u>29,137</u>
<u>\$ 16,941</u>	<u>\$ 12,096</u>	<u>\$ 29,037</u>

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2015
(Dollars in Thousands)

	Unbudgeted McGuigan Loan Fund
EXPENDITURES	
Debt Service:	
Principal Retirement	\$ 8,661
Interest	333
TOTAL EXPENDITURES	8,994
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(8,994)
OTHER FINANCING SOURCES	
Transfers from Proprietary Funds	819
Transfers from Other Funds	8,175
TOTAL OTHER FINANCING SOURCES (USES)	8,994
NET CHANGE IN FUND BALANCE	-
Fund Balance at Beginning of Year	-
FUND BALANCE AT END OF YEAR	\$ -

NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

CITY OF SAN DIEGO

TRANSNET - BUDGETED

This fund was established to account for transportation improvements funded by the 2009 extension of a local sales tax approved by voters in the County of San Diego. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

CAPITAL OUTLAY - BUDGETED

This fund was established to account for the acquisition of real property, as well as the construction and completion of permanent public improvements per Section 77 of the City Charter. This fund also accounts for a variety of capital projects including, but not limited to, building improvements to city facilities, and park and street improvements. Revenues in this fund are derived from the sale of City-owned real property.

CAPITAL GRANTS - UNBUDGETED

This fund was established to account for capital grants from Federal, State and other governmental agencies.

PARKS & RECREATION DISTRICTS - UNBUDGETED

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 - UNBUDGETED

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 - UNBUDGETED

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 - UNBUDGETED

This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issue limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

TRANSNET - UNBUDGETED

This fund was established to account for transportation improvements funded by local sales tax approved by voters in the County of San Diego, as well as developer impact fees under the SANDAG administered TransNet Program. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

CAPITAL OUTLAY - UNBUDGETED

This fund was established to account for the acquisition, construction and completion of permanent public improvements and real property. This fund also accounts for a variety of capital projects including, but not limited to, park and street improvements, and the construction of public facilities in new development areas. Revenues in this fund are derived from developer contributions, private donations, special assessments, special taxes, fees, leases, and interest derived there from.

BLENDED COMPONENT UNITS

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City and the former Redevelopment Agency, facilitates the financing and construction of public capital improvements. PFFA's current members are the City, the Successor Agency and the Housing Authority of the City of San Diego. Revenues are derived from the issuance of bonds and interest earnings on investments.

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2015
(Dollars in Thousands)

	City of San Diego	Public Facilities Financing Authority	Total
ASSETS			
Cash and Investments	\$ 450,277	\$ 224	\$ 450,501
Receivables:			
Taxes - Net	55,387	-	55,387
Accounts	2,152	-	2,152
Notes	31,183	-	31,183
Accrued Interest	579	61	640
Grants	7,579	-	7,579
Advances to Other Funds	5,207	-	5,207
Advances to Other Agencies	11	-	11
Restricted Cash and Investments	54,977	167,138	222,115
TOTAL ASSETS	\$ 607,352	\$ 167,423	\$ 774,775
LIABILITIES			
Accounts Payable	\$ 9,918	\$ 2,594	\$ 12,512
Due to Other Funds	6,312	11,322	17,634
Unearned Revenue	20,390	-	20,390
TOTAL LIABILITIES	36,620	13,916	50,536
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	55,387	-	55,387
Unavailable Revenue - Grants	6,959	-	6,959
Unavailable Revenue - Other	2,151	-	2,151
TOTAL DEFERRED INFLOWS OF RESOURCES	64,497	-	64,497
FUND BALANCES			
Nonspendable	103	-	103
Restricted	469,517	153,507	623,024
Committed	44,533	-	44,533
Unassigned	(7,918)	-	(7,918)
TOTAL FUND BALANCES	506,235	153,507	659,742
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 607,352	\$ 167,423	\$ 774,775

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2015
(Dollars in Thousands)

	City of San Diego	Public Facilities Financing Authority	Total
REVENUES			
Sales Taxes	\$ 28,634	\$ -	\$ 28,634
Other Local Taxes	2	-	2
Licenses and Permits	21,982	-	21,982
Revenue from Use of Money and Property	4,246	142	4,388
Revenue from Federal Agencies	4,883	-	4,883
Revenue from Other Agencies	63,359	-	63,359
Revenue from Private Sources	63,185	-	63,185
Charges for Current Services	660	-	660
Other Revenue	498	-	498
TOTAL REVENUES	187,449	142	187,591
EXPENDITURES			
Current:			
General Government and Support	2,193	-	2,193
Public Safety - Fire and Life Safety and Homeland Security	11	-	11
Parks, Recreation, Culture and Leisure	1,238	8	1,246
Transportation	4,212	-	4,212
Sanitation and Health	368	-	368
Neighborhood Services	1,290	-	1,290
Capital Outlay	73,375	40,231	113,606
Debt Service:			
Principal Retirement	636	-	636
Interest	145	-	145
TOTAL EXPENDITURES	83,468	40,239	123,707
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	103,981	(40,097)	63,884
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	63	-	63
Transfers from Other Funds	16,116	120,101	136,217
Transfers to Other Funds	(11,700)	-	(11,700)
Proceeds from the Sale of Capital Assets	45	-	45
Loans Issued	1,512	-	1,512
TOTAL OTHER FINANCING SOURCES (USES)	6,036	120,101	126,137
NET CHANGE IN FUND BALANCES	110,017	80,004	190,021
Fund Balances at Beginning of Year	396,218	73,503	469,721
FUND BALANCES AT END OF YEAR	\$ 506,235	\$ 153,507	\$ 659,742

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2015
(Dollars in Thousands)

	<u>Budgeted</u>		
	<u>TransNet</u>	<u>Capital Outlay</u>	<u>Capital Grants</u>
ASSETS			
Cash and Investments	\$ 2,437	\$ 6,826	\$ 253
Receivables:			
Taxes - Net	55,387	-	-
Accounts	-	-	-
Notes	-	-	-
Accrued Interest	3	-	-
Grants	-	-	7,579
Advances to Other Funds	-	-	-
Advances to Other Agencies	-	-	-
Restricted Cash and Investments	-	-	-
TOTAL ASSETS	<u>\$ 57,827</u>	<u>\$ 6,826</u>	<u>\$ 7,832</u>
LIABILITIES			
Accounts Payable	\$ 3,399	\$ 259	\$ 1,267
Due to Other Funds	-	-	6,312
Unearned Revenue	-	-	253
TOTAL LIABILITIES	<u>3,399</u>	<u>259</u>	<u>7,832</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	55,387	-	-
Unavailable Revenue - Grants	-	-	6,959
Unavailable Revenue - Other	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>55,387</u>	<u>-</u>	<u>6,959</u>
FUND BALANCES			
Fund Balances:			
Nonspendable	-	-	-
Restricted	-	6,567	-
Committed	-	-	-
Unassigned	(959)	-	(6,959)
TOTAL FUND BALANCES (DEFICIT)	<u>(959)</u>	<u>6,567</u>	<u>(6,959)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	<u>\$ 57,827</u>	<u>\$ 6,826</u>	<u>\$ 7,832</u>

Unbudgeted						
Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
\$ 5,742	\$ 230,352	\$ 97,123	\$ 472	\$ 18,480	\$ 88,592	\$ 450,277
-	-	-	-	-	-	55,387
-	-	1	-	-	2,151	2,152
-	-	-	-	-	31,183	31,183
8	300	136	1	25	106	579
-	-	-	-	-	-	7,579
-	-	-	-	-	5,207	5,207
-	-	-	-	-	11	11
-	-	-	3	-	54,974	54,977
<u>\$ 5,750</u>	<u>\$ 230,652</u>	<u>\$ 97,260</u>	<u>\$ 476</u>	<u>\$ 18,505</u>	<u>\$ 182,224</u>	<u>\$ 607,352</u>
\$ 1	\$ 524	\$ 1,395	\$ -	\$ 326	\$ 2,747	\$ 9,918
-	-	-	-	-	-	6,312
-	-	-	-	860	19,277	20,390
<u>1</u>	<u>524</u>	<u>1,395</u>	<u>-</u>	<u>1,186</u>	<u>22,024</u>	<u>36,620</u>
-	-	-	-	-	-	55,387
-	-	-	-	-	-	6,959
-	-	-	-	-	2,151	2,151
-	-	-	-	-	2,151	64,497
-	-	-	-	-	103	103
-	230,128	95,865	476	17,319	119,162	469,517
5,749	-	-	-	-	38,784	44,533
-	-	-	-	-	-	(7,918)
<u>5,749</u>	<u>230,128</u>	<u>95,865</u>	<u>476</u>	<u>17,319</u>	<u>158,049</u>	<u>506,235</u>
<u>\$ 5,750</u>	<u>\$ 230,652</u>	<u>\$ 97,260</u>	<u>\$ 476</u>	<u>\$ 18,505</u>	<u>\$ 182,224</u>	<u>\$ 607,352</u>

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2015
(Dollars in Thousands)

	<u>Budgeted</u>		
	<u>TransNet</u>	<u>Capital Outlay</u>	<u>Capital Grants</u>
REVENUES			
Sales Taxes	\$ 28,292	\$ -	\$ -
Other Local Taxes	-	-	-
Licenses and Permits	-	-	-
Revenue from Use of Money and Property	(2)	46	6
Revenue from Federal Agencies	-	-	4,883
Revenue from Other Agencies	-	-	6,926
Revenue from Private Sources	-	-	-
Charges for Current Services	-	-	-
Other Revenue	-	-	-
TOTAL REVENUES	<u>28,290</u>	<u>46</u>	<u>11,815</u>
EXPENDITURES			
Current:			
General Government and Support	230	-	-
Public Safety - Fire and Life Safety and Homeland Security	-	-	-
Parks, Recreation, Culture and Leisure	-	1	16
Transportation	1,323	-	1
Sanitation and Health	-	-	270
Neighborhood Services	-	-	1,040
Capital Outlay	22,102	1,775	7,500
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>23,655</u>	<u>1,776</u>	<u>8,827</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,635</u>	<u>(1,730)</u>	<u>2,988</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	-	-	-
Transfers from Other Funds	-	72	50
Transfers to Other Funds	(8,913)	(2,092)	-
Proceeds from the Sale of Capital Assets	-	45	-
Loans Issued	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(8,913)</u>	<u>(1,975)</u>	<u>50</u>
NET CHANGE IN FUND BALANCES	<u>(4,278)</u>	<u>(3,705)</u>	<u>3,038</u>
Fund Balances (Deficit) at Beginning of Year	<u>3,319</u>	<u>10,272</u>	<u>(9,997)</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ (959)</u>	<u>\$ 6,567</u>	<u>\$ (6,959)</u>

Unbudgeted						
Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
\$ -	\$ -	\$ -	\$ -	\$ 342	\$ -	\$ 28,634
-	-	-	-	-	2	2
-	-	17,691	-	4,291	-	21,982
35	1,239	553	3	103	2,263	4,246
-	-	-	-	-	-	4,883
-	-	-	-	-	56,433	63,359
-	61,021	73	1,003	-	1,088	63,185
-	-	-	-	-	660	660
-	-	-	-	-	498	498
35	62,260	18,317	1,006	4,736	60,944	187,449
-	1,181	559	68	44	111	2,193
-	-	-	-	-	11	11
-	1,192	-	-	-	29	1,238
-	1,643	-	1,100	49	96	4,212
-	98	-	-	-	-	368
-	-	-	-	-	250	1,290
493	13,416	10,467	-	6,680	10,942	73,375
-	-	-	-	-	636	636
-	-	-	-	-	145	145
493	17,530	11,026	1,168	6,773	12,220	83,468
(458)	44,730	7,291	(162)	(2,037)	48,724	103,981
-	-	-	-	-	63	63
-	-	-	-	-	15,994	16,116
-	-	-	-	-	(695)	(11,700)
-	-	-	-	-	-	45
-	-	-	-	-	1,512	1,512
-	-	-	-	-	16,874	6,036
(458)	44,730	7,291	(162)	(2,037)	65,598	110,017
6,207	185,398	88,574	638	19,356	92,451	396,218
<u>\$ 5,749</u>	<u>\$ 230,128</u>	<u>\$ 95,865</u>	<u>\$ 476</u>	<u>\$ 17,319</u>	<u>\$ 158,049</u>	<u>\$ 506,235</u>

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 Year Ended June 30, 2015
 (Dollars in Thousands)

	TransNet				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Sales Taxes	\$ 28,292	\$ -	\$ 28,292	\$ 30,010	\$ (1,718)
Revenue from Use of Money and Property	(2)	1	(1)	-	(1)
TOTAL REVENUES	28,290	1	28,291	30,010	(1,719)
EXPENDITURES					
Current:					
General Government and Support	230	-	230	492	262
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	209	209	617	408
Transportation	1,323	9,104	10,427	68,507	58,080
Sanitation and Health	-	607	607	6,375	5,768
Neighborhood Services	-	-	-	-	-
Capital Outlay	22,102	-	22,102	-	(22,102)
TOTAL EXPENDITURES	23,655	9,920	33,575	75,991	42,416
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES ...	4,635	(9,919)	(5,284)	(45,981)	40,697
OTHER FINANCING USES					
Transfers from Other Funds	-	-	-	-	-
Transfers to Other Funds	(8,913)	-	(8,913)	(8,913)	-
Proceeds from the Sale of Capital Assets	-	-	-	-	-
TOTAL OTHER FINANCING USES	(8,913)	-	(8,913)	(8,913)	-
NET CHANGE IN FUND BALANCES	(4,278)	(9,919)	(14,197)	(54,894)	40,697
Fund Balances at Beginning of Year	3,319	-	3,319	3,319	-
FUND BALANCES AT END OF YEAR	\$ (959)	\$ (9,919)	\$ (10,878)	\$ (51,575)	\$ 40,697

Capital Outlay					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,292	\$ -	\$ 28,292	\$ 30,010	\$ (1,718)
46	-	46	-	46	44	1	45	-	45
46	-	46	-	46	28,336	1	28,337	30,010	(1,673)
-	39	39	2,228	2,189	230	39	269	2,720	2,451
-	-	-	42	42	-	-	-	42	42
-	-	-	303	303	-	-	-	303	303
1	87	88	5,294	5,206	1	296	297	5,911	5,614
-	25	25	2,963	2,938	1,323	9,129	10,452	71,470	61,018
-	49	49	250	201	-	656	656	6,625	5,969
-	21	21	626	605	-	21	21	626	605
1,775	-	1,775	-	(1,775)	23,877	-	23,877	-	(23,877)
1,776	221	1,997	11,706	9,709	25,431	10,141	35,572	87,697	52,125
(1,730)	(221)	(1,951)	(11,706)	9,755	2,905	(10,140)	(7,235)	(57,687)	50,452
72	-	72	-	72	72	-	72	-	72
(2,092)	-	(2,092)	(2,046)	(46)	(11,005)	-	(11,005)	(10,959)	(46)
45	-	45	-	45	45	-	45	-	45
(1,975)	-	(1,975)	(2,046)	71	(10,888)	-	(10,888)	(10,959)	71
(3,705)	(221)	(3,926)	(13,752)	9,826	(7,983)	(10,140)	(18,123)	(68,646)	50,523
10,272	-	10,272	10,272	-	13,591	-	13,591	13,591	-
\$ 6,567	\$ (221)	\$ 6,346	\$ (3,480)	\$ 9,826	\$ 5,608	\$ (10,140)	\$ (4,532)	\$ (55,055)	\$ 50,523

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NONMAJOR GOVERNMENTAL FUNDS
PERMANENT

PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

CARROLL CANYON VERNAL POOL MITIGATION

This fund was established to account for an endowment from the San Diego Unified School District (The District). The endowment is to be used to implement a Memorandum of Understanding between the City and the District for biological mitigation, park land and joint use facilities involving Salk Elementary School, McAuliffe Community Park, and the Carroll Canyon Vernal Pool Preserve.

CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

LIBRARY ENDOWMENTS

This fund includes the Effie Sergeant and Jane Cameron Estate endowments, which were established to account for donations to benefit the North Park and Rancho Bernardo branch libraries, respectively. 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.

OTHER ENDOWMENTS

This fund includes several miscellaneous endowments, including Crescent Heights Habitat Management, Carmel Valley Sewer Maintenance, Figg Estate, Zoological Society-Mission Trails, Sycamore Estates, and the Environmental Trust Bankruptcy Endowment.

**NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
COMBINING BALANCE SHEET
June 30, 2015
(Dollars in Thousands)**

	<u>Carroll Canyon Vernal Pool Mitigation</u>	<u>Cemetery Perpetuity</u>
ASSETS		
Receivables:		
Accounts - Net of Allowance for Uncollectibles	\$ -	\$ 1
Accrued Interest	3	12
Restricted Cash and Investments	<u>2,510</u>	<u>11,730</u>
TOTAL ASSETS	<u>\$ 2,513</u>	<u>\$ 11,743</u>
LIABILITIES		
Accounts Payable	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Other	-	1
FUND BALANCES		
Nonspendable	2,482	11,742
Restricted	<u>31</u>	<u>-</u>
TOTAL FUND BALANCES	<u>2,513</u>	<u>11,742</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,513</u>	<u>\$ 11,743</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2015
(Dollars in Thousands)**

	<u>Carroll Canyon Vernal Pool Mitigation</u>	<u>Cemetery Perpetuity</u>
REVENUES		
Fines, Forfeitures and Penalties	\$ -	\$ 2
Revenue from Use of Money and Property	15	191
Revenue from Private Sources	-	-
Charges for Current Services	<u>-</u>	<u>80</u>
TOTAL REVENUES	<u>15</u>	<u>273</u>
EXPENDITURES		
Current:		
Parks, Recreation, Culture and Leisure	-	-
Sanitation and Health	<u>-</u>	<u>70</u>
TOTAL EXPENDITURES	<u>-</u>	<u>70</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>15</u>	<u>203</u>
OTHER FINANCING USES		
Transfers to Other Funds	<u>-</u>	<u>(472)</u>
NET CHANGE IN FUND BALANCES	<u>15</u>	<u>(269)</u>
Fund Balances at Beginning of Year	<u>2,498</u>	<u>12,011</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,513</u>	<u>\$ 11,742</u>

<u>Library Endowments</u>	<u>Los Penasquitos Canyon</u>	<u>Other Endowments</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 1
-	-	-	15
<u>5,384</u>	<u>3,177</u>	<u>1,164</u>	<u>23,965</u>
<u>\$ 5,384</u>	<u>\$ 3,177</u>	<u>\$ 1,164</u>	<u>\$ 23,981</u>
<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 17</u>
-	-	-	1
4,938	1,000	1,138	21,300
<u>433</u>	<u>2,177</u>	<u>22</u>	<u>2,663</u>
<u>5,371</u>	<u>3,177</u>	<u>1,160</u>	<u>23,963</u>
<u>\$ 5,384</u>	<u>\$ 3,177</u>	<u>\$ 1,164</u>	<u>\$ 23,981</u>

<u>Library Endowments</u>	<u>Los Penasquitos Canyon</u>	<u>Other Endowments</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2
210	132	3	551
135	-	-	135
<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>
<u>345</u>	<u>132</u>	<u>3</u>	<u>768</u>
115	5	4	124
<u>-</u>	<u>-</u>	<u>-</u>	<u>70</u>
<u>115</u>	<u>5</u>	<u>4</u>	<u>194</u>
<u>230</u>	<u>127</u>	<u>(1)</u>	<u>574</u>
<u>-</u>	<u>(115)</u>	<u>-</u>	<u>(587)</u>
230	12	(1)	(13)
<u>5,141</u>	<u>3,165</u>	<u>1,161</u>	<u>23,976</u>
<u>\$ 5,371</u>	<u>\$ 3,177</u>	<u>\$ 1,160</u>	<u>\$ 23,963</u>

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NONMAJOR BUSINESS-TYPE FUNDS
ENTERPRISE

ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

CITY OF SAN DIEGO

AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports—Montgomery and Brown Fields. Airports Fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments and aid from other governmental agencies.

DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, resource management, and other environmental programs.

GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

**NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2015
(Dollars in Thousands)**

	Airports	Development Services
ASSETS		
Current Assets:		
Cash and Investments	\$ 16,735	\$ 28,065
Receivables:		
Accounts - Net of Allowance for Uncollectibles	389	1,578
Accrued Interest	24	46
Grants	538	-
Total Current Assets	17,686	29,689
Non-Current Assets:		
Restricted Cash and Investments	74	7,248
Capital Assets - Non-Depreciable	4,052	177
Capital Assets - Depreciable	13,757	536
Total Non-Current Assets	17,883	7,961
 TOTAL ASSETS	 35,569	 37,650
 DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions	255	7,711
 LIABILITIES		
Current Liabilities:		
Accounts Payable	530	1,138
Accrued Wages and Benefits	90	2,243
Other Accrued Liabilities	-	-
Long-Term Liabilities Due Within One Year	54	1,300
Unearned Revenue	-	19,017
Customer Deposits Payable	-	-
Total Current Liabilities	674	23,698
Non-Current Liabilities:		
Deposits/Advances from Others	74	7,248
Compensated Absences	41	1,213
Liability Claims	143	1,793
Estimated Landfill Closure and Postclosure Care	-	-
Net Other Postemployment Benefits Obligation	413	7,457
Net Pension Liability	1,850	47,949
Total Non-Current Liabilities	2,521	65,660
 TOTAL LIABILITIES	 3,195	 89,358
 DEFERRED INFLOWS OF RESOURCES		
Unamortized Actuarial Gains	622	14,187
 NET POSITION (DEFICIT)		
Net Investment in Capital Assets	17,809	713
Restricted for Closure/Postclosure Maintenance	-	-
Unrestricted (Deficit)	14,198	(58,897)
 TOTAL NET POSITION (DEFICIT)	 \$ 32,007	 \$ (58,184)

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 36,797	\$ 33,727	\$ 18,907	\$ 134,231
985	259	1,712	4,923
130	49	46	295
-	-	-	538
<u>37,912</u>	<u>34,035</u>	<u>20,665</u>	<u>139,987</u>
49,383	5	10,702	67,412
12,621	1,985	70	18,905
<u>18,603</u>	<u>17,754</u>	<u>127</u>	<u>50,777</u>
<u>80,607</u>	<u>19,744</u>	<u>10,899</u>	<u>137,094</u>
<u>118,519</u>	<u>53,779</u>	<u>31,564</u>	<u>277,081</u>
<u>3,210</u>	<u>1,235</u>	<u>1,961</u>	<u>14,372</u>
984	665	1,047	4,364
764	371	542	4,010
-	25	-	25
598	233	329	2,514
-	107	373	19,497
-	5	10,702	10,707
<u>2,346</u>	<u>1,406</u>	<u>12,993</u>	<u>41,117</u>
-	-	-	7,322
461	170	176	2,061
1,577	698	1,475	5,686
23,269	-	-	23,269
4,002	2,376	2,480	16,728
<u>20,911</u>	<u>10,426</u>	<u>13,393</u>	<u>94,529</u>
<u>50,220</u>	<u>13,670</u>	<u>17,524</u>	<u>149,595</u>
<u>52,566</u>	<u>15,076</u>	<u>30,517</u>	<u>190,712</u>
<u>5,185</u>	<u>2,479</u>	<u>3,794</u>	<u>26,267</u>
30,809	19,739	197	69,267
26,245	-	-	26,245
<u>6,924</u>	<u>17,720</u>	<u>(983)</u>	<u>(21,038)</u>
<u>\$ 63,978</u>	<u>\$ 37,459</u>	<u>\$ (786)</u>	<u>\$ 74,474</u>

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2015
(Dollars in Thousands)

	Airports	Development Services
OPERATING REVENUES		
Charges for Services	\$ 317	\$ 54,556
Revenue from Use of Property	4,292	-
Other	9	1,839
TOTAL OPERATING REVENUES	4,618	56,395
OPERATING EXPENSES		
Maintenance and Operations	1,864	34,549
Administration	1,094	16,254
Depreciation	815	42
TOTAL OPERATING EXPENSES	3,773	50,845
OPERATING INCOME	845	5,550
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	101	169
Federal Grant Assistance	4	-
Other Agency Grant Assistance	-	-
Loss on Sale/Retirement of Capital Assets	-	(16)
Other	44	263
TOTAL NONOPERATING REVENUES (EXPENSES), NET	149	416
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	994	5,966
Capital Contributions	696	-
Transfers from Other Funds	-	-
Transfers from Governmental Funds.....	-	52
Transfers to Other Funds	-	-
Transfers to Governmental Funds	(14)	(291)
CHANGE IN NET POSITION	1,676	5,727
Net Position (Deficit) at Beginning of Year, as Restated	30,331	(63,911)
NET POSITION (DEFICIT) AT END OF YEAR	\$ 32,007	\$ (58,184)

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 29,563	\$ 18,736	\$ 18,072	\$ 121,244
80	1,378	175	5,925
<u>834</u>	<u>2</u>	<u>2,058</u>	<u>4,742</u>
<u>30,477</u>	<u>20,116</u>	<u>20,305</u>	<u>131,911</u>
20,291	12,873	14,624	84,201
4,915	1,819	3,155	27,237
<u>3,442</u>	<u>1,273</u>	<u>23</u>	<u>5,595</u>
<u>28,648</u>	<u>15,965</u>	<u>17,802</u>	<u>117,033</u>
<u>1,829</u>	<u>4,151</u>	<u>2,503</u>	<u>14,878</u>
502	197	167	1,136
-	-	-	4
35	-	378	413
(2,627)	-	(5)	(2,648)
<u>917</u>	<u>50</u>	<u>182</u>	<u>1,456</u>
<u>(1,173)</u>	<u>247</u>	<u>722</u>	<u>361</u>
<u>656</u>	<u>4,398</u>	<u>3,225</u>	<u>15,239</u>
674	-	-	1,370
29	-	554	583
-	-	-	52
(537)	-	-	(537)
<u>(123)</u>	<u>(52)</u>	<u>(86)</u>	<u>(566)</u>
699	4,346	3,693	16,141
<u>63,279</u>	<u>33,113</u>	<u>(4,479)</u>	<u>58,333</u>
<u>\$ 63,978</u>	<u>\$ 37,459</u>	<u>\$ (786)</u>	<u>\$ 74,474</u>

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2015
(Dollars in Thousands)

	Airports	Development Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 4,720	\$ 56,852
Receipts from Interfund Services Provided	-	1,718
Payments to Suppliers	(896)	(6,103)
Payments to Employees	(1,589)	(43,118)
Payments for Interfund Services Used	(306)	(5,604)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,929	3,745
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Other Funds	-	-
Transfers from Governmental Funds	-	52
Transfers to Other Funds	-	-
Transfers to Governmental Funds	(14)	(291)
Operating Grants Received	4	-
Proceeds from Advances and Deposits	-	439
Payments for Advances and Deposits	(6)	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(16)	200
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	491	-
Acquisition of Capital Assets	(970)	(59)
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(479)	(59)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	96	160
Net Increase in Cash and Cash Equivalents	1,530	4,046
Cash and Cash Equivalents at Beginning of Year	15,279	31,267
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 16,809	\$ 35,313
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:		
Cash and Investments	\$ 16,735	\$ 28,065
Restricted Cash and Investments	74	7,248
Total Cash and Cash Equivalents at End of Year	\$ 16,809	\$ 35,313
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Operating Income	\$ 845	\$ 5,550
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	815	42
Other Nonoperating Revenue	44	263
(Increase) Decrease in Assets:		
Accounts Receivable - Net	58	393
Increase (Decrease) in Liabilities and Deferred Outflows/Inflows of Resources:		
Accounts Payable	343	209
Accrued Wages and Benefits	14	268
Unearned Revenue	-	1,519
Contract Deposits	-	-
Compensated Absences	(31)	9
Liability Claims	(40)	186
Estimated Landfill Closure and Postclosure Care	-	-
Net OPEB Obligation	14	260
Net Pension Liability	(133)	(4,954)
Total Adjustments	1,084	(1,805)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 1,929	\$ 3,745
Noncash Investing, Capital, and Financing Activities:		
Capital Asset Acquisitions related to Accounts Payable	\$ 33	-
Noncash Retirement of Capital Assets	-	-
Transfers of Capital Assets	-	(16)

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 29,544	\$ 20,275	\$ 17,956	\$ 129,347
998	-	1,019	3,735
(11,421)	(7,310)	(8,789)	(34,519)
(16,462)	(7,859)	(10,386)	(79,414)
<u>(401)</u>	<u>(231)</u>	<u>(171)</u>	<u>(6,713)</u>
2,258	4,875	(371)	12,436
29	-	554	583
-	-	-	52
(537)	-	-	(537)
(123)	(52)	(86)	(566)
49	-	378	431
-	-	1,541	1,980
<u>-</u>	<u>(21)</u>	<u>-</u>	<u>(27)</u>
(582)	(73)	2,387	1,916
-	-	-	491
<u>(1,408)</u>	<u>(2,518)</u>	<u>(75)</u>	<u>(5,030)</u>
(1,408)	(2,518)	(75)	(4,539)
481	188	156	1,081
749	2,472	2,097	10,894
<u>85,431</u>	<u>31,260</u>	<u>27,512</u>	<u>190,749</u>
<u>\$ 86,180</u>	<u>\$ 33,732</u>	<u>\$ 29,609</u>	<u>\$ 201,643</u>
\$ 36,797	\$ 33,727	\$ 18,907	\$ 134,231
<u>49,383</u>	<u>5</u>	<u>10,702</u>	<u>67,412</u>
<u>\$ 86,180</u>	<u>\$ 33,732</u>	<u>\$ 29,609</u>	<u>\$ 201,643</u>
\$ 1,829	\$ 4,151	\$ 2,503	\$ 14,878
3,442	1,273	23	5,595
917	50	182	1,456
(852)	(23)	(1,507)	(1,931)
(586)	179	4	149
24	9	27	342
-	107	(5)	1,621
-	25	-	25
(75)	(19)	(28)	(144)
(328)	(197)	(416)	(795)
(21)	-	-	(21)
111	73	69	527
<u>(2,203)</u>	<u>(753)</u>	<u>(1,223)</u>	<u>(9,266)</u>
429	724	(2,874)	(2,442)
<u>\$ 2,258</u>	<u>\$ 4,875</u>	<u>\$ (371)</u>	<u>\$ 12,436</u>
\$ (125)	\$ 79	\$ -	\$ (13)
(2,627)	-	-	(2,627)
674	-	(5)	653

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INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

CITY OF SAN DIEGO

FLEET SERVICES

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, energy conservation, and administration and operation of various employee related programs such as unused compensatory time, unused sick leave, unemployment insurance, and long-term disability. Revenues are derived from rates or fees charged to the departments for specific services rendered.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2015
(Dollars in Thousands)

	Fleet Services	Central Stores
ASSETS		
Current Assets:		
Cash and Investments	\$ 106,472	\$ 2,138
Receivables:		
Accounts - Net of Allowance for Uncollectibles	2,734	-
Accrued Interest	11	2
Grants	-	-
Inventories	-	2,245
Total Current Assets	109,217	4,385
Non-Current Assets:		
Capital Assets - Non-Depreciable	3,383	-
Capital Assets - Depreciable	102,988	152
Total Non-Current Assets	106,371	152
TOTAL ASSETS	215,588	4,537
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions	3,993	333
LIABILITIES		
Current Liabilities:		
Accounts Payable	6,457	1,912
Accrued Wages and Benefits	1,091	86
Other Accrued Liabilities	-	-
Interest Accrued on Long-Term Debt	209	-
Long-Term Liabilities Due Within One Year	7,159	38
Total Current Liabilities	14,916	2,036
Non-Current Liabilities:		
Compensated Absences	595	22
Liability Claims	2,899	174
Capital Lease Obligations	24,909	-
Net Other Postemployment Benefits Obligation	6,124	540
Net Pension Obligation	-	-
Net Pension Liability	28,300	2,343
Total Non-Current Liabilities	62,827	3,079
TOTAL LIABILITIES	77,743	5,115
DEFERRED INFLOWS OF RESOURCES		
Unamortized Actuarial Gains	7,502	581
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	75,110	152
Unrestricted (Deficit)	59,226	(978)
TOTAL NET POSITION (DEFICIT)	\$ 134,336	\$ (826)

<u>Publishing Services</u>	<u>Miscellaneous Internal Service</u>	<u>Total</u>
\$ 1,112	\$ 32,334	\$ 142,056
3	80	2,817
1	44	58
-	256	256
-	-	2,245
<u>1,116</u>	<u>32,714</u>	<u>147,432</u>
-	292	3,675
<u>22</u>	<u>1,830</u>	<u>104,992</u>
<u>22</u>	<u>2,122</u>	<u>108,667</u>
<u>1,138</u>	<u>34,836</u>	<u>256,099</u>
<u>170</u>	<u>1,921</u>	<u>6,417</u>
355	753	9,477
43	484	1,704
-	130	130
-	-	209
<u>26</u>	<u>3,837</u>	<u>11,060</u>
<u>424</u>	<u>5,204</u>	<u>22,580</u>
28	2,855	3,500
34	6,804	9,911
-	-	24,909
431	2,269	9,364
-	13	13
<u>1,192</u>	<u>12,352</u>	<u>44,187</u>
<u>1,685</u>	<u>24,293</u>	<u>91,884</u>
<u>2,109</u>	<u>29,497</u>	<u>114,464</u>
<u>290</u>	<u>3,555</u>	<u>11,928</u>
22	2,122	77,406
<u>(1,113)</u>	<u>1,583</u>	<u>58,718</u>
<u>\$ (1,091)</u>	<u>\$ 3,705</u>	<u>\$ 136,124</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2015
(Dollars in Thousands)

	Fleet Services	Central Stores
OPERATING REVENUES		
Charges for Services	\$ 70,888	\$ 11,839
Other	16	200
TOTAL OPERATING REVENUES	70,904	12,039
OPERATING EXPENSES		
Benefit and Claim Payments	-	-
Maintenance and Operations	41,912	2,147
Cost of Materials Issued	-	9,496
Administration	1,114	378
Depreciation	21,428	20
TOTAL OPERATING EXPENSES	64,454	12,041
OPERATING INCOME (LOSS)	6,450	(2)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	502	10
Federal Grant Assistance	-	-
Other Agency Grant Assistance	-	-
Gain (Loss) on Sale/Retirement of Capital Assets	786	-
Debt Service Interest Expense	(593)	-
Other	504	1
TOTAL NONOPERATING REVENUES (EXPENSES), NET	1,199	11
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	7,649	9
Capital Contributions	116	3
Transfers from Governmental Funds	667	-
Transfers to Other Funds	(196)	-
Transfers to Governmental Funds	(445)	(12)
CHANGE IN NET POSITION	7,791	-
Net Position (Deficit) at Beginning of Year, as Restated	126,545	(826)
NET POSITION (DEFICIT) AT END OF YEAR	\$ 134,336	\$ (826)

<u>Publishing Services</u>	<u>Miscellaneous Internal Service</u>	<u>Total</u>
\$ 3,645	\$ 29,540	\$ 115,912
-	403	619
<u>3,645</u>	<u>29,943</u>	<u>116,531</u>
-	1,609	1,609
2,908	1,870	48,837
-	-	9,496
362	10,691	12,545
<u>4</u>	<u>179</u>	<u>21,631</u>
<u>3,274</u>	<u>14,349</u>	<u>94,118</u>
<u>371</u>	<u>15,594</u>	<u>22,413</u>
5	178	695
-	881	881
-	469	469
-	(520)	266
-	-	(593)
<u>4</u>	<u>554</u>	<u>1,063</u>
<u>9</u>	<u>1,562</u>	<u>2,781</u>
380	17,156	25,194
-	-	119
-	-	667
-	-	(196)
<u>(16)</u>	<u>(71)</u>	<u>(544)</u>
364	17,085	25,240
<u>(1,455)</u>	<u>(13,380)</u>	<u>110,884</u>
<u>\$ (1,091)</u>	<u>\$ 3,705</u>	<u>\$ 136,124</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2015
(Dollars in Thousands)

	<u>Fleet Services</u>	<u>Central Stores</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ -	\$ -
Receipts from Interfund Services Provided	69,958	12,063
Payments to Suppliers	(20,815)	(8,857)
Payments to Employees	(21,127)	(1,800)
Payments for Interfund Services Used	(903)	(99)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>27,113</u>	<u>1,307</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Governmental Funds	667	-
Transfers to Other Funds	(196)	-
Transfers to Governmental Funds	(445)	(12)
Operating Grants Received	-	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>26</u>	<u>(12)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(12,640)	-
Proceeds from the Sale of Capital Assets	1,468	-
Principal Payments on Capital Leases	(6,476)	-
Interest Paid on Long-Term Debt	(588)	-
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(18,236)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	500	10
Net Increase in Cash and Cash Equivalents	9,403	1,305
Cash and Cash Equivalents at Beginning of Year	97,069	833
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 106,472</u>	<u>\$ 2,138</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 6,450	\$ (2)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation	21,428	20
Other Nonoperating Revenue	504	1
(Increase) Decrease in Assets:		
Accounts Receivable - Net	(1,450)	23
Inventories	-	167
Increase (Decrease) in Liabilities and Deferred Outflows/Inflows of Resources:		
Accounts Payable	3,184	1,326
Accrued Wages and Benefits	24	3
Unearned Revenue	-	-
Compensated Absences	(40)	3
Liability Claims	(593)	(30)
Net OPEB Obligation	141	16
Net Pension Obligation	-	-
Net Pension Liability	(2,535)	(220)
Total Adjustments	20,663	1,309
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 27,113</u>	<u>\$ 1,307</u>
Noncash Investing, Capital, and Financing Activities:		
Capital Leases	\$ 4,000	\$ -
Capital Asset Acquisitions related to Accounts Payable	19	-
Noncash Retirement of Capital Assets	(665)	-
Transfers of Capital Assets	99	3

<u>Publishing Services</u>	<u>Miscellaneous Internal Service</u>	<u>Total</u>
\$ -	\$ 27,857	\$ 27,857
3,646	2,615	88,282
(2,362)	(3,757)	(35,791)
(913)	(22,913)	(46,753)
(79)	(414)	(1,495)
<u>292</u>	<u>3,388</u>	<u>32,100</u>
-	-	667
-	-	(196)
(16)	(71)	(544)
-	1,807	1,807
<u>(16)</u>	<u>1,736</u>	<u>1,734</u>
-	(212)	(12,852)
-	-	1,468
-	-	(6,476)
-	-	(588)
<u>-</u>	<u>(212)</u>	<u>(18,448)</u>
<u>5</u>	<u>164</u>	<u>679</u>
281	5,076	16,065
<u>831</u>	<u>27,258</u>	<u>125,991</u>
<u>\$ 1,112</u>	<u>\$ 32,334</u>	<u>\$ 142,056</u>
<u>\$ 371</u>	<u>\$ 15,594</u>	<u>\$ 22,413</u>
4	179	21,631
4	554	1,063
(3)	(6)	(1,436)
-	-	167
29	227	4,766
4	13	44
-	(19)	(19)
(4)	171	130
(6)	(12,160)	(12,789)
6	68	231
-	(2)	(2)
(113)	(1,231)	(4,099)
<u>(79)</u>	<u>(12,206)</u>	<u>9,687</u>
<u>\$ 292</u>	<u>\$ 3,388</u>	<u>\$ 32,100</u>
\$ -	\$ -	\$ 4,000
-	69	88
-	-	(665)
-	(520)	(418)

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FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF SAN DIEGO

PENSION TRUST FUNDS

PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit plan under IRC section 415(m), which was created by Congress to allow for the payment of promised pension benefits that exceed the IRC section 415(b) limits and therefore can't be paid from the City's Pension and Employee Savings Trust Fund. This fund is maintained by the Retirement Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

SUPPLEMENTAL PENSION SAVINGS PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(a) PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by the City, employees and investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(k) PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

AGENCY FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds, including federal and state income taxes withheld from employees, parking citation revenues, employee benefit plans and special assessments.

BLENDED COMPONENT UNIT

PENSION TRUST FUNDS

CITY EMPLOYEES' RETIREMENT SYSTEM

SDCERS provides retirement, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans. It also performs certain administrative functions on other post-employment benefits on behalf of the City.

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015
(Dollars in Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
ASSETS			
Cash and Investments	\$ 1,177	\$ 319	\$ 119
Cash with Custodian/Fiscal Agent	107,667	13,667	17,803
Investments at Fair Value:			
Domestic Fixed Income Securities	1,655,675	93,616	31,955
International Fixed Income Securities	401,425	22,931	7,846
Domestic Equity Securities (Stocks)	1,554,721	87,652	29,565
International Equity Securities (Stocks)	1,117,311	63,162	21,326
Global Equity Securities	310,786	17,630	5,692
Real Estate Equity	700,354	39,755	13,612
Equity Mutual Funds	-	-	-
Fixed Income Mutual Funds	-	-	-
Private Equity and Infrastructure	694,668	39,852	13,817
Receivables:			
Contributions	5,679	681	223
Accrued Interest	6,145	338	107
Loans	-	-	-
Securities Sold	131,592	7,472	2,615
Prepaid Expenses	146	7	2
Securities Lending Collateral	192,680	11,192	4,073
Capital Assets - Depreciable	6,260	375	137
TOTAL ASSETS	<u>6,886,286</u>	<u>398,649</u>	<u>148,892</u>
LIABILITIES			
Accounts Payable	7,581	496	337
Accrued Wages and Benefits	838	47	17
Supplemental Benefits Payable	11,116	260	28
Securities Lending Obligations	192,961	11,207	4,077
Securities Purchased	297,077	16,845	5,917
TOTAL LIABILITIES	<u>509,573</u>	<u>28,855</u>	<u>10,376</u>
NET POSITION			
Restricted for Pension Benefits	<u>\$ 6,376,713</u>	<u>\$ 369,794</u>	<u>\$ 138,516</u>

Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ -	\$ -	\$ 540	\$ 1	\$ 1	\$ 2,157
12	-	-	-	-	139,149
-	-	-	-	-	1,781,246
-	-	-	-	-	432,202
-	-	-	-	-	1,671,938
-	-	-	-	-	1,201,799
-	-	-	-	-	334,108
-	-	-	-	-	753,721
-	-	365,306	2,998	207,195	575,499
-	-	271,545	81	114,695	386,321
-	-	-	-	-	748,337
-	-	-	-	-	6,583
-	-	-	-	-	6,590
-	-	24,597	-	13,065	37,662
-	-	-	-	-	141,679
-	-	-	-	-	155
-	-	-	-	-	207,945
-	-	-	-	-	6,772
12	-	661,988	3,080	334,956	8,433,863
-	-	-	-	-	8,414
-	-	-	-	-	902
-	-	-	-	-	11,404
-	-	-	-	-	208,245
-	-	-	-	-	319,839
-	-	-	-	-	548,804
\$ 12	\$ -	\$ 661,988	\$ 3,080	\$ 334,956	\$ 7,885,059

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2015
(Dollars in Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
ADDITIONS			
Employer Contributions	\$ 265,660	\$ 16,761	\$ 5,625
Plan Member Contributions:			
Employee Contributions	56,643	1,184	1,034
DROP Contributions	4,800	251	79
Earnings on Investments:			
Investment Income	235,953	13,702	4,972
Investment Expense	(29,133)	(1,686)	(599)
Net Investment Income	206,820	12,016	4,373
Securities Lending:			
Gross Earnings	1,120	65	23
Borrower Rebates	(287)	(17)	(6)
Net Securities Lending Income	833	48	17
Other Income:			
Other Income	-	-	-
TOTAL ADDITIONS	<u>534,756</u>	<u>30,260</u>	<u>11,128</u>
DEDUCTIONS			
DROP Interest Expense	22,507	471	39
Benefit and Claim Payments	406,731	21,305	2,444
Administration	8,911	691	332
TOTAL DEDUCTIONS	<u>438,149</u>	<u>22,467</u>	<u>2,815</u>
CHANGE IN NET POSITION	96,607	7,793	8,313
Net Position at Beginning of Year, as Restated	6,280,106	362,001	130,203
NET POSITION AT END OF YEAR	<u>\$ 6,376,713</u>	<u>\$ 369,794</u>	<u>\$ 138,516</u>

Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 1,353	\$ 31,515	\$ 24,070	\$ 357	\$ -	\$ 345,341
-	7,752	24,005	459	17,363	108,440
-	-	-	-	-	5,130
-	-	19,445	92	10,234	284,398
-	-	-	-	-	(31,418)
-	-	19,445	92	10,234	252,980
-	-	-	-	-	1,208
-	-	-	-	-	(310)
-	-	-	-	-	898
-	-	701	-	383	1,084
1,353	39,267	68,221	908	27,980	713,873
-	-	-	-	-	23,017
1,347	38,929	52,906	138	21,835	545,635
2	338	-	-	-	10,274
1,349	39,267	52,906	138	21,835	578,926
4	-	15,315	770	6,145	134,947
8	-	646,673	2,310	328,811	7,750,112
\$ 12	\$ -	\$ 661,988	\$ 3,080	\$ 334,956	\$ 7,885,059

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015
(Dollars in Thousands)

	Employee Benefits	Other Miscellaneous Agency	Total
ASSETS			
Cash and Investments	\$ 2,848	\$ 15,052	\$ 17,900
Receivables:			
Accounts - Net	148	839	987
Special Assessments	-	230	230
Accrued Interest	-	13	13
Restricted Cash and Investments	-	29,333	29,333
TOTAL ASSETS	\$ 2,996	\$ 45,467	\$ 48,463
LIABILITIES			
Accounts Payable	\$ -	\$ 11,754	\$ 11,754
Deposits/Advances from Others	-	154	154
Sundry Agency Liabilities	2,996	9,550	12,546
Due to Bondholders	-	24,009	24,009
TOTAL LIABILITIES	\$ 2,996	\$ 45,467	\$ 48,463

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2015
(Dollars in Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Employee Benefits				
ASSETS				
Cash and Investments	\$ 4,949	\$ 193,223	\$ 195,324	\$ 2,848
Receivables:				
Accounts - Net	150	2,927	2,929	148
TOTAL ASSETS	\$ 5,099	\$ 196,150	\$ 198,253	\$ 2,996
LIABILITIES				
Accounts Payable	\$ 54	\$ 81,984	\$ 82,038	\$ -
Sundry Agency Liabilities	5,045	108,319	110,368	2,996
TOTAL LIABILITIES	\$ 5,099	\$ 190,303	\$ 192,406	\$ 2,996
Other Miscellaneous Agency				
ASSETS				
Cash and Investments	\$ 8,691	\$ 229,543	\$ 223,182	\$ 15,052
Receivables:				
Accounts - Net	775	10,414	10,350	839
Special Assessments	353	231	354	230
Accrued Interest	5	13	5	13
Restricted Cash and Investments	33,600	35,224	39,491	29,333
TOTAL ASSETS	\$ 43,424	\$ 275,425	\$ 273,382	\$ 45,467
LIABILITIES				
Accounts Payable	\$ 4,684	\$ 30,021	\$ 22,951	\$ 11,754
Deposits/Advances from Others	154	-	-	154
Sundry Agency Liabilities	11,141	180,608	182,199	9,550
Due to Bondholders	27,445	23,054	26,490	24,009
TOTAL LIABILITIES	\$ 43,424	\$ 233,683	\$ 231,640	\$ 45,467
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Investments	\$ 13,640	\$ 422,766	\$ 418,506	\$ 17,900
Receivables:				
Accounts - Net	925	13,341	13,279	987
Special Assessments	353	231	354	230
Accrued Interest	5	13	5	13
Restricted Cash and Investments	33,600	35,224	39,491	29,333
TOTAL ASSETS	\$ 48,523	\$ 471,575	\$ 471,635	\$ 48,463
LIABILITIES				
Accounts Payable	\$ 4,738	\$ 112,005	\$ 104,989	\$ 11,754
Deposits/Advances from Others	154	-	-	154
Sundry Agency Liabilities	16,186	288,927	292,567	12,546
Due to Bondholders	27,445	23,054	26,490	24,009
TOTAL LIABILITIES	\$ 48,523	\$ 423,986	\$ 424,046	\$ 48,463

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STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION

The Statistical Section presents information as required by GASB Statement No. 44. In addition to utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

CONTENTS

FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

Tables 5 through 8 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

DEBT CAPACITY

Tables 9 through 14 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 15 and 16 offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to provide comparisons over time with other governments.

OPERATING INFORMATION

Tables 17 through 19 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, <http://emma.msrb.org>, and the City's Investor Webpage, <http://www.sandiego.gov/investorinformation>.

CITY OF SAN DIEGO
NET POSITION BY CATEGORY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2006	2007	2008	2009
<u>Governmental Activities</u>				
Net Investment in Capital Assets	\$ 3,472,531	\$ 3,461,127	\$ 3,518,704	\$ 3,530,937
Restricted for:				
Capital Projects	273,575	300,288	314,931	293,284
Low-Moderate Income Housing	64,493	81,739	108,026	135,581
Permanent Endowments	14,568	16,509	16,757	13,280
Grants	-	-	-	-
Other	96,537	100,159	124,328	122,460
Unrestricted	<u>(140,126)</u>	<u>(19,999)</u>	<u>70,635</u>	<u>162,661</u>
Total Governmental Activities Net Position	<u>3,781,578</u>	<u>3,939,823</u>	<u>4,153,381</u>	<u>4,258,203</u>
<u>Business-type Activities</u>				
Net Investment in Capital Assets	2,867,469	2,998,848	2,933,012	2,970,351
Restricted for:				
Debt Service	2,970	2,977	2,660	4,372
Other	32,115	34,732	36,776	38,113
Unrestricted	<u>308,575</u>	<u>343,280</u>	<u>517,261</u>	<u>587,443</u>
Total Business-type Activities Net Position	<u>3,211,129</u>	<u>3,379,837</u>	<u>3,489,709</u>	<u>3,600,279</u>
<u>Primary Government</u>				
Net Investment in Capital Assets	6,340,000	6,459,975	6,451,716	6,501,288
Restricted for:				
Capital Projects	273,575	300,288	314,931	293,284
Debt Service	2,970	2,977	2,660	4,372
Low-Moderate Income Housing	64,493	81,739	108,026	135,581
Nonexpendable Permanent Endowments	14,568	16,509	16,757	13,280
Grants	-	-	-	-
Other	128,652	134,891	161,104	160,573
Unrestricted	<u>168,449</u>	<u>323,281</u>	<u>587,896</u>	<u>750,104</u>
Total Primary Government Net Position	<u>\$ 6,992,707</u>	<u>\$ 7,319,660</u>	<u>\$ 7,643,090</u>	<u>\$ 7,858,482</u>

Source: Comprehensive Annual Financial Reports

Table 1

							Fiscal Year					
2010		2011		2012		2013		2014		2015		
\$	3,780,474	\$	3,812,560	\$	3,835,923	\$	3,963,306	\$	3,988,284	\$	3,988,396	
	260,754		654,126		521,015		456,874		459,115		575,798	
	162,514		84,260		50,988		251,655		277,139		286,129	
	17,514		15,670		18,780		19,689		24,307		21,300	
	-		-		232,249		75,462		68,206		67,230	
	131,600		195,171		157,462		202,705		277,586		358,647	
	2,189		(392,384)		(278,413)		(341,390)		(274,916)		(1,493,831)	
	<u>4,355,045</u>		<u>4,369,403</u>		<u>4,538,004</u>		<u>4,628,301</u>		<u>4,819,721</u>		<u>3,803,669</u>	
	3,035,924		3,094,788		3,131,831		3,378,535		3,526,979		3,902,396	
	8,443		11,129		13,346		7,893		1,880		1,531	
	43,747		45,217		24,462		24,822		25,404		26,245	
	<u>643,275</u>		<u>685,666</u>		<u>826,386</u>		<u>701,760</u>		<u>637,889</u>		<u>380,283</u>	
	<u>3,731,389</u>		<u>3,836,800</u>		<u>3,996,025</u>		<u>4,113,010</u>		<u>4,192,152</u>		<u>4,310,455</u>	
	6,816,398		6,907,348		6,967,754		7,341,841		7,515,263		7,890,792	
	260,754		654,126		521,015		456,874		459,115		575,798	
	8,443		11,129		13,346		7,893		1,880		1,531	
	162,514		84,260		50,988		251,655		277,139		286,129	
	17,514		15,670		18,780		19,689		24,307		21,300	
	-		-		232,249		75,462		68,206		67,230	
	175,347		240,388		181,924		227,527		302,990		384,892	
	<u>645,464</u>		<u>293,283</u>		<u>547,973</u>		<u>360,370</u>		<u>362,973</u>		<u>(1,113,548)</u>	
\$	<u>8,086,434</u>	\$	<u>8,206,203</u>	\$	<u>8,534,029</u>	\$	<u>8,741,311</u>	\$	<u>9,011,873</u>	\$	<u>8,114,124</u>	

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental Activities				
General Government and Support	\$ 252,295	\$ 270,190	\$ 322,157	\$ 303,581
Public Safety - Police	370,990	376,581	382,907	418,549
Public Safety - Fire and Life Safety and Homeland Security	194,074	209,902	204,822	220,787
Parks, Recreation, Culture and Leisure	237,375	229,500	231,955	258,038
Transportation	200,883	272,780	212,255	239,305
Sanitation and Health	48,774	43,780	51,772	77,447
Neighborhood Services	111,886	99,870	91,110	116,735
Debt Service:				
Interest	71,109	84,920	82,211	84,070
Cost of Issuance	-	-	-	-
Total Governmental Activities Expenses	<u>1,487,386</u>	<u>1,587,523</u>	<u>1,579,189</u>	<u>1,718,512</u>
Business-type Activities				
Airports	4,100	3,755	4,109	5,140
City Store	810	843	788	321
Development Services	57,893	53,924	51,461	47,260
Environmental Services	44,493	40,138	37,279	35,718
Golf Course	9,563	10,690	11,142	11,864
Recycling	21,853	19,754	20,511	20,067
Sewer Utility	319,274	313,716	322,552	314,125
Water Utility	302,996	313,256	321,123	329,748
Total Business-type Activities Expenses	<u>760,982</u>	<u>756,076</u>	<u>768,965</u>	<u>764,243</u>
Total Primary Government Expenses	<u>2,248,368</u>	<u>2,343,599</u>	<u>2,348,154</u>	<u>2,482,755</u>
Program Revenues				
Governmental Activities				
Charges for Services:				
General Government and Support	96,345	107,257	111,714	152,630
Public Safety - Police	24,256	27,960	40,628	42,178
Public Safety - Fire and Life Safety and Homeland Security	18,572	16,548	19,156	20,449
Parks, Recreation, Culture and Leisure	51,196	52,656	64,030	80,795
Transportation	52,375	49,809	21,877	18,360
Sanitation and Health	10,697	10,224	9,832	9,306
Neighborhood Services	25,440	39,412	22,748	21,814
Operating Grants and Contributions	101,723	84,745	75,126	93,244
Capital Grants and Contributions	100,564	81,169	78,347	110,802
Total Governmental Activities Program Revenues	<u>481,168</u>	<u>469,780</u>	<u>443,458</u>	<u>549,578</u>
Business-type Activities				
Charges for Services:				
Airports	4,385	5,635	5,140	4,929
City Store	837	827	744	242
Development Services	55,011	48,746	45,945	37,310
Environmental Services	39,850	36,143	35,485	31,726
Golf Course	13,119	15,772	15,153	16,201
Recycling	21,345	20,476	23,390	16,027
Sewer Utility	290,568	304,749	328,119	322,571
Water Utility	280,567	310,292	318,626	342,719
Operating Grants and Contributions	1,909	1,203	2,312	1,739
Capital Grants and Contributions	77,602	141,419	58,400	60,863
Total Business-type Activities Program Revenues	<u>785,193</u>	<u>885,262</u>	<u>833,314</u>	<u>834,327</u>
Total Primary Government Program Revenues	<u>1,266,361</u>	<u>1,355,042</u>	<u>1,276,772</u>	<u>1,383,905</u>
Net (Expense)/Revenue				
Governmental Activities	(1,006,218)	(1,117,743)	(1,135,731)	(1,168,934)
Business-type Activities	<u>24,211</u>	<u>129,186</u>	<u>64,349</u>	<u>70,084</u>
Total Primary Government Net Expense	<u>\$ (982,007)</u>	<u>\$ (988,557)</u>	<u>\$ (1,071,382)</u>	<u>\$ (1,098,850)</u>

Source: Comprehensive Annual Financial Reports

Table 2

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 395,344	\$ 361,098	\$ 294,198	\$ 313,800	\$ 286,798	\$ 271,094	
402,222	427,724	409,374	429,849	441,803	380,344	
214,975	223,174	233,635	241,029	253,741	221,446	
266,343	248,668	270,199	270,540	267,523	263,127	
190,054	191,402	224,187	202,376	192,928	198,242	
78,171	74,639	73,299	67,623	89,448	92,833	
137,971	85,588	219,499	89,354	70,191	80,299	
72,672	77,443	58,838	37,942	35,226	33,790	
-	-	-	-	518	-	
<u>1,757,752</u>	<u>1,689,737</u>	<u>1,783,229</u>	<u>1,652,513</u>	<u>1,638,176</u>	<u>1,541,175</u>	
5,671	4,297	3,614	4,759	4,663	3,740	
-	-	-	-	-	-	
36,640	43,552	43,842	46,024	50,825	50,244	
33,955	34,904	36,357	32,205	33,724	30,939	
14,618	15,503	15,217	15,689	16,423	15,827	
19,265	19,611	18,105	18,895	20,475	17,200	
338,688	315,591	311,367	322,431	326,437	316,465	
<u>365,683</u>	<u>362,830</u>	<u>382,314</u>	<u>420,809</u>	<u>443,453</u>	<u>466,552</u>	
<u>814,520</u>	<u>796,288</u>	<u>810,816</u>	<u>860,812</u>	<u>896,000</u>	<u>900,967</u>	
2,572,272	2,486,025	2,594,045	2,513,325	2,534,176	2,442,142	
179,461	185,696	193,766	191,256	198,856	249,241	
39,636	44,879	38,367	44,723	42,976	40,304	
19,916	30,655	31,724	22,539	34,984	33,547	
61,495	65,033	80,673	72,297	51,721	53,093	
31,485	27,304	56,742	28,759	30,262	34,459	
11,788	11,784	14,452	13,790	15,342	14,269	
25,959	27,013	22,699	35,792	36,339	49,825	
71,829	81,159	62,181	82,760	60,591	49,049	
60,139	51,674	46,770	152,193	120,538	106,237	
<u>501,708</u>	<u>525,197</u>	<u>547,374</u>	<u>644,109</u>	<u>591,609</u>	<u>630,024</u>	
4,849	4,749	4,188	4,906	4,371	4,618	
-	-	-	-	-	-	
37,338	45,743	44,557	50,006	52,402	56,395	
26,342	28,246	25,123	24,607	26,043	30,477	
15,671	15,715	17,428	18,367	19,764	20,116	
16,946	18,592	17,323	18,056	19,046	20,305	
382,125	357,731	370,299	361,637	364,548	364,467	
376,461	371,515	408,119	414,508	447,565	455,222	
3,289	8,355	2,939	1,761	1,531	1,044	
45,738	30,692	75,194	91,878	70,739	386,952	
<u>908,759</u>	<u>881,338</u>	<u>965,170</u>	<u>985,726</u>	<u>1,006,009</u>	<u>1,339,596</u>	
1,410,467	1,406,535	1,512,544	1,629,835	1,597,618	1,969,620	
(1,256,044)	(1,164,540)	(1,235,855)	(1,008,404)	(1,046,567)	(911,151)	
94,239	85,050	154,354	124,914	110,009	438,629	
<u>\$ (1,161,805)</u>	<u>\$ (1,079,490)</u>	<u>\$ (1,081,501)</u>	<u>\$ (883,490)</u>	<u>\$ (936,558)</u>	<u>\$ (472,522)</u>	

Continued on Next Page

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2006	2007	2008	2009
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property Taxes	\$ 459,777	\$ 526,722	\$ 576,605	\$ 607,857
Transient Occupancy Taxes	136,803	154,810	159,348	140,657
Sales Taxes - Shared State Revenue	227,017	263,399	269,757	229,651
Other Local Taxes	148,001	157,941	151,267	161,485
Developer Contributions and Fees	53,502	62,693	38,331	16,148
Grants and Contributions not Restricted to Specific Programs	64,039	5,339	6,251	8,488
Investment Income	40,108	76,292	96,725	75,245
Gain on Sale of Capital Assets	1,214	6,546	17,884	1,922
Miscellaneous	21,227	25,671	29,570	33,528
Transfers	4,530	(3,425)	3,551	(1,225)
Total Governmental Activities General Revenues and Transfers	<u>1,156,218</u>	<u>1,275,988</u>	<u>1,349,289</u>	<u>1,273,756</u>
Business-type Activities				
Investment Income	16,938	30,713	41,224	31,004
Miscellaneous	6,502	5,384	7,850	8,257
Transfers	(4,530)	3,425	(3,551)	1,225
Total Business-type Activities General Revenues and Transfers	<u>18,910</u>	<u>39,522</u>	<u>45,523</u>	<u>40,486</u>
Total Primary Government General Revenues and Transfers	<u>1,175,128</u>	<u>1,315,510</u>	<u>1,394,812</u>	<u>1,314,242</u>
Extraordinary Gain (Loss)				
Governmental Activities	-	-	-	-
Business-type Activities	-	-	-	-
Change in Net Position				
Governmental Activities	150,001	158,245	213,558	104,822
Business-type Activities	43,121	168,708	109,872	110,570
Total Primary Government Change in Net Position	<u>\$ 193,122</u>	<u>\$ 326,953</u>	<u>\$ 323,430</u>	<u>\$ 215,392</u>

Source: Comprehensive Annual Financial Reports

Table 2

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 579,410	\$ 560,577	\$ 508,938	\$ 421,894	\$ 470,905	\$ 460,948	
123,332	140,752	148,184	158,105	173,376	182,466	
244,406	246,452	253,624	269,504	282,345	296,837	
183,694	158,797	173,954	166,548	186,747	208,970	
21,022	14,131	55,635	66,312	47,765	86,440	
18,065	10,320	115	705	674	653	
30,472	25,488	15,708	9,220	13,627	8,786	
1,854	133	-	-	-	-	
20,458	16,207	36,086	14,471	32,482	47,071	
(1,218)	6,040	16,739	20,012	15,269	(150)	
<u>1,221,495</u>	<u>1,178,897</u>	<u>1,208,983</u>	<u>1,126,771</u>	<u>1,223,190</u>	<u>1,292,021</u>	
22,332	13,717	11,519	2,429	8,489	8,012	
13,321	12,684	8,225	11,520	12,096	21,285	
1,218	(6,040)	(16,739)	(20,012)	(15,269)	150	
<u>36,871</u>	<u>20,361</u>	<u>3,005</u>	<u>(6,063)</u>	<u>5,316</u>	<u>29,447</u>	
<u>1,258,366</u>	<u>1,199,258</u>	<u>1,211,988</u>	<u>1,120,708</u>	<u>1,228,506</u>	<u>1,321,468</u>	
-	-	195,473	(28,070)	(14,828)	-	
-	-	1,866	(1,866)	-	-	
(34,549)	14,357	168,601	90,297	161,795	380,870	
<u>131,110</u>	<u>105,411</u>	<u>159,225</u>	<u>116,985</u>	<u>115,325</u>	<u>468,076</u>	
<u>\$ 96,562</u>	<u>\$ 119,768</u>	<u>\$ 327,826</u>	<u>\$ 207,282</u>	<u>\$ 277,120</u>	<u>\$ 848,946</u>	

CITY OF SAN DIEGO
FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Modified Accrual Basis of Accounting)

	Pre-GASB 54				
	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ 21,288	\$ 35,858	\$ 45,843	\$ 33,895	\$ 7,996
Unreserved	40,353	96,190	78,938	80,497	107,027
Total General Fund	<u>\$ 61,641</u>	<u>\$ 132,048</u>	<u>\$ 124,781</u>	<u>\$ 114,392</u>	<u>\$ 115,023</u>
Nonmajor Governmental Funds:					
Reserved	\$ 401,019	\$ 504,693	\$ 652,222	\$ 706,971	\$ 776,324
Unreserved, reported in:					
Special Revenue Funds	267,576	350,096	233,388	221,089	219,394
Debt Service Funds	217	29	221,814	265,236	159,737
Capital Projects Funds	406,130	377,648	358,550	430,479	368,860
Permanent Funds	656	1,249	549	2,625	2
Total Nonmajor Governmental Funds	<u>\$ 1,075,598</u>	<u>\$ 1,233,715</u>	<u>\$ 1,466,523</u>	<u>\$ 1,626,400</u>	<u>\$ 1,524,317</u>

Footnote:

¹ Starting in fiscal year 2011, data is reported in accordance with GASB Statement No. 54.

Source: Comprehensive Annual Financial Reports

Table 3

	Post-GASB 54 ¹				
	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund:					
Nonspendable	\$ -	\$ 22,140	\$ -	\$ 1,248	\$ 849
Spendable:					
Restricted	145,880	102,104	60,507	104,885	140,358
Committed	1,183	44,831	40,953	147,053	130,891
Assigned	38,153	-	8,717	5,575	6,162
Unassigned	60,532	109,475	112,321	91,353	99,555
Total General Fund	<u>\$ 245,748</u>	<u>\$ 278,550</u>	<u>\$ 222,498</u>	<u>\$ 350,114</u>	<u>\$ 377,815</u>
Nonmajor Governmental Funds:					
Nonspendable	\$ 21,093	\$ 19,502	\$ 115,806	\$ 24,326	\$ 21,427
Spendable:					
Restricted	1,378,184	876,460	866,750	1,011,875	1,288,739
Committed	92,783	114,722	87,655	140,268	108,239
Unassigned	(29,569)	(43,841)	(22,578)	(15,156)	(11,287)
Total Nonmajor Governmental Funds	<u>\$ 1,462,491</u>	<u>\$ 966,843</u>	<u>\$ 1,047,633</u>	<u>\$ 1,161,313</u>	<u>\$ 1,407,118</u>

CITY OF SAN DIEGO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Property Taxes	\$ 457,908	\$ 521,734	\$ 573,311	\$ 603,574
Special Assessments	36,699	36,585	50,274	63,500
Sales Taxes	227,017	264,587	270,791	233,140
In-Lieu Sales Taxes ¹	45,433	-	-	-
Transient Occupancy Taxes	136,801	153,574	159,348	140,657
Other Local Taxes	148,001	158,046	146,899	171,192
Licenses and Permits	42,117	41,425	50,693	39,349
Fines, Forfeitures and Penalties	35,441	42,932	32,785	34,406
Revenue from Use of Money and Property	89,438	117,552	129,582	107,784
Revenue from Federal Agencies	43,570	79,735	40,413	70,386
Revenue from Other Agencies	58,289	61,977	53,370	52,456
Revenue from Private Sources	91,287	59,549	23,013	21,593
Charges for Current Services	127,121	159,877	165,910	203,432
Other Revenue	25,923	31,027	30,824	25,711
Total Revenues	1,565,045	1,728,600	1,727,213	1,767,180
Expenditures				
Current:				
General Government and Support	290,550	267,461	310,814	344,930
Public Safety - Police	408,474	376,762	388,729	406,657
Public Safety - Fire and Life Safety and Homeland Security	212,069	202,031	205,660	225,696
Parks, Recreation, Culture and Leisure	216,038	182,197	195,808	211,759
Public Transportation	147,977	139,349	135,404	162,969
Sanitation and Health	49,094	44,729	53,957	78,260
Neighborhood Services	112,080	85,544	88,242	73,785
Capital Outlay	126,583	106,518	132,432	138,634
Debt Service:				
Principal Retirement	53,293	68,160	59,228	57,209
Cost of Issuance	-	5,145	3,618	1,001
Interest	68,732	82,928	78,133	78,659
Refunding Escrow	-	-	-	-
Total Expenditures	1,684,890	1,560,824	1,652,025	1,779,559
Excess (Deficiency) of Revenues Over Expenditures	(119,845)	167,776	75,188	(12,379)
Other Financing Sources (Uses)				
Transfers In	6,975	9,509	10,373	8,246
Transfers Out	(1,784)	(3,546)	(9,756)	(6,590)
Transfer to Escrow Agent	-	(159,690)	(10,676)	-
Contracts, Notes, and Loans Issued	13,873	13,003	16,063	12,583
Bonds Issued	217,797	182,328	108,121	115,236
Other Sources	20,609	19,144	36,228	32,392
Total Other Financing Sources (Uses)	257,470	60,748	150,353	161,867
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	\$ 137,625	\$ 228,524	\$ 225,541	\$ 149,488
Debt Service as a Percentage of Noncapital Expenditures	7.8%	10.7%	9.3%	8.3%

Footnote:

¹ The City reported In-Lieu Sales Taxes and Sales Taxes separately in fiscal year 2006.

Source: Comprehensive Annual Financial Reports

Table 4

Fiscal Year						
	2010	2011	2012	2013	2014	2015
\$	584,342	\$ 569,009	\$ 512,178	\$ 422,617	\$ 470,960	\$ 460,515
	45,606	42,823	46,964	50,510	50,796	57,343
	192,665	232,077	265,057	269,929	278,564	293,929
	-	-	-	-	-	-
	123,879	139,545	148,795	159,494	170,475	186,690
	183,696	158,797	173,954	166,548	186,747	208,907
	33,088	42,668	41,906	51,662	53,329	57,388
	31,836	33,356	64,816	31,261	31,363	33,832
	91,227	86,720	77,654	80,994	87,212	92,452
	54,056	86,113	70,132	59,863	52,504	45,217
	56,136	54,628	46,604	57,770	39,804	87,364
	21,689	29,126	38,451	71,280	78,875	71,581
	191,769	204,782	215,914	189,551	207,101	238,516
	23,187	32,807	41,446	20,829	33,890	49,200
	<u>1,633,176</u>	<u>1,712,451</u>	<u>1,743,871</u>	<u>1,632,308</u>	<u>1,741,620</u>	<u>1,882,934</u>
	391,680	339,782	279,663	265,489	299,739	305,594
	399,914	402,328	396,098	406,599	431,531	430,411
	210,730	210,539	226,623	228,128	245,650	254,603
	228,357	205,219	228,255	225,411	216,635	228,157
	117,545	115,168	149,344	120,594	108,836	120,102
	78,351	70,274	72,980	65,969	83,128	92,907
	75,772	88,826	218,724	81,559	63,846	82,812
	134,426	142,136	193,727	158,460	118,187	185,018
	65,928	114,774	70,614	46,323	66,534	42,812
	1,881	1,552	880	814	518	1,140
	74,825	73,093	56,695	37,399	36,070	34,135
	4,172	-	-	1,572	-	-
	<u>1,783,581</u>	<u>1,763,691</u>	<u>1,893,603</u>	<u>1,638,317</u>	<u>1,670,675</u>	<u>1,777,691</u>
	<u>(150,405)</u>	<u>(51,240)</u>	<u>(149,732)</u>	<u>(6,009)</u>	<u>70,944</u>	<u>105,243</u>
	7,706	7,444	274,458	302,999	192,049	253,570
	(13,444)	(6,564)	(286,274)	(294,922)	(173,249)	(253,139)
	(161,194)	-	(152,936)	(18,973)	(16,025)	-
	48,710	478	2,700	-	761	1,512
	183,396	104,857	153,964	94,808	51,713	121,200
	15,341	13,924	12,058	7,477	29,747	45,120
	<u>80,515</u>	<u>120,139</u>	<u>3,970</u>	<u>91,389</u>	<u>84,996</u>	<u>168,263</u>
	-	-	(317,084)	(60,642)	(21,067)	-
\$	<u>(69,890)</u>	<u>\$ 68,899</u>	<u>\$ (462,846)</u>	<u>\$ 24,738</u>	<u>\$ 134,874</u>	<u>\$ 273,506</u>
	8.9%	11.7%	7.5%	5.8%	6.6%	4.9%

CITY OF SAN DIEGO
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	City			
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
2006	\$ 128,935,155	\$ 7,067,580	\$ (5,684,279)	\$ 130,318,456
2007	142,036,802	7,629,006	(5,867,546)	143,798,262
2008	154,653,913	7,410,589	(6,329,714)	155,734,788
2009	162,580,727	7,880,341	(6,795,274)	163,665,794
2010	161,637,831	8,164,394	(7,157,357)	162,644,868
2011	158,803,280	7,873,095	(7,411,231)	159,265,144
2012	160,568,111	7,614,792	(7,713,035)	160,469,868
2013	159,731,138	7,784,851	(7,883,818)	159,632,171
2014	166,492,182	8,229,813	(8,321,763)	166,400,232
2015	176,702,157	8,671,311	(8,592,636)	176,780,832

Footnote:

¹ Pursuant to ABX1 26, the former Redevelopment Agency (RDA) dissolved as of February 1, 2012, at which time the City, as Successor Agency, received the former RDA's assets and assumed the responsibility for winding down the former RDA's operations.

Sources: MuniServices, LLC and San Diego County Assessor Data

Table 5

Successor Agency ¹					
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate	
\$ 10,237,395	\$ 628,841	\$ (685,305)	\$ 10,180,931	0.326%	
13,029,366	892,425	(924,626)	12,997,165	0.333%	
15,955,610	889,754	(1,064,583)	15,780,781	0.334%	
17,769,284	918,239	(1,139,942)	17,547,581	0.333%	
17,353,633	912,524	(1,289,122)	16,977,035	0.325%	
17,676,415	953,539	(1,465,748)	17,164,206	0.323%	
17,354,546	967,108	(1,610,637)	16,711,017	0.289%	
17,571,696	977,717	(1,683,396)	16,866,017	0.239%	
18,265,071	984,082	(1,712,162)	17,536,991	0.256%	
19,634,360	1,015,145	(1,694,855)	18,954,650	0.235%	

CITY OF SAN DIEGO
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
Last Ten Fiscal Years
(\$1 Per \$100 of Assessed Value)

	Fiscal Year			
	2006	2007	2008	2009
<u>Basic City and County Direct Rates</u>				
County of San Diego	0.15731%	0.15731%	0.15731%	0.15731%
City of San Diego	0.17213%	0.17213%	0.17213%	0.17213%
San Diego Unified School	0.44679%	0.44679%	0.44679%	0.44679%
San Diego Community College	0.06463%	0.06463%	0.06463%	0.06463%
County School Service	0.00748%	0.00748%	0.00748%	0.00748%
County School Service - Capital Outlay	0.00189%	0.00189%	0.00189%	0.00189%
Childrens Institution Tuition	0.00160%	0.00160%	0.00160%	0.00160%
Regional Occupational Center	0.00477%	0.00477%	0.00477%	0.00477%
Carlsbad Project	0.00010%	0.00010%	0.00010%	0.00010%
ERAF	0.14330%	0.14330%	0.14330%	0.14330%
Total Basic City and County Direct Rates ¹	1.00000%	1.00000%	1.00000%	1.00000%
<u>Overlapping Rates</u>				
City of San Diego	0.01165%	0.01094%	0.01069%	0.01038%
Education	0.10085%	0.08931%	0.08747%	0.07396%
Total Overlapping	0.11250%	0.10025%	0.09816%	0.08434%
Total Direct and Overlapping Tax Rates	1.11250%	1.10025%	1.09816%	1.08434%

¹Property tax rates in California do not utilize millage rates. Proposition 13, enacted by the voters in 1978-79, held property tax to a maximum of 1% of the assessed value. Rates over 1% are allowable only for voter approved bond indebtedness.

Sources: MuniServices, LLC and San Diego County Auditor/Controller Data

Table 6

Fiscal Year					
2010	2011	2012	2013	2014	2015
0.15731%	0.15731%	0.15731%	0.15731%	0.15731%	0.15731%
0.17213%	0.17213%	0.17213%	0.17213%	0.17213%	0.17213%
0.44679%	0.44679%	0.44679%	0.44679%	0.44679%	0.44679%
0.06463%	0.06463%	0.06463%	0.06463%	0.06463%	0.06463%
0.00748%	0.00748%	0.00748%	0.00748%	0.00748%	0.00748%
0.00189%	0.00189%	0.00189%	0.00189%	0.00189%	0.00189%
0.00160%	0.00160%	0.00160%	0.00160%	0.00160%	0.00160%
0.00477%	0.00477%	0.00477%	0.00477%	0.00477%	0.00477%
0.00010%	0.00010%	0.00010%	0.00010%	0.00010%	0.00010%
0.14330%	0.14330%	0.14330%	0.14330%	0.14330%	0.14330%
1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
0.01043%	0.00986%	0.00870%	0.00850%	0.00850%	0.00900%
0.09152%	0.09164%	0.10410%	0.10303%	0.17427%	0.17000%
0.10195%	0.10150%	0.11280%	0.11153%	0.18277%	0.17900%
1.10195%	1.10150%	1.11280%	1.11153%	1.18277%	1.17900%

**CITY OF SAN DIEGO
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
Current Year and Nine Years Ago
(Dollars in Thousands)**

Table 7

Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
<u>For the Fiscal Year Ended June 30, 2015</u>		
Qualcomm Inc.	\$ 1,980,546	1.01%
Irvine Company LLC	1,683,876	0.86%
Kilroy Realty LP	1,329,703	0.68%
Host Hotels Resorts LP	781,319	0.40%
O C S D Holdings LLC	496,098	0.25%
One Park Boulevard LLC	460,382	0.24%
Fashion Valley Mall LLC	450,395	0.23%
Solar Turbines Inc.	443,382	0.23%
B R E Properties Inc.	428,778	0.22%
Seaworld Parks Entertainment	410,998	0.21%
<u>For the Fiscal Year Ended June 30, 2006</u>		
Kilroy Realty LP	679,312	0.48%
Qualcomm Inc.	646,693	0.46%
Pfizer Inc.	470,414	0.33%
Fashion Valley Mall LLC	428,018	0.30%
San Diego Family Housing LLC	407,398	0.29%
Irvine Company LLC	372,631	0.27%
Seaworld Parks Entertainment	358,828	0.26%
Manchester Resorts LP	341,093	0.24%
Pacific Gateway Ltd.	265,295	0.19%
University Energy Centre LLC	205,156	0.15%

Sources: MuniServices, LLC and San Diego County Assessor Data

CITY OF SAN DIEGO
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Table 8

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of Levy			Total Collections to Date	
		Amount Collected ²	Percent of Levy	Delinquent Collections ³	Amount	Percent of Levy
2006	\$ 265,581	\$ 254,308	95.76%	\$ 5,338	\$ 259,646	97.77%
2007	283,855	270,583	95.32%	7,069	277,652	97.81%
2008	299,911	283,716	94.60%	10,269	293,985	98.02%
2009	303,593	290,480	95.68%	9,982	300,462	98.97%
2010	297,217	286,303	96.33%	8,834	295,137	99.30%
2011	293,624	285,913	97.37%	5,107	291,020	99.11%
2012	296,007	289,530	97.81%	4,656	294,186	99.38%
2013	299,332	293,577	98.08%	3,803	297,380	99.35%
2014	315,060	308,606	97.95%	3,286	311,892	98.99%
2015	331,187	325,794	98.37%	-	325,794	98.37%

Footnotes:

¹ Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund.

² Taxes levied and collected for the year include both the local and state assessments.

³ Penalties and interest from delinquent collections are not included.

Source: County of San Diego

CITY OF SAN DIEGO
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	Governmental Activities				
	Capital Lease Obligations	Qualified Energy Conservation Bonds/Lease Obligation	Notes Payable	Loans Payable	General Obligation Bonds
2006	\$ 40,541	\$ -	\$ 7,294	\$ 64,199	\$ 12,690
2007	39,130	-	8,555	60,493	10,705
2008	61,262	-	5,662	70,763	8,580
2009	89,519	-	4,786	78,347	6,315
2010	84,561	-	3,301	110,891	4,340
2011	68,018	13,142	-	52,963	2,240
2012	69,638	12,392	-	38,748	-
2013	65,369	11,637	-	27,268	-
2014	58,094	10,864	-	17,633	-
2015	92,539	10,071	-	9,568	-

Fiscal Year Ended June 30	Business-Type Activities				
	Capital Lease Obligations	Notes Payable	Loans Payable	Revenue Bonds Payable	Total Business-Type Activities
2006	\$ 2,051	\$ -	\$ 91,247	\$ 1,662,705	\$ 1,756,003
2007	1,006	280,830	101,316	1,469,060	1,852,212
2008	166	430,830	95,875	1,425,445	1,952,316
2009	-	-	90,326	2,166,906	2,257,232
2010	-	-	84,673	2,073,075	2,157,748
2011	-	-	91,025	2,009,160	2,100,185
2012	-	-	125,406	1,919,920	2,045,326
2013	-	-	145,330	1,850,645	1,995,975
2014	2,590	-	161,360	1,778,310	1,942,260
2015	2,250	-	158,241	1,702,940	1,863,431

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

¹ Personal income is disclosed in Table 15

² Debt per Capita is calculated using population data, which is disclosed in Table 15

Source: Comprehensive Annual Financial Reports

Table 9

Governmental Activities				
Pooled Financing Bonds	Lease Revenue Bonds/ Certificates of Participation	Tax Allocation Bonds	Tobacco Settlement Asset-Backed Bonds	Total Governmental Activities
\$ -	\$ 549,850	\$ 514,845	\$ 105,400	\$ 1,294,819
-	521,210	502,804	102,700	1,245,597
34,115	498,950	548,643	99,370	1,327,345
33,460	579,500	534,547	95,380	1,421,854
32,780	547,260	529,423	92,350	1,404,906
32,010	531,550	615,495	89,600	1,405,018
-	481,630	-	86,195	688,603
-	533,235	-	81,635	719,144
-	546,930	-	77,785	711,306
-	634,010	-	73,705	819,893

Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ²
\$ 3,050,822	8.08%	\$ 2.34
3,097,809	7.88%	2.35
3,279,661	7.68%	2.45
3,679,086	8.58%	2.76
3,562,654	8.19%	2.62
3,505,203	8.69%	2.67
2,733,929	6.39%	2.07
2,715,119	6.24%	2.05
2,653,566	5.79%	1.97
2,683,324	5.80%	1.96

CITY OF SAN DIEGO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
Last Ten Fiscal Years

Table 10

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)	Percentage of Assessed Value ¹	Population	Debt Per Capita ²
2006	\$ 12,690	\$ 130,318,456 ³	0.010%	1,305,625	\$ 9.72
2007	10,705	143,798,262	0.007%	1,316,837	8.13
2008	8,580	155,734,788	0.006%	1,336,865	6.42
2009	6,315	163,665,794	0.004%	1,333,617	4.74
2010	4,340	162,644,868	0.003%	1,359,132	3.19
2011	2,240	159,265,144	0.001%	1,311,882	1.71
2012	-	160,469,868	0.000%	1,321,315	-
2013	-	159,632,171	0.000%	1,326,238	-
2014	-	166,400,232	0.000%	1,345,895	-
2015	-	176,780,832	0.000%	1,368,061	-

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

¹ Ratio is calculated using assessed property values.

² Ratio is calculated using population data.

³ The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City and the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB Statement No. 44.

Sources: MuniServices, LLC, California Department of Finance and Comprehensive Annual Financial Reports

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CITY OF SAN DIEGO
DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2015
(Dollars in Thousands)

	Total Debt		City's Share
	June 30, 2015	% Applicable ¹	of Debt
			June 30, 2015
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 110,420	8.507%	\$ 9,393
Palomar Community College District	515,524	23.440%	120,839
San Diego Community College District	1,280,455	99.934%	1,279,610
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	337,923	55.832 & 56.362%	189,618
San Diego Unified School District	2,269,763	99.937%	2,268,333
San Dieguito Union High School District	266,795	32.384%	86,399
San Ysidro School District	135,717	87.653%	118,960
Other School, High School and Community College Districts	1,687,741	Various	140,570
Grossmont Healthcare District	267,413	8.074%	21,591
Palomar Pomerado Health System	471,441	27.619%	130,207
City of San Diego Special Assessment/Special Tax Bonds ²	-	100%	107,117
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	26,505	100%	26,505
North City West School District Community Facilities District	63,873	100%	63,873
Poway Unified School District Community Facilities Districts	349,314	99.609-100%	349,243
San Dieguito Union High School District Community Facilities Districts	40,696	81.063-100%	35,277
Sweetwater Union High School District Community Facilities Districts	19,515	8.935-100%	14,407
Solana Beach School District Community Facilities Districts	33,015	100%	33,015
Other Special District 1915 Act Bonds	18,572	Various	5,561
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 5,000,518</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 351,670	47.028%	\$ 165,383
San Diego County Pension Obligations	682,615	47.028%	321,020
San Diego Superintendent of Schools Certificates of Participation	14,733	47.028%	6,929
Palomar Community College District General Fund Obligations	4,350	23.440%	1,020
Poway Unified School District Certificates of Participation	62,409	63.698%	39,753
Sweetwater Union High School District Certificates of Participation	42,165	19.676%	8,296
Chula Vista School District General Fund Obligations	134,745	5.199%	7,005
San Ysidro School District Certificates of Participation	41,015	87.653%	35,951
Other School, High School and Community College District Certificates of Participation	126,092	Various	5,179
City of San Diego General Fund Obligations ³	634,010	100%	634,010
Otay Municipal Water District Certificates of Participation	45,195	6.831%	3,087
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			1,227,633
Less: Otay Municipal Water District Certificates of Participation			3,087
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 1,224,546</u>
OVERLAPPING TAX INCREMENT DEBT	\$ 556,169	1.261-100%	\$ 518,392
TOTAL DIRECT DEBT			634,010
TOTAL GROSS OVERLAPPING DEBT			6,112,533
TOTAL NET OVERLAPPING DEBT			6,109,446
GROSS COMBINED TOTAL DEBT ⁴			6,746,543
NET COMBINED TOTAL DEBT			6,743,456

Table 11

<u>Ratios to 2014-15 Assessed Valuations (\$197,090,227):</u>	
Overlapping Tax and Assessment Debt	2.54%
Total Direct Debt (\$634,010)	0.32%
Gross Combined Total Debt	3.42%
Net Combined Total Debt	3.42%
 <u>Ratios to Successor Agency Incremental Valuation (\$19,017,942)</u>	
Total Overlapping Tax Increment Debt	2.73%

Footnotes:

¹ The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

² Amounts reconcile to Note 18, Total Special Assessment / Special Tax Bonds.

³ Amounts for Total Debt reconcile to Note 5, Total Lease Revenue Bonds.

⁴ Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Non-Bonded Capital Lease Obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Sources: MuniServices, LLC and Comprehensive Annual Financial Reports

**CITY OF SAN DIEGO
LEGAL DEBT MARGIN SCHEDULE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)**

	Fiscal Year			
	2006	2007	2008	2009
Assessed valuation (restated) ¹	\$ 130,318,456	\$ 143,798,262	\$ 155,734,788	\$ 163,665,794
Conversion percentage ²	25%	25%	25%	25%
Adjusted assessed valuation	32,579,614	35,949,566	38,933,697	40,916,449
Debt limit percentage ³	25%	25%	25%	25%
Debt limit ⁴	8,144,904	8,987,391	9,733,424	10,229,112
Total net debt applicable to limit:				
General Obligation Bonds	12,690	10,705	8,580	6,315
Legal debt margin	8,132,214	8,976,686	9,724,844	10,222,797
Total debt applicable to the limit as a percentage of the debt limit	0.16%	0.12%	0.09%	0.06%

Footnotes:

¹ The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City and the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

² The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with fiscal year 1981-82, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

³ Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation.

⁴ The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or \$6,629,281 and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or \$4,419,521.

Sources: MuniServices, LLC and Comprehensive Annual Financial Reports

Table 12

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 162,644,868	\$ 159,265,144	\$ 160,469,868	\$ 159,632,171	\$ 166,400,232	\$ 176,780,832	
25%	25%	25%	25%	25%	25%	25%
40,661,217	39,816,286	40,117,467	39,908,043	41,600,058	44,195,208	
25%	25%	25%	25%	25%	25%	25%
10,165,304	9,954,072	10,029,367	9,977,011	10,400,015	11,048,802	
4,340	2,240	-	-	-	-	
10,160,964	9,951,832	10,029,367	9,977,011	10,400,015	11,048,802	
0.04%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF SAN DIEGO
PLEGGED-REVENUE COVERAGE - WATER OBLIGATIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues ¹	Less: Interest Earnings on Reserve Funds - Senior Obligations	Adjusted Net System Revenues ²
2006	\$ 303,453	\$ 242,180	\$ 61,273	\$ (1,228)	\$ 60,045
2007	336,599	255,486	81,113	(1,346)	79,767
2008	350,770	258,813	91,957	(1,481)	90,476
2009	364,413	263,280	101,133	(2,668)	98,465
2010	394,948	287,361	107,587	(3,767)	103,820
2011	397,755	285,059	112,696	(1,436)	111,260
2012	431,188 ⁴	307,465	123,723	(1,919)	121,804
2013	444,751	342,989	101,762	(363)	101,399
2014	473,908	362,989	110,919	(1,017)	109,902
2015 ⁵	468,274	381,389	86,885	(897)	85,988

Footnotes:

¹ Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

² Adjusted Net System Revenues is the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

³ All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

⁴ Includes receipt of State of California Prop 50 grants (\$40,000) and transfers to Rate Stabilization Fund (\$30,000).

⁵ Total System Revenues and affected coverage ratios are net of an approximate \$7,617 transfer to the Water Rate Stabilization Fund. Aggregate Debt Service before the transfer was approximately 1.41.

Source: Comprehensive Annual Financial Reports

Table 13

Senior Debt Service				All Obligations ³			
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage
\$ 7,965	\$ 13,390	\$ 21,355	\$ (1,228)	\$ 20,127	2.98	\$ 35,549	1.72
8,305	13,046	21,351	(1,346)	20,005	3.99	40,759	1.99
8,675	12,679	21,354	(1,481)	19,873	4.55	43,082	2.13
9,065	12,289	21,354	(2,668)	18,686	5.27	49,600	2.04
1,035	27,268	28,303	(3,767)	24,536	4.23	56,978	1.89
6,355	27,760	34,115	(1,436)	32,679	3.40	62,784	1.79
7,164	30,354	37,518	(1,919)	35,599	3.42	66,191	1.87
8,719	30,988	39,707	(363)	39,344	2.58	64,210	1.58
8,986	30,935	39,921	(1,017)	38,904	2.82	66,691	1.66
9,330	30,733	40,063	(897)	39,166	2.20	66,835	1.30

CITY OF SAN DIEGO
PLEDGED-REVENUE COVERAGE - SEWER OBLIGATIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues ¹	Senior Debt Service		
				Principal	Interest	Total
2006	\$ 320,288	\$ 202,111	\$ 118,177	\$ 27,390	\$ 49,662	\$ 77,052
2007 ³	343,921	202,632	141,289	28,760	48,291	77,051
2008	361,511	211,449	150,062	30,250	46,805	77,055
2009	353,446	197,379	156,067	31,700	45,356	77,056
2010	406,076	220,701	185,375	43,320	59,909	103,229
2011	380,575	198,773	181,802	42,620	59,868	102,488
2012	391,588	202,132	189,456	44,230	58,253	102,483
2013	385,211	205,215	179,996	46,120	56,368	102,488
2014	396,042	210,981	185,061	48,821	54,473	103,294
2015 ⁵	382,165	195,358	186,807	51,576	52,461	104,037

Footnotes:

¹ Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

² All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

³ Senior Debt Service principal and interest amounts for fiscal year 2007 were updated for correct amounts.

⁴ Total System Revenues and affected coverage ratios are net of an approximate \$29,700 transfer to the Sewer Rate Stabilization Fund.

Aggregate Debt Service before the transfer was approximately 1.91.

Source: Comprehensive Annual Financial Reports

Table 14

Senior Debt Service Coverage	All Obligations ²	
	Total Debt Service	Aggregate Debt Service Coverage
1.53	\$ 86,802	1.36
1.83	96,408	1.47
1.95	94,555	1.59
2.03	94,305	1.65
1.80	109,288	1.70
1.77	108,547	1.67
1.85	108,542	1.75
1.76	108,547	1.66
1.79	109,353	1.69
1.80	110,096	1.70

**CITY OF SAN DIEGO
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
Last Ten Fiscal Years**

Table 15

Fiscal Year Ended June 30	Population ¹	Personal Income (Thousands)	Per Capita Personal Income ²	City Unemployment Rate ³
2006	1,305,625	\$ 37,749,536	\$ 28,913	4.2%
2007	1,316,837	39,302,317	29,846	4.6%
2008	1,336,865	42,678,078	31,924	5.9%
2009	1,333,617	42,857,116	32,136	10.0%
2010	1,359,132	43,522,125	32,022	10.2%
2011	1,311,882	40,336,436	30,747	10.2%
2012	1,321,315	42,754,529	32,358	9.0%
2013	1,326,238	43,540,765	32,830	7.7%
2014	1,345,895	45,869,488	34,081	6.1%
2015	1,368,061	46,297,920	33,842	4.7%

Footnotes:

¹ Population projections are provided by the California Department of Finance Projections.

² Income data is provided by the United States Census Bureau, 2010 American Community Survey.

³ EDD Labor Market Information as of June 30 of each fiscal year.

Sources: MuniServices, LLC and California Department of Finance

**CITY OF SAN DIEGO
PRINCIPAL EMPLOYERS (UNAUDITED)
Current Year and Nine Years Ago**

Table 16

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment ¹</u>
<u>For the Fiscal Year Ended June 30, 2015</u>		
Naval Base San Diego ²	29,948	4.32%
University Of California San Diego ³	28,459	4.10%
Sharp Healthcare ⁴	16,896	2.44%
County of San Diego	16,427	2.37%
Qualcomm, Inc. ⁵	13,725	1.98%
San Diego Unified School District	13,446	1.94%
City of San Diego ⁶	10,968	1.58%
Dex Com Inc	10,540	1.52%
Kaiser Permanente	7,549	1.09%
Scripps Health ⁷	6,111	0.88%
Total Top Employers	<u>154,069</u>	<u>22.22%</u>
<u>For the Fiscal Year Ended June 30, 2006</u>		
Naval Base San Diego ²	40,200	6.11%
University of California San Diego	27,200	4.13%
San Diego Unified School District	19,777	3.01%
County of San Diego	15,715	2.39%
Sharp Healthcare	13,377	2.03%
San Diego State University	11,114	1.69%
Scripps Health ⁷	10,932	1.66%
City of San Diego ⁶	10,990	1.67%
Kaiser Permanente	7,432	1.13%
Qualcomm Inc.	6,960	1.06%
Total Top Employers	<u>163,697</u>	<u>24.88%</u>

Footnotes:

¹ Percentage based on total employment of 709,800 and 657,900 for fiscal years 2015 and 2006, respectively, reported by EDD.

² Employee count includes Navy, Marine and Civil Services personnel.

³ Employee count includes full and part-time, academic and support staff.

⁴ Employee count is countywide.

⁵ Count is from prior year

⁶ Employee count is provided by the City of San Diego, Office of the Comptroller - Payroll Division.

⁷ Current year employee count includes 3 hospital sites in San Diego. Previous count in 2006 was countywide.

Source: MuniServices, LLC

CITY OF SAN DIEGO
FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION (UNAUDITED) ¹
Last Ten Fiscal Years

Table 17

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government and Support	1,816	1,870	1,979	2,248	2,217	2,143	2,101	2,058	2,134	2,283
Public Safety - Police	2,628	2,627	2,712	2,674	2,547	2,409	2,402	2,427	2,489	2,519
Public Safety - Fire, Life Safety, Homeland Security	1,322	1,333	1,314	1,304	1,331	1,265	1,208	1,235	1,283	1,397
Parks, Recreation, Culture and Leisure	1,701	1,663	1,705	1,682	1,675	1,556	1,525	1,646	1,720	1,871
Transportation	447	339	326	279	282	280	276	298	325	337
Sanitation and Health	144	129	150	164	156	153	132	121	135	139
Neighborhood Services	177	148	154	145	132	137	127	141	152	162
Airports	14	14	15	16	16	17	17	18	16	18
Development Services	482	426	392	329	258	259	268	293	332	367
Environmental Services	196	188	164	168	172	160	157	153	145	154
Golf Course	88	95	88	97	93	89	100	98	106	106
Recycling	121	108	98	100	97	87	94	97	104	93
Sewer Utility	976	906	863	817	781	762	731	721	775	693
Water Utility	878	839	829	776	742	734	703	720	695	829
Total Employees	10,990	10,685	10,789	10,799	10,499	10,051	9,841	10,026	10,411	10,968

Footnote:¹ As of the last pay period of the fiscal year.

Source: City of San Diego, Office of the Comptroller - Payroll Division

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CITY OF SAN DIEGO
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years

Function	Fiscal Year			
	2006	2007	2008	2009
<u>Public Safety - Police</u>				
Calls for Police Services Dispatched	626,067	623,940	631,371	668,989
Calls for 9-1-1 Emergencies	471,927	518,291	526,391	506,738
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire Department:				
Emergency Calls - Fire	3,579	3,392	4,445	3,868
Emergency Calls - Medical/Rescue	84,882	87,789	91,932	94,422
Emergency Calls - Other	12,918	13,010	13,635	13,671
Lifeguard:				
Water Rescues	5,075	3,696	4,771	5,233
Other Rescues	4,490	3,388	4,334	4,813
Beach Attendance	21,277,945	21,253,050	20,275,495	21,166,884
<u>Parks, Recreation, Culture and Leisure</u>				
Parks and Recreation:				
Number of Aquatic Users	333,688	293,300	325,080	311,173
Number of Youth Served in After School Program Sites	80,837	57,111	88,032	84,140
Library:				
Circulation	7,003,040	7,167,104	7,374,378	7,651,619
Total Attendance - All Libraries	6,017,790	6,040,091	6,234,038	6,601,210
<u>Sewer Utility</u>				
Average Daily Sewage Flow (millions of gallons)	181	175	175	171
Average Daily Peak - Maximum Sewage Flow (millions of gallons)	224	216	242	268
System Daily Capacity (millions of gallons)	255	255	255	255
<u>Water Utility</u>				
Average Daily Production (millions of gallons)	205	220	204	194
Maximum Daily Production (millions of gallons)	279	291	298	283
Total Water Consumption (millions of gallons)	74,730	79,606	74,430	70,893
Total Water Production (millions of gallons)	79,486	83,202	80,100	77,014

Footnotes:

¹ Number of Calls 9-1-1 Emergencies is missing calls received during June 4th through June 30th, 2014.

Source: City Departments

Table 18

Fiscal Year					
2010	2011	2012	2013	2014	2015
653,086	633,328	583,629	570,628	583,556	562,360
501,094	542,010	572,808	605,015	583,391 ¹	626,694
2,740	2,559	2,557	3,659	3,184	5,591
97,049	100,460	104,086	112,864	113,858	124,189
14,295	15,245	16,478	12,698	12,838	12,748
5,066	4,187	6,011	5,482	5,299	6,673
5,002	5,574	6,094	6,714	5,486	6,281
25,774,465	22,186,170	24,558,435	23,403,527	23,414,313	24,928,079
303,200	299,145	304,900	308,025	296,000	311,788
89,790	92,035	78,500	81,889	109,670	107,515
7,706,431	7,129,443	6,973,727	6,956,000	6,877,913	6,923,853
6,143,281	5,771,767	5,602,380	5,818,941	6,170,931	6,654,351
166	170	164	160	155	149
288	410	226	207	196	187
255	255	255	255	255	255
179	171	172	181	188	171
243	239	247	249	267	243
59,567	56,760	60,944	62,501	65,552	60,474
65,644	62,511	63,240	66,167	68,457	62,289

**CITY OF SAN DIEGO
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years**

<u>Function</u>	<u>Fiscal Year</u>			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Public Safety - Police</u>				
Stations	10	10	10	10
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire Stations	45	46	47	47
<u>Parks, Recreation, Culture and Leisure</u>				
Park and Recreation Sites	370	380	380	384
<u>Transportation</u>				
Miles of Streets - Concrete and Asphalt	2,685	2,700	2,721	2,721
<u>Airports</u>				
Municipal Airports	2	2	2	2
<u>Golf Course</u>				
Municipal Golf Courses ²	10	10	10	10
<u>Sewer Utility</u>				
Miles of Sewers	2,993	3,018	3,076	3,023
Sewer Service Laterals	271,445	274,014	273,081	273,438
<u>Water Utility</u>				
Miles of Water Distribution Mains	3,336	3,381	3,263	3,281
Water Meters in Service	272,466	273,304	278,692	274,310
Fire Hydrants	24,661	24,905	25,003	25,023

Footnotes:

¹ Includes Headquarters and Traffic.

² Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports and City Departments

Table 19

Fiscal Year					
2010	2011	2012	2013	2014	2015
10	10	10	10	11 ¹	11 ¹
47	47	47	47	47	47
385	385	387	387	387	387
2,774	2,774	2,774	2,777	2,777	2,778
2	2	2	2	2	2
10	10	10	10	10	10
2,991	3,146	3,017	3,021	3,020	3,026
273,587	274,464	274,788	275,404	261,632	261,837
3,294	3,190	3,277	3,294	3,376	3,384
276,217	274,310	276,478	276,998	278,241	279,625
25,044	25,060	25,098	25,157	25,195	25,364

