Contents - Notes to the Financial Statements

NOTE 1
Summary of Significant Accounting Policies

The Reporting Entity

The County of San Diego (the "County" or "CoSD"), is a political subdivision of the State of California (the "State") and as such can exercise the powers specified by the Constitution and laws of the State of California. The County operates under a charter and is governed by an elected five-member Board of Supervisors (the "Board").

The County provides a full range of general government services including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, inactive waste management, airport management and general financial and administrative support.

The County reporting entity includes all significant organizations, departments, and agencies over which the County is considered to be financially accountable. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. As required by generally accepted accounting principles in the United States of America (GAAP), the financial statements present the financial position of the County and its component units.

These are entities for which the County is considered to be financially responsible and has a potential financial benefit/burden relationship.

Blended component units, although legally separate entities are, in substance, part of the County's operations and data from these component units are combined with the data from the primary government.

A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

Blended Component Units

The blended component units listed below are agencies and special districts whose governing board is the County Board of Supervisors. The County Board of Supervisors therefore has the ability to impose its will. These component units have a direct financial benefit/burden relationship with the County, are fiscally dependent on the County, and as such financial actions including the setting of rates, issuance of debt and the adoption of the annual budget remain with the County.

Air Pollution Control District (APCD) - The *APCD* was established to protect the people and the environment from the harmful effects of air pollution. Air quality is continuously monitored throughout the San Diego Air Basin, and programs are developed to bring about the emission reductions necessary to achieve clean air. The *APCD* issues permits to limit air pollution, ensures that air pollution control laws are followed, and administers funding that is used to reduce regional mobile source emissions. *APCD* is reported as a *special revenue fund*.

County of San Diego In-Home Supportive Services Public Authority (IHSSPA) - The *IHSSPA* was established to assist eligible low-income elderly and persons with disabilities in San Diego County to live high quality lives in their own homes. The *IHSSPA* program is mandated by the State. As the employer of record, *IHSSPA* recruits, screens, and trains home care workers who are available to assist eligible consumers in their own homes. *IHSSPA* is reported as a *special revenue fund*.

County Service Area Districts (CSAD) - The *CSADs* were established to provide authorized services such as road, park, fire protection and ambulance to specific areas in the County. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. The *CSADs* are reported as *special revenue funds*.

Flood Control District (FCD) - The *FCD* was established to provide flood control in the County's unincorporated area. It is financed primarily by ad valorem property taxes and charges to property owners. The *FCD* is reported as a *special revenue fund*.

Lighting Maintenance District (LMD) - The *LMD* was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. The *LMD* is reported as a *special revenue fund*.

San Diego County Housing Authority (SDCHA) - The *SDCHA* was established to provide decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources. *SDCHA* is reported in two *special revenue funds*.

Sanitation District (SD) - The *SD* was established to construct, operate and maintain reliable and sustainable sanitary sewer systems. Revenue sources include charges to property owners and grants. The *SD* is reported as an *enterprise fund*.

Blended component units governed by boards other than the CoSD Board of Supervisors are listed below. These component units are, in substance, part of the County's operations due to their relationship with the County and the nature of their operations. Specifically, the CoSD Board appoints either all or a majority of their board members and the services they provide solely benefit the County.

San Diego County Capital Asset Leasing Corporation (SANCAL) - *SANCAL* was established to finance the acquisition of County buildings and equipment. It is a nonprofit corporation governed by a five-member Board of Directors, which is appointed by the CoSD Board. *SANCAL* financial activities are reported in a *debt service fund and a capital projects fund.*

San Diego County Tobacco Asset Securitization Corporation (SDCTASC) - The *SDCTASC* was created under the California Nonprofit Public Benefit Corporation Law and was established to purchase tobacco settlement payments allocated to the County from the State of California, pursuant to a Tobacco Master Settlement Agreement.

SDCTASC is governed by a Board of Directors consisting of three members, two of which are employees of the County and one independent director who is not an employee of the County. The *SDCTASC* is reported as a *special revenue fund*.

San Diego Regional Building Authority (*SDRBA*) - The *SDRBA* was established under the Mark-Roos Local Bond Pooling Act of 1985 and authorized to issue bonds for the purpose of acquiring and constructing public capital improvements and to lease them to its members, the County and the San Diego Metropolitan Transit Development Board (MTDB). The services provided by the SDRBA to the MTDB are insignificant.

The *SDRBA* is governed by a Commission consisting of three members, two of which are County Supervisors appointed by the County Board of Supervisors and concurrently serve on the Board of Directors of the San Diego Trolley, Inc and the Board of Directors of MTDB. The third Commissioner is a member of MTDB and is appointed by the MTDB Board. The SDRBA's financial activities are reported in a *debt service fund* and a *capital projects fund*.

The Tobacco Securitization Joint Powers Authority of Southern California (TSJPA) - The *TSJPA* was created by a joint exercise of powers agreement between the County and the County of Sacramento pursuant to Government Code Sections 6500 et seq. The *TSJPA*'s purpose is to finance a loan to the San Diego County Tobacco Asset Securitization Corporation (the Corporation) via the sale of tobacco asset-backed bonds. The *Corporation* in turn uses the loan proceeds to purchase the County's future tobacco settlement revenues under a purchase and sale agreement. The *TSJPA* is administered by a Board of Directors consisting of three members, two members who are appointed by the CoSD Board and the third member is appointed by the Sacramento County Board of Supervisors. The *TSJPA* is reported as a *special revenue fund*.

Separately issued financial reports for IHSSPA, SDCTASC, SDRBA, and TSJPA can be obtained from the County Auditor and Controller's Office located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

Discrete Component Unit

The *First 5 Commission of San Diego (Commission)* was established by the Board as a separate legal entity under the authority of the California Children and Families First Act and Sections 130100 et seq. of the Health and Safety Code. The Commission administers the County's share of tobacco taxes levied by the State for the purpose of implementing early childhood development programs. The County appoints all of the Commission's board and can remove appointed members at will.

The Commission is discretely presented because its Board is not substantively the same as the County's, and it does not provide services entirely or almost entirely to the County. A separately issued financial report can be obtained by writing to The First 5 Commission, 2750 Womble Road, Suite 201, (MS-A211), San Diego, CA 92106.

Financial Reporting Structure

Basic Financial Statements

The basic financial statements include both government-wide financial statements and fund financial statements. The reporting model, based on GASB Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,"* focuses on the County as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about the County as a whole and the change in aggregate financial position resulting from the activities of the fiscal period, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the County (including its blended component units) as well as its discretely presented component unit. In the statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resource basis, which incorporates capital assets as well as long-term debt and obligations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the primary government total column. The statement of activities presents functional revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities.

The government-wide financial statements distinguish functions of the County 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 County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural activities. The business-type activities of the County include airport, jail stores commissary, and sanitation.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary funds. In governmental and fiduciary funds, assets and liabilities are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current assets in the classified format are those considered available to generate or use cash within twelve months of the end of the fiscal period. Examples include cash, various receivables and short-term investments. All other assets are considered noncurrent. Current liabilities are obligations to be paid within the next fiscal year. Examples include payables and the current portion of long-term liabilities. For all fund types, deferred outflows of resources are presented after assets; and deferred inflows of resources are presented following liabilities.

Major individual governmental funds are reported as separate columns in the fund financial statements and are presented on a current financial resources and modified accrual basis of accounting. Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for and reports all financial resources of the County not accounted for and reported in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural activities. Expenditures also include capital outlay and debt service.

The *Public Safety Special Revenue Fund* accounts for Proposition 172 half-cent sales taxes collected and apportioned to the County by the State Board of Equalization and are restricted for funding public safety activities. Per Government Code Section 30052, a "maintenance of effort" (pre-Proposition 172 public safety funding level) must be maintained by the County to comply with the statute's spending requirements. In accordance with the Code, these funds are allocated to the Sheriff, District Attorney and Probation departments. Transfers out of this fund subsidize the following types of public safety activities: juvenile detention services; facilities maintenance and support; capital projects, equipment and other one-time expenditures; on-going technology initiatives; and various region-wide services.

The *Tobacco Endowment Special Revenue Fund* accounts for tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. According to Board of Supervisors Policy E-14, tobacco settlement monies are to be used for healthcare-based programs.

The County reports the following additional funds and fund types:

Enterprise Funds account for airport, jail stores commissary and sanitation district activities; including operations and maintenance, financing of clothing and personal sundry items for persons institutionalized at various county facilities, and sewage collection and treatment services.

Internal Service Funds account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); start up services for new and existing County service districts; the County's public liability and employee benefits activities; the financing of fleet services; facilities management activities; and the financing of information technology services. Goods or services provided by servicing County departments are paid for on a cost reimbursement basis by receiving departments.

The following *fiduciary funds* account for resources that are held by the County as a trustee or agent for outside parties and cannot be used to support the County's programs.

Pooled Investments - Investment Trust Funds account for investment activities on behalf of external entities and include the portion of the County Treasurer's investment pool applicable to external entities. In general, external entities include school districts, independent special districts and various other governments.

County of San Diego Successor Agency Private Purpose Trust Fund is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the County of San Diego Successor Agency; formed pursuant to California Assembly Bill ABx1 26.

Agency Funds are custodial in nature, and have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition. Agency funds account for assets held by the County as an agent for various local governments, organizations and individuals. Included are funds for child support payments; payroll taxes; public administrator and public guardian accounts; and apportioned taxes for other local governments.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund 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 fiscal 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.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are susceptible to accrual when measurable and available. Sales taxes, investment earnings, state and federal grants, and charges for services are accrued when their receipt occurs within 180 days following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. General capital assets acquisitions and principal payments on general long-term debt are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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 County's enterprise funds and internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both *restricted and unrestricted resources* are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and Investments

The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held in the County's Investment Pool (the "Pool").

The Pool is available for use by all funds. Each fund type's portion of the Pool is displayed on the statements of net position/balance sheets as "pooled cash and investments." The share of each fund's pooled cash and investments account is separately accounted for and interest earned, net of related expenses, is apportioned quarterly based on the fund's average daily balance in proportion to the total pooled cash and investments based on amortized cost. $765 thousand of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2014, the General Fund was assigned $652 thousand and the Other Governmental Funds were assigned $113 thousand.

Investments are stated at fair value. The fair value of investments is determined monthly and is based on quoted market prices.

Receivables and Payables

The major receivables for governmental and business-type activities are taxes, due from other governmental agencies and loans. All property taxes and accounts receivable are shown net of an allowance for uncollectibles ($11.043 million and $3.034 million, respectively). Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Noncurrent interfund receivables between funds are reported as a nonspendable fund balance account in the General Fund; and as a restricted, committed or assigned fund balance account in other governmental funds, as applicable.

Secured property taxes are levied based upon the assessed valuation as of the previous January 1st, (lien date) and the tax levy is recorded on July 1st (levy date). They are payable in two equal installments due on November 1st and February 1st and are considered delinquent with ten percent penalties after December 10th and April 10th, respectively. An additional penalty of one and one-half percent per month begins to accrue on July 1st on defaulted secured property taxes. Unsecured property taxes are due as of the January 1st lien date and become delinquent, with 10 percent penalties, after August 31st. An additional penalty of one and one-half percent per month begins to accrue after October 31st on delinquent unsecured property taxes.

Governmental funds' property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year end, and are collected within 60 days after the fiscal year end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule.

(Amounts expressed in thousands unless otherwise noted)

County Leased Property

The County and its blended component units lease real property to the private sector and other governmental agencies. Direct financing lease receivables are shown as restricted assets on the government-wide statement of net position - governmental activities and governmental funds balance sheets. Revenue from direct financing and non-cancelable operating leases is reported in the applicable government-wide statement of activities - governmental activities, governmental funds statements of revenues, expenditures, and changes in fund balances and proprietary funds, statements of revenues, expenses, and changes in net position, as applicable.

Inventories and Prepaid Items

Inventories include both inventories on hand for sale and consumable inventories. Inventories are valued at average cost. They are accounted for as expenditures at the time of purchase and reported in governmental funds as an asset with an offsetting nonspendable amount. Proprietary fund types are carried at average cost and are expended when consumed. Prepaid items reflect payments for costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements, with expenditures recorded when consumed. Inventories and prepaid items recorded in the governmental funds are not in spendable form and thus, an equivalent portion of fund balance is reported as nonspendable.

Capital Assets

Capital assets are of a long-term character and include: land, easements, construction in progress, buildings and improvements, equipment, software and infrastructure.

Infrastructure assets include roads, bridges and sewers.

Capital assets are recorded at *historical cost* if purchased or constructed. Donated capital assets are recorded at *estimated fair value* at the date of donation. Capital assets with original unit costs equal to or greater than the *capitalization thresholds* shown in **Table 1** are reported in the applicable *governmental activities* or *business-type activities* columns in the government-wide financial statements.

Table 1

Capitalization Thresholds		
Land	$	0
Easements		50
Buildings and improvements		50
Equipment		5
Software		50-100
Infrastructure		25-50

Depreciation and amortization are charged over the capital assets' estimated useful lives using the straight-line method for proprietary and governmental fund types. Governmental fund type depreciation and amortization are only shown in the statement of activities. Proprietary fund type depreciation and amortization are shown both in the fund statements and the government-wide statement of activities. Estimated useful lives are shown in **Table 2**.

Table 2

Estimated Useful Lives	
Buildings and improvements	10-50 years
Equipment	5-20 years
Software	3-10 years
Infrastructure	10-50 years

Unearned Revenue

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue. Unearned revenue can be found in government-wide financial reporting as well as in the governmental, proprietary, and fiduciary funds' financial statements.

Deferred Outflows and Inflows of Resources

The County reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the government that is applicable to a future period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

Occasionally, the County refunds some of its existing debt. When this occurs, the difference between the funds required to retire (reacquisition price of) the refunded debt and the net carrying amount of refunded debt results in a deferred amount on refunding. If there is an excess of the reacquisition price of refunded debt over its net carrying amount, it is treated as a deferred outflow of resources (a deferred loss on refunding). If there is an excess net carrying value amount of refunded debt over its reacquisition price, it is treated as a deferred inflow of resources (a deferred gain on refunding).

Lease Obligations

The County leases various assets under both operating and capital lease agreements. In the government-wide and proprietary funds financial statements, capital lease obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net position.

Long-Term Obligations

Long-term liabilities reported in the statement of net position include the amount due in one year (current) and the amount due in more than one year (noncurrent).

General long-term liabilities consist of the noncurrent portion of claims and judgments, compensated absences, landfill postclosure and other noncurrent liabilities. General long-term liabilities are not reported as liabilities in governmental funds but are reported in the governmental activities column in the government-wide statement of net position. General long-term debt is not limited to liabilities arising from debt issuances but may also include noncurrent liabilities on other commitments that are not current liabilities properly recorded in governmental funds.

Debt may be issued at par (face) value, with a premium (applicable to debt issued in excess of face value) or at a discount (applicable to debt issued at amounts less than the face value).

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds (CABs) issued by the County represent bonds that are issued at a deep discount, pay no current interest but accrete or compound in value from the date of issuance to the date of maturity. CABs are presented at their maturity value less the unaccreted appreciation. Unaccreted appreciation represents the difference between the maturity value of the debt and their par (face) value. The unaccreted appreciation is accreted as interest over the life of the CABs.

Employees' Compensated Absences

The County's policy is to permit employees to accumulate *earned* but *unused* vacation, compensatory time, holiday and sick leave benefits. Each of these benefits is subject to certain limits based on employee class, except for sick leave and compensatory time that is subject to Fair Labor Standards Act (FLSA) rules or the California Labor Code. All vacation pay and a certain portion of compensatory and sick pay for specified employee classes is accrued in the government-wide and proprietary funds financial statements. Except for specified employee classes, there is no liability for *unpaid accumulated* sick leave since the County does not cash out unused sick leave when employees separate from service with the County. However, employees eligible for retirement benefits that meet minimum balance requirements may apply unused sick leave toward determining their length of service for the purpose of calculating retirement benefits.

Accumulated leave benefits including vacation, sick leave, and compensatory time worked are recorded in the government-wide statement of net position. Amounts recorded as accumulated leave benefits include the employer's share of Social Security and Medicare taxes. These amounts would not be expected to be liquidated from expendable available financial resources, but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

County employees in the unclassified service and certain employees hired prior to 1979 may receive up to 50% and 25%, respectively, of the cash value of all or a portion of their sick leave balances upon termination or retirement. The cash value of these benefits is included in the accumulated leave benefits noted above. This liability has been recorded in the current and long-term portion of compensated absences in the appropriate proprietary funds and government-wide statement of net position.

California Labor Code Section 4850 entitles safety officers who meet certain criteria to receive full salary in lieu of temporary disability payments for the period of disability, not exceeding 365 days, or until such earlier date as he or she is retired on permanent disability pension. This liability is accrued in the current and long-term portion of compensated absences.

All County employees who have completed at least five years of continuous service in the County retirement system, and have a sick leave balance of at least one hundred hours, may convert, at retirement, all or a portion of their sick leave balance to retirement service credits on a hour-for-hour basis. The conversion of these balances to retirement service credits is included in the County's actuarial accrued liability, as part of the annual actuarial valuation which includes assumptions regarding employee terminations, retirement, death, etc.

General Budget Policies

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for the Tobacco Securitization Joint Special Revenue Fund; and the Debt Service and Capital Projects Funds (other governmental funds). Please refer to the notes to required supplementary information for more details regarding the County's general budget policies.

Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These classifications include: nonspendable; restricted; and the unrestricted classifications of committed, assigned and unassigned. When both restricted and unrestricted resources are available for use, fund balance is generally depleted by restricted resources first, followed by unrestricted resources in the following order: committed, assigned and unassigned. The fund balance classifications are defined as follows:

***Nonspendable* fund balance** - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

***Restricted* fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors (such as through debt covenants), 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 pursuant to constraints imposed by formal action of the Board of Supervisors. The Board of Supervisors may establish fund balance commitments by adoption of an ordinance, resolution, or formal board action memorialized by minute orders as may be required by law. All are equally binding. Those committed amounts cannot be used for any other purpose unless the County 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 County's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the highest level of decision making authority (the Board of Supervisors), or by a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. This intent is expressed by the Board of Supervisors approval of the use of fund balance to fund non-capital related expenditures and via Board Policy B-71, which provides that fund balance may be committed by the Board and/or assigned by the Chief Administrative Officer for specific purposes.

***Unassigned* fund balance** - the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Net Position

Net investment in capital assets - consists of capital assets net of accumulated depreciation reduced by the outstanding principal of capital related debt (adjusted by any unamortized premiums, discounts and unspent proceeds related to debt), incurred by the County to buy or construct capital assets shown in the statement of net position. Capital assets cannot readily be sold and converted to cash.

Restricted net position - consists of restricted assets reduced by liabilities related to those assets. Constraints placed on net position are externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted net position - consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Indirect Costs

County indirect costs are allocated to benefiting departments and are included in the program expense reported for individual functions and activities. Cost allocations are based on the annual *County-wide Cost Allocation Plan* which is prepared in accordance with Federal Office of Management and Budget Circular A-87.

(Amounts expressed in thousands unless otherwise noted)

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2
Reconciliation of Government-Wide and Fund Financial Statements

Balance Sheet/Statement of Net Position

Explanations of certain differences between the governmental funds balance sheet and the government-wide statement of net position are detailed below:

Table 3

Governmental Funds Balance Sheet / Government-Wide Statement of Net Position Reconciliation
At June 30, 2014

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this $(1,800,924) difference are as follows:		
Bonds, notes and loans payable		
Certificates of participation and lease revenue bonds	$	(384,410)
Taxable pension obligation bonds		(732,330)
Tobacco settlement asset-backed bonds		(563,737)
Loans - non-internal service funds		(2,117)
Unamortized issuance premiums (to be amortized as interest expense)		(11,927)
Unamortized issuance discounts (to be amortized as interest expense)		12,459
Compensated absences (excluding Internal Service Funds)		(96,092)
Landfill postclosure - San Marcos landfill		(18,992)
Pollution remediation		(3,778)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$	(1,800,924)
Internal Service Funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. The details of this $83,355 difference are as follows:		
Net position of the internal service funds	$	83,663
Less: Internal payable representing charges in excess of cost to business-type activities - prior years		(442)
Add: Internal payable representing costs in excess of charges to business-type activities - current year		134
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	83,355

(Amounts expressed in thousands unless otherwise noted)

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are detailed below:

Table 4

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities Reconciliation
For the Year Ended June 30, 2014

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/amortization expense. The details of this $139,602 difference are as follows:		
Capital outlay	$	264,015
Depreciation/amortization expense		(124,413)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	139,602
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. The details of this $11,708 difference are as follows:		
The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	$	(58,420)
The loss on the disposal of capital assets does not affect current financial resources but decreases net position		(480)
The gain on the disposal of capital assets does not affect current financial resources but increases net position		49,152
Donations of assets to the County do not provide current financial resources but resources increase net position		21,456
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	11,708
The issuance of long-term debt (e.g. bonds, notes, and loans) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this $66,268 difference are as follows:		
Principal repayments	$	59,535
Accreted interest paid		6,733
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	66,268
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this $(3,958) difference are as follows:		
Compensated absences	$	2,131
Accrued interest		688
Accretion of capital appreciation bonds		(6,832)
Amortization of premiums		1,152
Amortization of discounts		(591)
Amortization of loss on refundings		(506)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(3,958)
Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this $(13,517) difference are as follows:		
Change in net position of the internal service funds	$	(13,651)
Add: Gain from charges to business activities		134
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(13,517)

NOTE 3

Deposits and Investments

The Treasurer is responsible for authorizing all County bank accounts and pursuant to Government Code Sections 27000.1 - 27000.5, 27130 - 27137, and 53600 - 53686 is responsible for conducting County investment activities of the County's investment pool (the Pool) as well as various individual investment accounts outside of the Pool. Additionally, the Treasurer has oversight responsibilities for investments with fiscal agents.

The Pool is a County sponsored "external investment pool" wherein moneys of the County and other legally separate external entities, which are not part of the County Reporting Entity, are commingled (pooled) and invested on the participants' behalf.

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established the Treasury Oversight Committee ("TOC") that monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise in, or an academic background in public finance. The TOC requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The Investment Pool is not registered with the Securities and Exchange Commission ("SEC") as an investment company. The Investment Pool does not have any legally binding guarantees of share values.

A separately issued annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 152, San Diego, California, 92101 and can also be accessed at http:// www.sdtreastax.com.

Total pooled cash and investments totaled $7,291,148 consisting of: $7,198,002 investments in the County pool; $85.201 million in demand deposits; $7.422 million of collections in transit; and, $523 thousand in imprest cash.

Deposits

Government Code Section 53652 et. seq. and the Treasurer's Pool Investment Policy (Pool Policy) prescribe the amount of collateral that is required to secure the deposit of public funds.

Federal Depository Insurance (FDIC) is available for funds deposited at any one financial institution up to a maximum of $250,000 for demand deposits, time and savings deposits. The aforementioned Government Code and Pool Policy require that depositories collateralize public funds with securities having a market value of at least 10% in excess of the total amount of the deposits. These securities shall be placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed upon third party custodian bank.

Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized.

The Investment Pool does not have a formal policy regarding sweep (deposit) accounts, but the practice is to utilize national or state chartered banks where the excess over FDIC insurance is invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with California Government Code.

California Government Code Section 53652 et. seq. requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. At June 30, 2014, the County's deposits were not exposed to custodial credit risk as these deposits were either covered by FDIC insurance or collateralized with securities held by a named agent depository as noted below:

a. Cash in banks is defined as short-term, highly liquid deposits with an original maturity of three months or less. At year-end, the carrying amount of the Investment Pool's deposits was $85.201 million, and the bank balance at June 30, 2014 was $81.686 million, consisting of demand deposits with various financial institutions. The difference between the carrying amount and the bank balance includes temporary reconciling items such as cash on hand, outstanding checks, and deposits in transit. Of the bank balance, $9.613 million was covered by federal deposit insurance and $72.073 million was collateralized with securities held by a depository agent on behalf of the Investment Pool as required by California Government Code Section 53656. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Also, a financial institution may, in accordance with the California Government Code, secure local agency deposits using first trust deed mortgages; however, the fair value of the first trust deed mortgages collateral must be at least 150% of the total amount deposited.

b. The carrying amount of demand deposits with Fiscal Agents (outside of the Pool) was $1.414 million and the bank balance per various financial institutions was $2.005 million. Of the total bank balance, $696 thousand was covered by federal deposit insurance and $1.309 million was collateralized by a named agent depository.

Investments

Government Code Section 53601 governs the types of investments that may be purchased and makes certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss.

Permitted types of investments and financial instruments include: U.S. treasuries, U.S. Federal agencies and local agency obligations; registered treasury notes or bonds of all 50 states; banker's acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; medium-term notes; collateralized certificates of deposit; money market mutual funds; mortgage pass-through securities; mortgage backed securities; local agency investment funds; mortgage collateralized obligations; and shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7.

Investments in the Investment Pool are stated at fair value. Securities, which are traded on a national exchange, are valued at the last reported sales price at current exchange rates. The fair value of investments is determined monthly and is provided by the custodian bank. Repurchase agreements and institutional money market funds are carried at portfolio book value (carrying cost). All purchases of investments are accounted for on a trade-date basis.

Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The calculation of realized gains and losses is independent of the calculation of net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

In addition to the above, the Board annually adopts a Pooled Money Fund Investment Policy. This policy is based on the criteria in Government Code Section 53601 but adds further specificity and restrictions to permitted investments.

No policies have been established for investments with fiscal agents, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

In conjunction with the discussion below concerning investment risks, please refer to **Tables 7** and **8** respectively, which provide details on pooled investments and those held with fiscal agents at fiscal year-end. Additionally, **Table 9** provides a comparison of Investment Pool policy restrictions with Government Code Section 53601 requirements.

(Amounts expressed in thousands unless otherwise noted)

Interest Rate Risk - Investments

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates.

To mitigate the effect of interest rate risk, the Investment Pool maintains a laddered portfolio in compliance with the Investment Policy, which requires at least 25% of securities to mature within 90 days, and at least 50% of securities to mature within one year, and no more than 50% of securities to mature within one to five years. In addition, the Investment Pool limits the maximum effective duration of the portfolio to 18 months. As of June 30, 2014, the Investment Pool was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with California Government Code. Actual weighted average days to maturity by investment type is presented in **Table 7**.

California Government Code Section 53601 indicates where the Code does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

Generally, investments with fiscal agents are structured in such a way that securities mature at the times and in the amounts that are necessary to meet scheduled expenditures and withdrawals.

Credit Risk - Investments

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations.

The Investment Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long -term or "A1" for short term. Non-rated securities include sweep accounts, collateralized certificates of deposit and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by California Government Code section 53601, having a fair market value of at least 102% of the amount of the repurchase agreement. Credit quality based on Standard and Poor's Fund Credit Quality Rating is noted below and on **Table 7**.

Table 5

S & P Investment Rating

	Investment Pool	Investments with Fiscal Agents
Overall credit rating	AAAf / S1	
Short-term	A-1	A-1
Long-term	A	A

Concentration of Credit Risk - Investments

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To mitigate this risk, the Investment Policy limits the amount of exposure to any one single issuer to the percentages listed in **Table 9**. As noted in **Table 9**, the Investment Pool's Investment Policy is more restrictive, in most cases, than the California Government Code. As of June 30, 2014, all Pool investments were in compliance with State law and with the Investment Policy.

The Investment Pool's holdings of the securities of the Federal National Mortgage Association

(Amounts expressed in thousands unless otherwise noted)

(FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) are issued by agencies that remain under conservatorship by the Director of the Federal Housing Agency. The U.S. government does not guarantee, directly or indirectly, the securities of the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), FNMA, or FHLMC. The Investment Pool's investments in FHLB, FNMA and FHLMC securities as of June 30, 2014 comprised 15.02%, 14.08%, and 9.01% of the total County Investment Pool's investments, respectively.

No general policies have been established to limit the amount of exposure to any one single issuer, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements. Instruments in any one issuer that represent 5% or more of the County investments with fiscal agents by individual major fund or nonmajor funds in the aggregate at June 30, 2014 are shown in **Table 6**.

Table 6

Concentration of Credit Risk - Investments With Fiscal Agents

Issuer	Tobacco Endowment Fund	Percent	Nonmajor Governmental Funds	Percent
BlackRock MuniFund	$ 114,000	37		
Federal farm credit bank			$ 4,975	7
Federal national mortgage association			4,355	6
Federal national mortgage association discount			34,154	50

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

The investment policy requires securities, not insured by FDIC insurance, including appropriate collateral, be placed with an independent third party for custodial safekeeping. Securities purchased by the Investment Pool are held by a third-party custodian, The Bank of New York Mellon Corporation, in their trust department to mitigate custodial credit risk.

(Amounts expressed in thousands unless otherwise noted)

Table 7

Pooled Investments
At June 30, 2014

		Fair Value	Book Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
US government agencies:								
Federal home loan mortgage corporation notes	$	649,293	648,664	0.25% - 5.00%	7/14 - 2/19	679	A-1+/AA+	9.01%
Federal home loan bank notes		1,081,195	1,079,879	0.13% - 5.50%	7/14 - 6/18	402	A-1+/AA+	15.02%
Federal national mortgage association notes		1,013,302	1,014,977	0.38% - 5.00%	8/14 -11/18	1002	AA+	14.08%
Federal farm credit bank notes		135,368	135,002	0.30% - 1.97%	8/14 - 6/19	1191	AA+	1.88%
US treasury notes		430,300	429,855	0.25% - 4.50%	8/14 - 5/19	815	A-1+/AA+	5.98%
Repurchase agreement		807	808	0.02%	7/14	7	A-1	0.01%
Commercial paper		1,371,990	1,372,412	0.05% - 0.24%	7/14 - 2/15	80	A-1/A-1+	19.06%
Money market mutual funds		516,600	516,600	0.003% - 0.02%	N/A	26	A-1+/AAA	7.18%
Negotiable certificates of deposit		1,964,007	1,964,007	0.12% - 0.23%	7/14 - 1/15	70	A-1/A-1+	27.29%
CalTRUST		35,140	35,000	0.40%	N/A	500	AA	0.49%
Total investments	$	7,198,002	7,197,204			372		100.00%

Table 8

Investments with Fiscal Agents
At June 30, 2014

		Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
County investments with fiscal agents							
Unrestricted:							
Fixed income tax exempt bonds	$	6,908	5.00%	6/18	1446	A	1.84%
Fixed income tax exempt bonds		5,491	5.00%	7/23	3302	A+	1.46%
Fixed income tax exempt bonds		37,605	0% - 7%	8/15 - 12/28	3454	AA	10.02%
Fixed income tax exempt bonds		9,469	5.00%	8/27 - 2/28	4860	AA-	2.52%
Fixed income tax exempt bonds		67,362	0% - 8%	12/14 - 11/36	2344	AA+	17.94%
Fixed income tax exempt bonds		11,041	5.00%	7/17 - 11/19	1737	AAA	2.94%
Fixed income tax exempt bonds		2,232	5.25%	11/29	5617	BBB+	0.59%
Fixed income tax exempt bonds		53,253	5% - 7.50%	7/16 - 2/37	4059	NR	14.18%
Federal farm credit bank notes		4,975	0.69%	5/17	1051	AA+	1.33%
MuniFunds		114,000	0.02%	8/14	40	AAA	30.37%
Subtotal		312,336					
Restricted:							
Federal national mortgage association notes		4,355	4.62%	10/14	107	AA+	1.16%
Federal national mortgage association discount notes		34,154	0.00%	11/14	149	NA	9.10%
Money market mutual funds		24,587	0% -.01%	7/14 - 8/14	24-55	AAA	6.55%
Subtotal		63,096					
Total County investments with fiscal agents		375,432					100.00%
Private Purpose investments:							
Money market mutual funds		1,155	0.01%	8/14	40	AAA	100.00%
Total Private Purpose investments		1,155					100.00%
Total investments with fiscal agents	$	376,587					

(Amounts expressed in thousands unless otherwise noted)

Table 9

Investment Pool Policy Restrictions versus California Government (Gov) Code Section 53601 Requirements

	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
Investment Type	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
US Treasury obligations	5 years	5 years	No limit	No limit	No limit	No limit	No limit	No limit
Agency obligations	5 years	5 years	No limit	No limit	No limit	35%	No limit	No limit
Local agency obligations	5 years	5 years	No limit	15%	No limit	10%	No limit	A
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	No limit	A-1
Commercial paper (1)	270 days	270 days	40%	40%	10%	5%	A	A
Negotiable certificates of deposit	5 years	5 years	30%	30%	30%	5%	No limit	A
Repurchase agreements	1 year	1 year	No limit	40%	No limit	Note (2)	No limit	No limit
Reverse repurchase agreements	92 days	92 days	20%	20%	No limit	10%	No limit	No limit
Corporate medium-term notes	5 years	5 years	30%	30%	30%	5%	A	A
Collateralized certificates of deposits	N/A	13 months	No limit	10%	No limit	No limit	No limit	No limit
Money market mutual funds	N/A	N/A	20%	15%	10%	10%	AAAm	AAAm
JPA pools	N/A	N/A	No limit	2.5%	No limit	2.5%	No limit	No limit
Mortgage or other asset backed pass-through securities (3)	5 years	5 years	20%	20%	No limit	5%	A/AA	A/AA

(1) Government Code Section 53635 (a)(1-2) specifies percentage limitations for this security type for county investment pools.

(2) Maximum exposure per issue - The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RPs with maturities greater than 5 days, and 15% of the portfolio for RP's maturing in 5 days or less. The maximum exposure to a single broker/ dealer of Repurchase Agreements shall be 10% of the portfolio value for maturities greater than 5 days, and 15% of the portfolio value for maturities of 5 days or less.

(3) Rating of "A" required for issuer, if rated; and rating of "AA" required for issue.

NOTE 4

Restricted Assets

Restricted assets include monies or other resources required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements. For fiscal year 2014 restricted assets were as follows:

Table 10

Restricted Assets

Fund	Legal or Contractual Requirements	Debt Covenants
General Fund	$ 150	$ 4,082
Nonmajor Governmental Funds		
Housing Authority - Other Special Revenue Fund	408	
Tobacco Securitization Joint Special Revenue Fund		57,727
Pension Obligation Bonds Debt Service Fund		17
San Diego Regional Building Authority Debt Service Fund		6,334
SANCAL Debt Service Fund		4,355

NOTE 5

Receivables

Details of receivables reported in the government-wide Statement of Net Position are presented in **Table 11**. Amounts that are not expected to be collected within the next fiscal year are identified below:

Due from Other Governmental Agencies - Governmental activities - $57.357 million.

This amount represents Senate Bill (SB) 90 cost reimbursements due the County for the provision of State mandated programs and services mostly for fiscal years prior to 2004. The State Constitution requires reimbursement for these costs and interest will accrue on the reimbursement claims until they are paid according to Government Code Section 17617 over a period not more than 15 years beginning in fiscal year 2007. The State began to reimburse the County for these programs and services in fiscal year 2007, but has not budgeted appropriations in the current year.

(Amounts expressed in thousands unless otherwise noted)

Loans - Governmental activities- $84.281million

This amount includes: $36.939 million in housing rehabilitation loan programs for low-income or special need residents, and loans for low income housing down payments; $26.622 million in community development block grant loans; $16.260 million owed to the Housing Authority - Low and Moderate Income Housing Asset Fund for Affordable Housing Development and Single-Family Rehabilitation Loans; $3.417 million in low income housing developers loans; and $1.043 million owed to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to provide funding for project improvements for the Upper San Diego River Project. At the fund level, in the General Fund, this loan is presented as "Due From Other Funds". See Note 8 to the financial statements, "Interfund Balances".

Loans- Business-type activities- $6.460 million

This amount includes $2.598 million in Airport Enterprise Fund (AEF) loans to Airport lessees for the purchase of AEF reversionary interests in leasehold improvements existing at the expiration of previous leases; and $3.862 million owed to the AEF from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to fund airport projects. In the Airport Enterprise Fund, this loan is presented as "Due From Other Funds". See Note 8 to the financial statements, "Interfund Balances".

Table 11

Receivables
Primary Government and Discretely Presented Component Unit
At June 30, 2014

	Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:								
General Fund	$ 5,475	1,710	379,793	54,875	1,018	442,871		$ 442,871
Public Safety Special Revenue Fund			44,955			44,955		44,955
Tobacco Endowment Fund		2,689				2,689		2,689
Other Governmental Funds	20,713	929	43,182	28,310		93,134	(3,034)	90,100
Internal Service Funds	116	198	675	53	40	1,082		1,082
Total governmental activities - fund level	$ 26,304	5,526	468,605	83,238	1,058	584,731	(3,034)	$ 581,697
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				1,043		1,043		1,043
Total governmental activities - Statement of Net Position	$ 26,304	5,526	468,605	84,281	1,058	585,774	(3,034)	$ 582,740
Business-type activities:								
Enterprise Funds	$ 213	70	621	2,598	6	3,508		$ 3,508
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				3,862		3,862		3,862
Total business-type activities - Statement of Net Position	$ 213	70	621	6,460	6	7,370		$ 7,370
Component Unit:								
First 5 Commission of San Diego	$		5,526			5,526		$ 5,526

NOTE 6

County Property on Lease to Others

The County's blended component unit - SDRBA has a direct financing lease with the San Miguel Consolidated Fire Protection District (District) for two District fire stations. Additionally, the County has a sublease of a share of the Metropolitan Transit System (MTS) Towers. The share of the County's property under the MTS Towers' sub lease is an estimated $12.74 million in structures and improvements with accumulated depreciation of $6.45 million at June 30, 2014. The lease revenue received by the SDRBA and the County for the year ended June 30, 2014 was approximately $737 thousand and $889 thousand, respectively.

(Amounts expressed in thousands unless otherwise noted)

The County also has noncancelable operating leases for certain properties which are not material to the County's governmental operations. Additionally, the Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires. The Airport Enterprise Fund's property under operating leases includes an estimated $2.49 million in land at June 30, 2014.

Lease revenue from noncancelable operating leases for the year ended June 30, 2014 was approximately $17.63 million. Future minimum lease payments to be received under the direct financing and noncancelable operating leases are noted in **Table 12**.

Table 12

Lease Revenue
County Property Leased To Others

Fiscal Year		Direct Financing Leases		Operating Leases
2015	$	1,637	$	12,093
2016		1,624		10,914
2017		1,627		9,758
2018		1,632		9,425
2019		1,633		8,381
2020 - 2024		1,266		32,015
2025 - 2029				28,047
2030 - 2034				25,006
2035 - 2039				18,073
2040 - 2044				14,171
2045 - 2049				9,996
2050 - 2054				8,975
2055 - 2059				4,777
2060 - 2064				3,194
2065 - 2069				900
Total	$	9,419	$	195,725

NOTE 7

Capital Assets

Changes in Capital Assets

Increases and decreases in the County's capital assets for governmental and business-type activities during the fiscal year were as follows:

Table 13

Capital Assets - Governmental Activities

	Beginning Balance at July 1, 2013	Increases	Decreases	Ending Balance at June 30, 2014
Capital assets, not being depreciated/amortized:				
Land	$ 392,067	8,419	(2,198)	$ 398,288
Easements	7,449	636		8,085
Construction in progress	163,537	219,642	(165,645)	217,534
Total capital assets, not being depreciated/ amortized	563,053	228,697	(167,843)	623,907
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,485,806	153,824	(15,436)	1,624,194
Equipment (1)	265,167	25,991	(14,940)	276,218
Software	58,793	11,303		70,096
Road infrastructure	2,537,428	44,436		2,581,864
Bridge infrastructure	72,071	1,039	(1,702)	71,408
Total capital assets, being depreciated/ amortized	4,419,265	236,593	(32,078)	4,623,780
Less accumulated depreciation/amortization for:				
Buildings and improvements	(365,260)	(33,538)	8,450	(390,348)
Equipment (1)	(154,611)	(22,303)	13,974	(162,940)
Software	(28,602)	(11,579)		(40,181)
Road infrastructure	(1,200,356)	(69,056)		(1,269,412)
Bridge infrastructure	(20,395)	(1,397)	1,702	(20,090)
Total accumulated depreciation/ amortization	(1,769,224)	(137,873)	24,126	(1,882,971)
Total capital assets, being depreciated/ amortized, net	2,650,041	98,720	(7,952)	2,740,809
Governmental activities capital assets, net (restated) (1)	$ 3,213,094	327,417	(175,795)	$ 3,364,716

(1) Effective July 1, 2013, the Other Miscellaneous Internal Service Fund (Jail Stores Commissary Fund) - Governmental Activities including its Equipment of $236 and Equipment Accumulated Depreciation of $(233) was moved to the Enterprise Fund Type - Business Type Activities. Please also see Note 31, "Restatements".

(Amounts expressed in thousands unless otherwise noted)

Table 14
Capital Assets - Business-type Activities

	Beginning Balance at July 1, 2013	Increases	Decreases	Ending Balance at June 30, 2014
Capital assets, not being depreciated:				
Land	$ 11,565	28		$ 11,593
Construction in progress	15,808	9,274	(8,700)	16,382
Total capital assets, not being depreciated	27,373	9,302	(8,700)	27,975
Capital assets, being depreciated:				
Buildings and improvements	113,942	5,552		119,494
Equipment (1)	1,126	417		1,543
Road infrastructure	6,449	3,120		9,569
Sewer infrastructure	96,165			96,165
Total capital assets, being depreciated	217,682	9,089		226,771
Less accumulated depreciation for:				
Buildings and improvements	(36,436)	(3,363)		(39,799)
Equipment (1)	(894)	(52)		(946)
Road infrastructure	(528)	(193)		(721)
Sewer infrastructure	(38,718)	(1,885)		(40,603)
Total accumulated depreciation	(76,576)	(5,493)		(82,069)
Total capital assets, being depreciated, net	141,106	3,596		144,702
Business-type activities capital assets, net (restated) (1)	$ 168,479	12,898	(8,700)	$ 172,677

(1) Effective July 1, 2013, the Other Miscellaneous Internal Service Fund (Jail Stores Commissary Fund) - Governmental Activities including its Equipment of $236 and Equipment Accumulated Depreciation of $(233) was moved to the Enterprise Fund Type - Business Type Activities. Please also see Note 31, "Restatements".

Depreciation/Amortization

Depreciation/amortization expense was charged to governmental activities and business-type activities as shown below.

Table 15
Depreciation/Amortization Expense - Governmental Activities

General government	$ 10,729
Public protection	24,339
Public ways and facilities	70,478
Health and sanitation	7,296
Public assistance	2,919
Education	1,832
Recreation and cultural	6,820
Internal Service Funds	13,460
Total	$ 137,873

Table 16
Depreciation Expense - Business-type Activities

Airport Fund	$ 3,506
Sanitation District Fund	1,987
Total	$ 5,493

(Amounts expressed in thousands unless otherwise noted)

Capital and Other Commitments

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year or years. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned are included within committed or assigned fund balance, as appropriate. At June 30, 2014, the County General Fund's outstanding encumbrances totaled $306.791 million; the Public Safety Fund's outstanding encumbrances totaled $175 thousand; and, Nonmajor governmental funds' outstanding encumbrances totaled $34.534 million.

At June 30, 2014, major contracts entered into for structures and improvements and other commitments within governmental and business-type activities are noted in **Table 17**.

Table 17

Capital Commitments
At June 30, 2014

		Remaining Commitments
Governmental Activities		
General Fund:		
Construction of Women's Detention Facility	$	82,138
Development of Integrated Property Tax System		21,668
Construction of parking garage at Cedar and Kettner		20,664
Regional Communications System replacement		3,500
Construction of Registrar of Voters building		2,430
Construction of Boulevard fire station		2,387
Conventional Radio System upgrade		1,921
Construction of East Mesa Detention Facility		1,676
Development of Re-Entry Case Management System		1,471
Subtotal		137,855
Nonmajor Governmental Funds:		
Construction of San Vicente Road		25,615
Improvement to County Roads		2,052
Subtotal		27,667
Governmental Activities Subtotal		165,522
Business-type Activities		
Enterprise Funds:		
Improvements at various airports		1,511
Sanitation District sewer improvements		1,263
Business-Type Activities Subtotal		2,774
Total	$	168,296

NOTE 8

Interfund Balances

Interfund balances at fiscal year-end consisted of the following amounts:

Table 18

Interfund Balances
At June 30, 2014

		DUE FROM							
		General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Private Purpose Trust Fund	Total
DUE TO	General Fund		7,381	2,033	6,262	402	4,899	1,043	$ 22,020
	Nonmajor Governmental	$ 26,287			1,901	4,714	33		32,935
	Nonmajor Enterprise	46			2	2		3,862	3,912
	Internal Service	26,762			1,392	84	1,424		29,662
	Total	$ 53,095	7,381	2,033	9,557	5,202	6,356	4,905	$ 88,529

(Amounts expressed in thousands unless otherwise noted)

Descriptions of amounts not due to be repaid in the subsequent year are discussed below:

a) $30 thousand is due to the Special District Loans Internal Service Fund from the County Service District Special Revenue Funds as a result of a loan to improve and maintain County roads. Loan repayments are made from property tax collections. $15 thousand of the balance is not scheduled to be collected in the subsequent year.

b) $1.043 million is due to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund (Upper San Diego River Project) as a result of a loan to provide funding for Project improvements.

c) $3.862 million is due from the County of San Diego Successor Agency Private Purpose Trust Fund to the Airport Enterprise Fund as a result of a loan to fund airport projects.

For further discussion of the loans to the County of San Diego Successor Agency Private Purpose Trust Fund, refer to Note 33 to the financial statements, "County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency". Note that on the Statement of Net Position, the "Due from other funds" for the General Fund's $1.043 million Upper San Diego River Project loan and the "Due from other funds" for the $3.862 million Airport Enterprise Fund's airport projects loan, are included in the governmental activities' and business-type activities' "Receivables, net", respectively. See Note 5 to the financial statements, "Receivables."

All remaining balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.

NOTE 9
Interfund Transfers

Interfund transfers at fiscal year-end consisted of the following amounts:

Table 19

Transfers In/Transfers Out
At June 30, 2014

TRANSFERS IN	TRANSFERS OUT: General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund		233,789	24,200	13,867	720	81	$ 272,657
Nonmajor Governmental	$ 189,874	3,430		4,167	6,725	1,680	205,876
Nonmajor Enterprise	309			50			359
Internal Service	9,641			909			10,550
Total	$ 199,824	237,219	24,200	18,993	7,445	1,761	$ 489,442

In general, transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations.

(Amounts expressed in thousands unless otherwise noted)

NOTE 10
Payables

The County's payables at fiscal year-end are shown below for the General Fund, other governmental funds, internal service funds, enterprise funds, and the discrete component unit:

Table 20
Payables
At June 30, 2014

	Vendors	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:				
General Fund	$ 85,956	12,924	3,092	$101,972
Other Governmental Funds	28,011	1,467	268	29,746
Internal Service Funds	41,179	1,110	6	42,295
Total governmental activities	$155,146	15,501	3,366	$174,013
Business-type activities:				
Enterprise Funds	$ 1,130	101	3	$ 1,234
Component Unit:				
First 5 Commission of San Diego	$ 4,184	9,683	860	$ 14,727

NOTE 11
Short-Term Obligations

The County issues tax anticipation notes in advance of property tax collections, depositing the proceeds in the General Fund. These notes are necessary to fund the County's annual cash flow needs. The majority of property tax collections are received in December and April.

Short-term debt activity for the fiscal year was as follows:

Table 21
Short-Term Obligations

	Beginning Balance at July 1, 2013	Issued	Redeemed	Ending Balance at June 30, 2014
Tax and revenue anticipation notes	$	60,000	60,000	$

NOTE 12
Deferred Inflows of Resources: Unavailable Revenue

Table 22
Deferred Inflows of Resources

Unavailable Revenue	General Fund	Other Governmental Funds	Total
Unavailable revenue-property and miscellaneous local taxes	$ 44,854	662	$ 45,516
Unavailable revenue-aid from other governmental agencies	61,928	29,945	91,873
Unavailable revenue-charges for services	4,204	5,942	10,146
Unavailable revenue-other		34,010	34,010
Total	$ 110,986	70,559	$ 181,545

A large portion of the Unavailable revenue - aid from other governmental agencies consists primarily of $29.4 million of TransNet one-half cent sales revenue to be used for projects in the Road Fund and $57.4 million of California Senate Bill 90 (SB 90) revenues. In 1972, SB90 established a requirement that the State reimburse local government agencies for the costs of new programs or increased levels of service on programs mandated by the State. The remaining $5.1 million represents various other unavailable aid from other governmental agencies revenues.

Of the $34.01 million of Unavailable revenue - other, approximately $16.7 million are Tobacco Settlement Revenues, $16.7 million are low and moderate income housing assistance receivables, and the remaining $566 thousand are receivables in the Road Fund.

NOTE 13
Lease Obligations

Operating Leases

Real Property

The County has obligations under long-term operating lease agreements through fiscal year 2024 (**Table 23**). The County is the lessee under the terms of several non-cancelable operating leases for real property used to house certain County operations. The total rental expense for all real property leases for the year ended June 30, 2014 was approximately $33.11million, including $20.77 million for non-cancelable leases.

(Amounts expressed in thousands unless otherwise noted)

The future minimum lease payments for these non-cancelable leases are as follows:

Table 23
Lease Commitments - Real Property

Fiscal Year	Minimum Lease Payments	
2015	$	20,770
2016		18,113
2017		16,215
2018		12,413
2019		10,387
2020-2024		20,259
Total	$	98,157

Personal Property

The County has also entered into operating leases for personal property, a large portion of which represents duplicating and heavy duty construction equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2014, was approximately $3.8 million.

Capital Lease

Minimum Lease Payments

Equipment has been leased from the Bowe Bell and Howell Company. The present value of the minimum lease obligation has been capitalized in the Facilities Management internal service fund statement of net position; and is reflected as a liability in those statements. The County assumes responsibility for all maintenance and repair of the equipment under the terms of the lease agreement. Future minimum lease payments under the capital lease are shown in **Table 24**.

Table 24
Capital Lease - Future Minimum Lease Payments

Fiscal Year	Amount	
2015	$	40
2016		40
2017		40
2018		10
Total minimum lease payments		130
Less: Amount representing interest		(11)
Net lease payments	$	119

Book Value

The book value of the equipment capital lease is as follows:

Table 25
Capital Lease - Book Value
At June 30, 2014

Capital Lease Property	Original Cost		Accumulated Amortization	Net Book Value
Equipment	$	310	204	106

The accumulated amortization of this equipment capital lease was $204 thousand as of June 30, 2014. The current year's portion is included in the Internal Service Funds' depreciation/amortization of $13.460 million in **Table 15**.

NOTE 14

Long-Term Debt

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs)

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) provide funds for the acquisition and construction of major capital facilities and equipment. The repayment of these COPs and LRBs is secured by a lease structure where the borrowing entity, such as the County or the San Miguel Consolidated Fire Protection District (SMCFPD) (not a component unit of the County), leases certain properties to another entity, a lessor, which in turn leases the properties back to the County or the SMCFPD. These lessors are the San Diego County Capital Asset Leasing Corporation (SANCAL), and the San Diego Regional Building Authority (SDRBA); both blended component units of the County. (See discussion of Blended Component Units under Note 1 "Summary of Significant Accounting Policies".)

(Amounts expressed in thousands unless otherwise noted)

COPs and LRBs are secured by: a) (lease) base rental payments, for the use of certain facilities or equipment and b) encumbrances on the facilities. The leased premises are typically facilities or equipment purchased with proceeds of the COPs or LRBs. In the case of the County, the base rental payments are made primarily from the County General Fund to the SANCAL or SDRBA; in the case of the SDRBA's financing for the SMCFPD, base rental payments are made from SMCFPD to the SDRBA. Under lease terms, the County and the SMCPFD are required to make the necessary annual appropriations for lease payments, except to the extent those payments are eligible to be abated in accordance with the terms of the leases.

COPs and LRBs evidence a pro rata share in a specific pledged revenue stream of lease payments, and investors in the certificates or bonds are entitled to receive a share in these lease payments from a particular project. Lease payments are passed through the lessor to the investors. The lessor assigns the lease and lease payments to a trustee, which distributes the lease payments to the investors.

Details of the COPs and LRBs outstanding at June 30, 2014 are as follows:

Table 26
Certificates of Participation (COP) and Lease Revenue Bonds (LRB)

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2014
2003 San Miguel Consolidated Fire Protection District Refunding LRB	$ 10,005	2.00 - 5.00%	2020	$ 4,575
2005 Edgemoor Project COP	83,510	3.00 - 5.00%	2030	66,530
2005 Regional Communications System Refunding COP	28,885	3.00 - 5.00%	2019	6,180
2005 North & East Justice Facilities Refunding COP	28,210	3.25 - 5.00%	2020	14,130
2006 Edgemoor Completion Project COP	42,390	4.00 - 5.00%	2030	35,495
2009 Series A COC and Annex Project LRB	136,885	3.00 - 5.50%	2036	127,210
2009 Justice Facilities Refunding of 1998 Courthouse COP	32,640	2.00 - 5.00%	2023	19,565
2009 Justice Facilities Refunding of 1997 Central Jail COP	48,300	2.00 - 5.00%	2026	37,385
2011 Metropolitan Transit System Towers Refunding COP	19,260	1.00 - 5.00%	2020	13,090
2011 CAC Waterfront Park Project COP	32,665	3.00 - 5.00%	2042	31,500
2012 Cedar-Kettner Development Project COP	29,335	2.00 - 5.00%	2042	28,750
Total	$ 492,085			$ 384,410

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for COPs and Lease Revenue Bonds are as follows:

Table 27
Certificates of Participation and Lease Revenue Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2015	$ 19,880	17,861	$ 37,741
2016	20,645	17,009	37,654
2017	21,565	16,073	37,638
2018	22,565	15,069	37,634
2019	22,740	14,025	36,765
2020 - 2024	91,170	56,484	147,654
2025 - 2029	84,180	35,759	119,939
2030 - 2034	58,620	17,562	76,182
2035 - 2039	32,720	5,129	37,849
2040 - 2042	10,325	751	11,076
Subtotal	$ 384,410	195,722	$ 580,132
Add:			
Unamortized issuance premium	11,927		
Less:			
Unamortized discount	(164)		
Total	$ 396,173		

Taxable Pension Obligation Bonds (POBs)

POBs are issued by the County to reduce its pension unfunded actuarial liability and to achieve interest rate savings by issuing bonds at interest rates which are less than the assumed rate of return earned on proceeds placed in the San Diego County Employees Retirement Association's (SDCERA) pension plan. POBs also have been issued to refund previously issued POB debt. Because current federal tax law restricts the investment of the proceeds of tax-exempt bonds in higher-yielding taxable securities, POBs are issued on a taxable basis.

Details of POBs outstanding at June 30, 2014 are as follows:

Table 28
Taxable Pension Obligation Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2014
2002 Series A	$ 132,215	3.88 - 4.95%	2016	$ 33,635
2004 Series A	241,360	3.28 - 5.86%	2023	212,870
2004 Series B1-2	147,825	5.91%	2025	147,825
2004 Series C CABs	64,928	4.66 - 5.76%	2016	27,940
2004 Series C Unaccreted Interest CABs				(1,350)
2008 Series A	343,515	3.33 - 6.03%	2027	311,410
Total	$ 929,843			$ 732,330

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for POBs are shown below in **Table 29**.

Table 29
Taxable Pension Obligation Bonds -
Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2015	$ 41,195	1,202	39,556	$ 81,953
2016	32,755	148	38,380	71,283
2017	44,340		36,065	80,405
2018	46,995		33,413	80,408
2019	49,760		30,585	80,345
2020 - 2024	297,540		102,848	400,388
2025 - 2027	211,225		13,974	225,199
Subtotal	$ 723,810	1,350	294,821	$1,019,981
Add:				
Accreted appreciation through June 30, 2014	33,892			
Less:				
Accreted appreciation paid through fiscal year 2014	(22,417)			
Less:				
Accreted appreciation to be paid in fiscal year 2015 (already included in the 2015 principal shown above)	(2,955)			
Total	$ 732,330			

As shown in **Table 29**, the unpaid Taxable Pension Obligation Bonds' accreted appreciation as of June 30, 2014 was $11,475 (accreted appreciation through June 30 of $33,892 less $22,417 accretion paid through fiscal year 2014). Of this amount, $2,955 will be paid in fiscal year 2015 and $8,520 will be paid in fiscal year 2016.

Tobacco Settlement Asset-Backed Bonds (TSAB)

TSAB are issued by the Tobacco Securitization Joint Powers Authority of Southern California (Authority) to securitize future revenue streams available to the County pursuant to the agreements described below.

A 1998 Master Settlement Agreement (MSA) was originally entered into by the four major cigarette manufacturers, 46 states and six other U.S. jurisdictions (Settling States) to provide state governments (including California) with compensation for smoking related medical costs and to help reduce smoking in the United States. There is no limit to the yearly settlement payments; they are perpetual. Also, a Memorandum of Understanding (MOU) and a supplemental agreement (ARIMOU) was agreed to by the State of California and all California counties and four California cities, granting those California municipalities the right to receive tobacco settlement allocation payments, (also known as Tobacco Settlement Revenues - (TSRs)).

In fiscal year 2002, the Authority issued $446.86 million 2001 Tobacco Settlement Asset-Backed Bonds (Bonds), to fund the Authority's loan to the San Diego County Tobacco Asset Securitization Corporation (Corporation), pursuant to a loan agreement between the Authority and the Corporation. (Both entities are blended component units of the County.) According to the loan agreement, the Corporation has pledged, assigned and granted to the Authority, a first priority perfected security interest in all rights, title and interest of the Corporation, to the TSRs the Corporation purchased from the County. The Corporation used the net proceeds of the loan, $411.913 million, to pay the County, in exchange for the County's transfer to the Corporation of all the County's rights, title and interest in the TSRs. Net proceeds have been placed in an endowment fund to fund healthcare-based programs pursuant to Board Policy E-14 and IRS regulations, and do not secure the repayment of the TSAB.

In May 2006, the Authority issued Series 2006 TSAB in the amount of $583.631 million to refund the outstanding principal of the original 2001 bonds noted above and to loan an additional $123.515 million to the Corporation. The proceeds were placed into the endowment fund for the aforementioned purposes. The Series 2006 Bonds are limited obligations of the Authority.

Through fiscal year 2013, the County used a debt service to maturity on the bonds incorporating an assumption of the ability to continue making turbo debt service payments. Based on that assumption, the bonds were anticipated to reach final maturity in fiscal year 2036 based on receipts of future TSRs as projected in the May 2006 Global Insight Base Case analysis (Base Case) performed in conjunction with the issuance of the Series 2006 TSAB.

(Amounts expressed in thousands unless otherwise noted)

Under the terms of the bond indenture, TSRs are pledged to the repayment of the bonds. Accordingly, the bonds are payable solely from certain funds held under the indenture, including TSRs and earnings on such funds (collections).

The minimum payments under the TSAB are based on the indenture and the Series 2006 Supplement, both dated as of May 1, 2006. However, actual payments on the TSAB depend on the amount of TSRs received by the County. The amount of these TSRs is affected by cigarette consumption and the financial capability of the participating manufacturers. There are a number of risks associated with the amount of actual TSRs the County receives each year, including litigation affecting the participating manufacturers and possible bankruptcy as a result thereof, increased growth of non-participating manufacturer's market share, disputed payments set-aside by the participating manufacturers into an escrow account, a decline in cigarette consumption materially beyond forecasted levels, reduction in investment earnings due to unforeseen market conditions, and other future adjustments to the calculation of the TSRs.

No assurance can be given that actual cigarette consumption in the United States during the term of the TSAB will be as assumed in the Base Case, or that the other assumptions underlying these Base Case assumptions, including that certain adjustments and offsets will not apply to payments due under the MSA, will be consistent with future events. If actual events deviate from one or more of the assumptions underlying the Base Case, the amount of TSRs available to make payments, including Turbo Redemption Payments will be affected. No assurance can be given that these structuring assumptions, upon which the projections of the TSAB payments and Turbo Redemptions are based, will be realized.

Based on the information above and the under realization of TSRs, in fiscal year 2014, the County decided to present the bonds debt service to maturity assuming no further turbo payments.

Details of TSAB outstanding at June 30, 2014 are as follows:

Table 30
Tobacco Settlement Asset-Backed Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2014
Series 2006A Senior Current Interest Bonds	$ 534,610	4.75 - 5.125%	2025-2046	$ 480,610
Series 2006B CABs	19,770	6.25%	2046	231,820
2006B unaccreted appreciation CABs				(199,301)
Series 2006C CABs	8,686	6.40%	2046	107,950
2006C unaccreted appreciation CABs				(93,495)
Series 2006D CABs	20,565	7.10%	2046	335,105
2006D unaccreted appreciation CABs				(298,952)
Total	$ 583,631			$ 563,737

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for TSAB are as follows:

Table 31
Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2015	$ -	5,617	24,181	$ 29,798
2016		5,998	24,181	30,179
2017		6,402	24,181	30,583
2018		6,842	24,181	31,023
2019		7,302	24,181	31,483
2020 - 2024	46,785	44,661	116,621	208,067
2025 - 2029	61,285	62,048	103,829	227,162
2030 - 2034	78,670	86,238	86,810	251,718
2035 - 2039	101,085	119,901	64,894	285,880
2040 - 2044	130,480	166,771	36,155	333,406
2045 - 2046	111,326	79,968	4,565	195,859
Subtotal	$ 529,631	591,748	533,779	$ 1,655,158
Add:				
Accreted appreciation through June 30, 2014	34,106			
Subtotal	563,737			
Less:				
Unamortized issuance discount	(12,295)			
Total	$ 551,442			

As shown in **Table 31**, the unpaid Tobacco Settlement Asset-Backed Bonds' accreted appreciation as of June 30, 2014 was $34,106, which will be paid in 2046.

TSAB pledged revenue for the year ended June 30, 2014 was as follows:

Table 32
Tobacco Settlement Asset-Backed Bonds - Pledged Revenues

			Fiscal Year 2014	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 Tobacco Settlement Asset-Backed Bonds	2046	$ 1,689,265	$ 30,203	$ 27,061

Loans - Governmental Activities

Loans for various governmental activities included a United States Department of Agriculture Farmers Home Administration loan for the construction of low income housing; and California Energy Commission loans to fund various projects in County facilities to increase energy efficiency.

In November 2011, the County Board of Supervisors authorized the use of San Diego Gas & Electric (SDG&E) On Bill Financing (OBF) program to fund energy efficiency and demand response projects. This program finances installations, modifications and upgrades at County-owned facilities such as lighting retrofits and controls and mechanical system upgrades with the goal of reducing utility costs. The financing is a zero percent interest loan which is repaid from energy savings generated by each San Diego Gas and Electric meter. The County received its first OBF loan in 2013; and received $1.232 million in additional OBF loans during 2014. As of June 30, 2014, twelve OBF loans are outstanding, with remaining balances totaling $1.063 million.

Details of loans outstanding at June 30, 2014 for governmental activities are as follows:

Table 33
Loans - Governmental Activities

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2014
Loans - non internal service funds (ISF)				
Firebird Manor	$ 4,486	1.00%	2028	$ 2,117
Total loans - non-ISF	4,486			2,117
Loans - ISF				
California Energy Comm Loan 1 (Facilities ISF)	1,977	4.00%	2015	117
California Energy Comm Loan 2 (Facilities ISF)	3,001	3.95%	2016	401
California Energy Comm Loan 3 (Facilities ISF)	2,565	4.50%	2018	1,426
San Diego Gas and Electric On Bill Financing (Facilities ISF)	1,271	0.00%	2022	1,063
Total loans - ISF	8,814			3,007
Total	$ 13,300			$ 5,124

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for loans - governmental activities are as follows:

Table 34
Loans - Governmental Activities
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2015	$ 1,403	95	$ 1,498
2016	794	65	859
2017	766	48	814
2018	589	29	618
2019	160	15	175
2020 - 2024	793	54	847
2025 - 2028	619	15	634
Total	$ 5,124	321	$ 5,445

Loans - Business-type Activities

Loans for business-type activities included California Department of Transportation loans for the construction of a sewer line and the installation of a control tower at the Ramona Airport.

Details of loans outstanding at June 30, 2014 for business-type activities are as follows:

Table 35
Loans - Business-type Activities

Loan	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2014
2001 Airport Development Loan - Ramona Sewer Line	$ 2,388	5.63%	2017	$ 511
2001 Airport Development Loan - Ramona Control Tower	1,196	5.63%	2017	255
Total	$ 3,584			$ 766

Annual debt service requirements to maturity for loans - business-type activities are as follows:

Table 36
Loans - Business-type Activities
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2015	$ 291	43	$ 334
2016	304	27	331
2017	171	10	181
Total	$ 766	80	$ 846

Arbitrage

In compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, the County performed arbitrage rebate calculations via a third party to determine probable amounts due to the Federal government. At June 30, 2014, the probable arbitrage rebate was zero.

(Amounts expressed in thousands unless otherwise noted)

NOTE 15

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2014 were as follows:

Table 37

Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2013	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2014	Amounts Due Within One Year
Governmental Activities:						
COPs, bonds & loans						
Certificates of participation and lease revenue bonds	$ 405,010		(20,600)		384,410	$ 19,880
Taxable pension obligation bonds	770,530		(39,775)	1,575	732,330	41,195
Tobacco settlement asset-backed bonds	564,230		(5,750)	5,257	563,737	
Loans - non-internal service funds	2,260		(143)		2,117	143
Loans - internal service funds (ISF)	2,909	1,232	(1,134)		3,007	1,260
Unamortized issuance premiums	13,079		(1,152)		11,927	1,152
Unamortized issuance discounts	(13,050)		591		(12,459)	(590)
Unamortized deferred amounts on refundings (1)	(5,389)		5,389			
Total COPs, bonds & loans	$ 1,739,579	1,232	(62,574)	6,832	1,685,069	$ 63,040
Other long-term liabilities:						
Capital Leases - ISF	$ 152		(33)		119	$ 34
Claims and judgments - ISF	156,552	56,454	(28,343)		184,663	41,349
Compensated absences - non-ISF	98,223	65,759	(67,890)		96,092	40,864
Compensated absences - ISF	2,268	1,688	(1,750)		2,206	888
Landfill postclosure	19,358		(366)		18,992	803
Pollution remediation	8,310	200	(4,732)		3,778	632
Total Other long-term liabilities	284,863	124,101	(103,114)		305,850	84,570
Total Governmental Activities	$ 2,024,442	125,333	(165,688)	6,832	1,990,919	$ 147,610
Business-type activities:						
Loans	$ 1,046		(280)		766	$ 291
Compensated absences	424	328	(314)		438	176
Total Business-type Activities	$ 1,470	328	(594)		1,204	$ 467

(1) The reduction of the Unamortized deferred amounts on refundings of $5,389 is due to the reclassification from Noncurrent Liabilities to Deferred Outflows of Resources on the Statement of Net Position to comply with Governmental Accounting Standards Board Statement No. 65.

(Amounts expressed in thousands unless otherwise noted)

NOTE 16

Funds Used to Liquidate Liabilities

The following funds presented in **Table 38** below have typically been used to liquidate other long-term obligations in prior years:

Table 38

Liquidated Liabilities

Liability	Fund(s) Used to Liquidate in Prior Years
Claims & Judgments	Internal Service Funds - Employee Benefits Fund and Public Liability Insurance Fund
Compensated Absences	General Fund; Special Revenue Funds - County Library, Road, Inactive Wastesites and Air Pollution; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and, Enterprise Funds - Airport and Sanitation
Landfill Postclosure	Special Revenue Fund: Inactive Wastesites
Pollution Remediation	General Fund, Special Revenue Funds: Inactive Wastesites, Road Fund

NOTE 17

Conduit Debt Obligations

From time to time, the County has issued tax-exempt conduit debt under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California on behalf of qualified borrowers to provide financial assistance for projects deemed to be of public interest.

Conduit debt consisted of the following: a) eight certificates of participation (COPs) for the acquisition, construction, capital improvement and equipping of various facilities and b) three mortgage revenue bonds for the construction and permanent financing of multi-family residential rental projects located in the County to be partially occupied by persons of low or moderate incomes. Conduit debt is secured by the property that is financed and is payable from the respective COPs' base rentals and underlying payments on mortgage loans. Upon repayment of the debt, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance.

The County is not obligated in any manner for repayment of this debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

As of June 30, 2014, the aggregate conduit debt principal amount outstanding was $144.071 million.

NOTE 18

Landfill Site Postclosure Care Costs

State laws and regulations require the placement of final covers on all landfill sites that stopped accepting solid waste after October 9, 1991 and the performance of certain maintenance and monitoring functions at these sites for a minimum of 30 years after closure. Closure and postclosure care costs are paid near or after the date a landfill stops accepting waste. The San Marcos Landfill is the sole waste disposal site owned by the County that is subject to these regulations. It was operational and accepted solid waste from 1979 until March 11, 1997. Formal closure of this landfill spanned from July 2004 through March 2007. Postclosure maintenance began in April 2007.

The projected landfill postclosure care liability at June 30, 2014 for the San Marcos Landfill was $18.992 million. This estimated amount is based on what it would cost to perform all postclosure care in calendar year 2014 dollars and is subject to change as a result of such factors including but not limited to: inflation; deflation; advancements in technology; and amendments to laws and regulations.

In addition to the above, state regulations require that landfill closure and postclosure maintenance costs be fully funded at the time of closure, unless a landfill owner/operator can demonstrate financial responsibility towards these activities by using other approved financial assurance alternatives. A pledge of revenue is one of various alternatives allowed to fund estimated postclosure costs. Under this alternative, the Board of Supervisors, on February 3, 1998, approved Minute Order No. 5 "Postclosure Maintenance Funding for the San Marcos Landfill", wherein the County entered into a pledge of revenue agreement with the California

Integrated Waste Management Board (CIWMB). Pursuant to Resolution No. 98-24, adopted under Minute Order No. 5, the Board directed that the amount of pledged revenue shall be equal to $790 thousand per year for the 30 year period of postclosure maintenance commencing upon completion of the final closure of the San Marcos Landfill. The pledged amount is a promise of existing funds rather than future revenues and may increase or decrease to match any adjustment to identified cost estimates that are mutually agreed to by the County and the CIWMB.

Regulations governing solid waste management are promulgated by government agencies on the federal and state levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Thus, the County has potential liability with respect to every landfill ever owned, operated, contracted to be operated, or into which the County disposed waste. Compliance with these regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs could increase.

NOTE 19
Pollution Remediation

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., California Regional Water Quality Control Board) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing, and/or cleanup activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, removal of storage tanks and other hazardous materials.

As of June 30, 2014, the County's estimated pollution remediation obligations totaled $3.778 million. These obligations were all associated with the County's government-wide governmental activities. The estimated liabilities were determined by project managers and/or consultants, based on historical cost information for projects of the same type, size and complexity and measured at their current value or current quotes from outside service providers. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required, including technology and changes in applicable laws or regulations. At this time, the County has determined there are no estimated recoveries reducing the obligations.

NOTE 20
Fund Balance Policy - General Fund

In 2013 the Board of Supervisors adopted the updated Policy B-71 “Fund Balance and Reserves” to establish guidelines regarding the maintenance of General Fund fund balance levels that will help to protect the fiscal health and stability of the County. This policy includes:

Fund Balance Committed To Unforeseen Catastrophic Events: The amount of fund balance committed to unforeseen catastrophic events shall be targeted at the equivalent of 5% of the total amount of budgeted general purpose revenue. The establishment of this fund balance commitment is governed by Government Code Section 29085-29086, which allows the amount to be increased or decreased at the time the budget is adopted, but once the budget is adopted, it may only be used for legally declared emergencies as defined in Government Code Section 29127. The Board may waive the requirement to maintain the fund balance at the targeted level specified if it finds that it is in the best interest of the residents of the County to so do. This commitment is reported on the General Fund's Balance Sheet.

General Fund Minimum Fund Balance: In order to be prepared for broader levels of economic uncertainty, the minimum level of Unassigned fund balance in the General Fund shall be targeted at the equivalent of 10% of the total amount of budgeted general purpose revenue. The Board may waive the requirement to maintain the fund balance at the targeted level specified if it finds that it is in the best interest of the residents of the County to so do. To the extent that fund balance is available in excess of that amount, the Chief Administrative Officer (CAO) may recommend the appropriation or commitment of the available balance for one time purposes. The recommendations may appear in the CAO Recommended Operational Plan or as an agenda item for a regularly scheduled meeting of the Board. In fiscal year 2010 the County Board of Supervisors took action to set aside $100 million of the General Fund's fund balance for future economic uncertainty. This amount is included in the Unassigned fund balance classification on the General Fund's Balance Sheet.

Other Commitments and Assignments of Fund Balance: From time to time fund balance may be committed by the Board and/or assigned by the Chief Administrative Officer for specific purposes.

Restoration of Fund Balances: In the event that the fund balance Committed to Unforeseen Catastrophic Events or the General Fund Minimum Unassigned fund balance falls below targeted levels, the CAO will present a plan to the Board of Supervisors for restoration of those targeted levels.

(Amounts expressed in thousands unless otherwise noted)

NOTE 21

Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose

At June 30, 2014, the fund balances restricted for laws or regulations of other governments: fund purpose are presented in **Table 39** as follows:

Table 39

Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose
At June 30, 2014

Fund Type:	Purpose	Amount
Nonmajor Funds		
Special Revenue Funds		
Air Pollution Fund	Air pollution activities	$ 22,767
Asset Forfeiture Program Fund	Law enforcement	8,591
County Library Fund	Library services	12,146
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services	19,675
Edgemoor Development Fund	Edgemoor development	9,471
In Home Supportive Services Public Authority Fund	In home supportive services	82
Inmate Welfare Fund	Benefit, education, and welfare of jail inmates	15,632
Lighting Maintenance District Fund	Street and road lighting maintenance	1,312
Other Special Revenue Funds	Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas	519
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities	12,816
Total Nonmajor Funds (Special Revenue Funds)		$ 103,011

(Amounts expressed in thousands unless otherwise noted)

NOTE 22

Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2014, the fund balances restricted for laws or regulations of other governments: other purposes are presented in **Table 40** as follows:

Table 40

Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2014

Major Fund		
General Fund		
Vector control	$	14,289
Teeter tax loss		8,563
Fingerprinting equipment purchase and operation		8,095
Mental health		6,283
Fire safety projects and equipment		6,054
Sheriff automated warrant system		4,827
Parks and Recreation land acquisition, improvements, stewardship and other activities		3,999
Public Defender defense of indigent cases		3,904
Emergency medical services, various construction costs		3,707
Real estate fraud prosecution		3,573
Domestic violence and child abuse prevention		2,760
Sheriff law enforcement		2,226
Parole revocation hearings		2,010
Probation Department activities		2,005
Sheriff vehicle maintenance and replacement		1,921
Equipment replacement/system enhancement Caller ID Remote Access Network		1,073
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		884
Probation community transition unit activities		763
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		552
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		289
Social services child safety education		101
Improvement, maintenance and operation of the Waterfront Park		13
Total General Fund	$	77,891
Nonmajor Funds		
Special Revenue Funds		
Flood Control District Fund		
Flood control future drainage improvements	$	19,183
Housing Authority - Other Fund		
Housing repairs and improvements		102
Disaster related administration		44
Total Nonmajor Special Revenue Funds	$	19,329
Capital Projects Funds		
Capital Outlay Fund		
Capital Projects		1
Total Nonmajor Capital Projects Funds	$	1
Total Nonmajor Funds	$	19,330
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	$	97,221

(Amounts expressed in thousands unless otherwise noted)

NOTE 23

Fund Balances Committed to Other Purposes

At June 30, 2014, the fund balances committed to other purposes are presented in **Table 41** as follows:

Table 41
Fund Balances Committed To Other Purposes
At June 30, 2014

Major Fund		
General Fund		
Replacement and upgrade of Public Safety Communication System	$	16,300
Regional communication system infrastructure enhancements		16,050
Health based programs reducing adult/youth smoking		8,156
Sheriff's Department future capital expenditures		4,000
Department of Environmental Health services		3,005
Sheriff's Department helicopter replacement		2,667
San Diego Fire Authority equipment replacement		2,133
Future replacement of Health and Human Services Agency public health clinic		1,574
Parks and Recreation land acquisition		1,122
Department of Planning and Development Services activities		659
Management of conduit financing programs		560
Registrar of Voters equipment acquisition		445
Assessor/Recorder/County Clerk services		111
South County Shelter capital improvements		54
Future lease payments		49
Capital Improvement		12
Senior Volunteer Patrols Program in the unincorporated communities		9
Clerk of the Board services		5
Parks and Recreation turf replacement Sweetwater Valley		4
Total General Fund	$	56,915

NOTE 24

Fund Balances Assigned to Other Purposes

At June 30, 2014, the fund balances assigned to other purposes are presented in **Table 42** as follows:

Table 42
Fund Balances Assigned to Other Purposes
At June 30, 2014

Major Fund		
General Fund		
Legislative and administrative services	$	22,952
Law enforcement, detention, legal and other protection services		6,576
Health, mental health and social services		5,841
Planning, land use, agriculture, watershed and other public services		4,807
Park and recreation services		2,589
Fire protection		2,572
Maintenance		1,896
Assessor/Recorder/County Clerk services		1,141
Treasurer-Tax Collector services		760
Animal Services		375
Registrar of Voters services		30
Total General Fund	$	49,539

(Amounts expressed in thousands unless otherwise noted)

NOTE 25

Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2014, the net position restricted for laws or regulations of other governments: other purposes are presented in **Table 43** as follows:

Table 43

Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2014

Air Pollution activities	$	22,767
Road, park lighting maintenance, fire protection and ambulance services		19,675
Benefit, education, and welfare of jail inmates		15,632
Developing new or rehabilitating existing neighborhood or community park or recreational facilities		12,816
Library services		12,146
Edgemoor development		9,471
Law enforcement		8,591
Fingerprinting equipment purchase and operation		8,095
Fire safety projects and equipment		6,054
Sheriff automated warrant system		4,827
Parks and Recreation land acquisition, improvements, stewardship and other activities		3,999
Public Defender defense of indigent cases		3,904
Emergency medical services, various construction costs		3,707
Real estate fraud prosecution		3,573
Domestic violence and child abuse prevention		2,760
Sheriff law enforcement		2,226
Parole revocation proceedings		2,010
Probation Department activities		2,005
Sheriff vehicle maintenance and replacement		1,921
Street and road lighting maintenance		1,312
Equipment replacement/system enhancement Caller ID Remote Access Network		1,073
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		884
Probation community transition unit activities		763
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		552
Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas		519
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		289
Housing repair and improvements		102
Social Services child safety education		101
In home supportive services		82
Disaster related administration		44
Improvements, maintenance and operation of the Waterfront Park		13
Capital projects		1
Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	$	151,914

(Amounts expressed in thousands unless otherwise noted)

NOTE 26
Risk Management

The County operates a Risk Management Program, whereby it is self-insured for general liability (California Government Code Section 990), medical malpractice (California Government Code Section 990.9), automobile liability (California Vehicle Code Section 16020(b)(4)) and workers' compensation (California Code of Regulations, Title 8, Section 15203.4). The County purchases insurance coverage for all risk property losses, government crime insurance, including employee dishonesty and faithful performance, airport comprehensive liability, and aircraft hull and liability insurance. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years.

The County's Employee Benefits and Public Liability Insurance Internal Service Funds (ISF) are used to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected public liability and workers compensation claim liabilities. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

At June 30, 2014, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $184.7 million, including $30.9 million in public liability and $153.8 million in workers' compensation. Changes in the balances of claim liabilities for fiscal year 2014 and 2013 are shown in **Table 44**.

Table 44
Risk Management - Changes in Claim Liabilities

	2014	2013
Employee Benefits Fund		
Unpaid claims, July 1	$ 132,504	$ 112,960
Incurred claims	45,207	46,323
Claim payments	(23,900)	(26,779)
Unpaid claims, June 30	$ 153,811	$ 132,504
Public Liability Insurance Fund		
Unpaid claims, July 1	$ 24,048	$ 25,879
Incurred claims	11,247	(448)
Claim payments	(4,443)	(1,383)
Unpaid claims, June 30	$ 30,852	$ 24,048

NOTE 27
Contingencies

Litigation

The County has a potential liability of $13.1 million that could result if unfavorable final decisions are rendered in numerous lawsuits to which the County is a named defendant. Appropriations are budgeted annually for those portions of obligations coming due that fiscal year.

Housing Authority - Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code (HSC) 34176 (b), the City of Santee elected to transfer the housing functions of the Successor Agency to the Community Development Commission of the City of Santee (Santee Successor Agency), to the County of San Diego Housing Authority (Housing Authority). Documents identifying the assets elected to be transferred were received by the Housing Authority on March 21, 2014. On May 21, 2014, the Board of Commissioners of the Housing Authority authorized acceptance of the Santee Successor Agency assets contingent on: 1. Santee Successor Agency providing the case files for each of the listed assets; and 2. Santee Successor Agency remitting the housing administrative allowance as required by law. To date, Santee Successor Agency has only met item number 1.

Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately $183.77 million in sick leave, holiday and compensatory time. With the exception of sick leave for eligible employees, these benefits are not payable to employees upon termination and are normally liquidated at year end or as employees elect to use their benefits per Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation have been recorded as liabilities in the appropriate proprietary funds and the statement of net position.

Federal and State Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

NOTE 28

Joint Ventures

The San Diego Geographic Information Source (SanGIS) was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are to create and maintain a geographic information system; marketing and licensing compiled digital geographic data and software; providing technical services; and publishing geographic and land related information for the City and the County, other public agencies, and the private sector. It is governed by a Board of Directors consisting of the City Manager and the Chief Administrative Officer. SanGIS relies mostly on an annual budget of $1.2 million shared equally by the City and the County to supplement its operating revenues. In its latest report, SanGIS reported an increase in net position of $12.9 thousand and ending net position of $333 thousand for the fiscal year ended June 30, 2013. The financial report may be obtained by writing to SanGIS at 5510 Overland Ave., Suite 230, San Diego CA 92123 or by calling (858) 874-7000 or by E-mail at webmaster@sangis.org.

The County is a participant with eighteen incorporated cities to operate the Unified San Diego County Emergency Services Organization for the purpose of providing regional planning and mutual assistance in the event of an emergency in the region including accidents involving hazardous waste. The organization is governed by the Unified Disaster Council (UDC) with one voting member from the San Diego County Board of Supervisors who serves as Chair of the Council, and a representative from each of the 18 incorporated cities. The County of San Diego Office of Emergency Services (OES) serves as staff to the UDC. OES is a liaison between the incorporated cities, the State Office of Emergency Services, the Federal Emergency Management Agency, and the American Red Cross. A contractual agreement requires that the cities and the County provide the total required funding each year; one half from the cities and the other half from the County. In its latest report, the organization reported an increase in net position of $336 thousand and ending net position of $641 thousand for the fiscal year ended June 30, 2013. Separate financial statements may be obtained from the Office of Emergency Services, 5580 Overland Ave., Suite 100, San Diego CA 92123 or by calling (858) 565-3490 or by E-mail at oes@sdcounty.ca.gov.

The City of San Diego and the County of San Diego jointly formed a Consortium under the Workforce Investment Act of 1998 to provide regional employment and training services. The Consortium is governed by a five member board consisting of two members designated from the County Board of Supervisors, two members designated from the San Diego City Council and one member from the Board of Directors of United Way, a charitable organization. The board assigned the San Diego Workforce Partnership, Inc. as grant recipient and the administrative entity to operate the San Diego Consortium. The City and the County agreed to share equally any debt or liability incurred with respect to State and Federal grants. For the year ended June 30, 2013, the Partnership reported an increase in net position of $28 thousand and ending net position of $463 thousand. Complete financial reports may be obtained by writing to the San Diego Workforce Partnership, 3910 University Ave., Suite 400, San Diego CA 92105 or by calling (619) 228-2900 or by E-mail at contact@workforce.org.

In November 2011, the County of San Diego, which oversees the San Diego County Regional Fire Authority, agreed to be a participant in the Heartland Fire Training Authority, to be effective July 1, 2012. The Authority includes eight other member agencies and was formed for the purposes of jointly equipping, maintaining, operating, and staffing to provide training of fire-fighting and emergency response personnel to member agencies. It is governed by a Commission that consists of elected officials from each agency and also a Board of Chiefs from each respective agency. The District 2 County Supervisor serves as the County appointee on the Heartland Fire Training Authority Commission and the County's Fire Warden serves as the County appointee on the Heartland Fire Training Authority Board of Fire Chiefs. The training facility will be funded and operated by the joint powers agreement to supply shared resources of equipment, maintenance, operations, and training. In its latest report, Heartland Fire Training Authority reported an increase in net position of $197 thousand and ending net position of $275 thousand for the fiscal year ended June 30, 2013. The financial report may be obtained by writing to Heartland Fire Training Authority at 1301 North Marshall Ave., El Cajon CA 92020 or by calling (619) 441-1693.

NOTE 29

Pension and Retiree Health Plans

Pension Plan

Plan Description

The County contributes to the San Diego County Employees Retirement Association pension plan, (SDCERA-PP), a cost-sharing multiple-employer defined benefit pension plan that is administered by SDCERA. The SDCERA-PP has five Tiers and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier C is the current open plan for all newly hired employees. Tiers I, A, and B are generally closed to new entrants but have active members and Tier II was eliminated for active members. The Retirement Act, (also referred to as the Retirement Law of 1937 and Government Code Section 31450 et.seq.), assigns the County Board of Supervisors the authority to establish and amend benefit provisions and assigns the SDCERA Board of Retirement the authority to approve retiree members and beneficiaries cost-of-living increases. (See note below regarding SDCERA Financial Report information.)

Funding Policy

The Retirement Act requires that County and member contributions be actuarially determined to provide a specific level of benefit. Contribution rates are expressed as a percentage of covered payroll and member rates vary according to age at entry, benefit tier level and certain negotiated contracts that provide for the County to pay a portion of members' contributions. California Government Code Section 31454 requires the Board of Supervisors to adjust the rates of the San Diego County employer and employee retirement contributions in accordance with the recommendations of the Board of Retirement of SDCERA.

The actuarially determined rates adopted by SDCERA established the average member contribution rate at 10.59% for General Tiers I, A, and B; and Safety Tiers A and B members, combined, and set the employer contribution rate for the above categories combined at

(Amounts expressed in thousands unless otherwise noted)

34.26%. The General Tier C average member and employer contribution rates were established at 7.05% and 25.14%, respectively. The Safety Tier C average member and employer contribution rates were established at 12.58% and 37.73%, respectively.

CoSD employer contributions to SDCERA-PP for the three years ended June 30, 2014, are noted in **Table 45**.

Table 45

CoSD Employer Contributions - SDCERA - PP

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Contributions Made	Percentage of ARC Contributed
2014	$ 327,171	$ 327,171	100.0%
2013	273,852	281,548	102.8%
2012	249,891	255,233	102.1%

Retiree Health Plan

Plan Description

Effective July 1, 2007, the County commenced contributing to the SDCERA retiree health plan, (SDCERA-RHP) a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The Retirement Act assigns the authority to establish and amend health allowance benefits to the SDCERA Board of Retirement. The retiree health plan provides a non-taxable health insurance allowance to Tier I and Tier II retirees. Health insurance allowances range from $200 per month for members with at least 10 years SDCERA credit, to $400 per month for members with 20 or more years of SDCERA service credit. (See note below regarding SDCERA Financial Report information.)

Funding Policy

The SDCERA-RHP was established and is administered as an Internal Revenue Code Section 401(h) account within the defined benefit pension plan under the authority granted by the Retirement Act to the SDCERA Board of Retirement. The SDCERA-RHP is funded by employer contributions that are based on an actuarially determined 20 year level dollar amortization schedule. The health insurance allowance is not a vested benefit and may be reduced or discontinued at any time by the SDCERA Board of Retirement. Additionally, the total amount of employer contributions are limited by the provisions of 401(h).

CoSD's employer contributions to SDCERA-RHP for the three years ended June 30, 2014, were the following:

Table 46

CoSD Employer Contributions - SDCERA-RHP

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Contributions Made	Percentage of ARC Contributed
2014	$ 18,548	$ 18,581	100.2%
2013	17,236	17,272	100.2%
2012	17,429	17,600	101.0%

SDCERA Financial Report

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-PP and the SDCERA-RHP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 200, San Diego, California 92108-1685 or by calling (619) 515-6800.

NOTE 30

Fund Deficit

Table 47

Fund Deficit
At June 30, 2014

Internal Service Fund:	
Employee Benefits Fund	$ (41,587)

The Employee Benefits Fund deficit of $41.6 million resulted primarily from the accrual of the estimated liability and costs associated with the reported and unreported workers' compensation claims as prepared by an actuary for the reporting period ending June 30, 2014. The liability increased to $153.8 million from the prior year's estimate of $132.5 million. Offsetting this increase in the liability was an increase in premiums of $6 million. The County intends to reduce the deficit through increased premium rate charges to County departments by $4 million per year in excess of projected operating expenses beginning in fiscal year 2014 for a 10 year period.

(Amounts expressed in thousands unless otherwise noted)

NOTE 31
Restatements

Change in Fund Type and Reporting - In fiscal year 2014, the County reviewed the activities of its Jail Stores Commissary Fund, entitled "Other Miscellaneous Internal Service Funds" which was previously reported as an internal service fund and determined that it does not meet the requirements to be treated as such; and therefore in 2014 it was reported as an enterprise fund. The results of this change decreased the total internal service funds at the fund level and the governmental activities at the government-wide level; and increased the total enterprise funds at the fund level and the business-type activities at the government-wide level. The County also reviewed the activities of its Wastewater Management Enterprise Fund and determined that it was more appropriate to treat this fund as part of the Sanitation District Enterprise Fund since its primary activity was to provide support to the Sanitation District. The results of this change had no effect on the overall balance of the enterprise funds.

Change in Accounting Principle - Pursuant to GASB Statement Number 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, the County no longer amortizes the costs of debt issuance. These amounts should be expensed in the year they are incurred. The County made adjustments for these items as a cumulative effect of a change in accounting principle in 2014. This resulted in beginning net positions for governmental activities and the fiduciary funds to be reduced by $11,565 and $300, respectively.

The effects of these two restatements are shown in **Tables 48** and **49**. The effect of the adoption of GASB 65 on fiscal year 2013 is shown in **Tables 50** and **51**.

Table 48

Restatement of Beginning Fund Balances/Net Positions

	Fund Financial Statements				Primary Government
Restatement - Enterprise Funds	Jail Stores Commissary Fund	Sanitation District Fund	Wastewater Management Fund	Total Enterprise Funds	Business-type Activities
Total net position at June 30, 2013		128,257	3,210	248,173	$ 248,615
Adjustment for reclassification	$ 5,951	3,210	(3,210)	5,951	5,951
Total net position, restated June 30, 2013	$ 5,951	131,467		254,124	$ 254,566

Restatement - Internal Service Funds	Other Miscellaneous Internal Service Funds	Total Internal Service Funds	Governmental Activities	Total
Total net position at June 30, 2013	5,951	103,265	3,994,931	4,243,546
Adjustment for reclassification	(5,951)	(5,951)	(5,951)	
Change in accounting principle			(11,565)	(11,565)
Total net position, restated June 30, 2013		$ 97,314	$ 3,977,415	$ 4,231,981

(Amounts expressed in thousands unless otherwise noted)

Table 49

Restatement of Beginning Net Position - Fiduciary Funds

Restatement - Fiduciary Funds		CoSD Successor Agency Private Purpose Trust Fund
Net Position (deficit) at June 30, 2013	$	(14,968)
Change in accounting principle		(300)
Net Position (deficit), restated June 30, 2013	$	(15,268)

Table 50

Government-wide

Governmental Activities		2013 Previously Presented		Restatement		2013 Restated
Deferred charges	$	11,565	$	(11,565)		
Net position		3,994,931		(11,565)	$	3,983,366
General government expenses		240,409		(1,138)		239,271
Changes in net position		216,561		745		217,306
Net position, beginning of year		3,778,370		(12,310)		3,766,060

Table 51

Fiduciary Funds

County of San Diego Successor Agency Private Purpose Trust Fund		2013 Previously Presented		Restatement		2013 Restated
Deferred charges	$	300	$	(300)		
Net position		(14,968)		(300)	$	(15,268)
Administrative expenses		618		(15)		603
Changes in net position		(2,189)		15		(2,174)
Net position, beginning of year		(12,779)		(315)		(13,094)

NOTE 32
Subsequent Events

San Diego County Capital Asset Leasing Corporation - "County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014A and Series 2014B (Taxable)"

In September 2014, the San Diego County Capital Asset Leasing Corporation issued $91.675 million of fixed rate certificates of participation titled, "County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014A (the 2014A Certificates)," and $2.075 million of fixed rate certificates of participation titled, "County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014B (Taxable) (the 2014B Certificates)." The 2014A Certificates were issued at fixed interest rates ranging from 2.00% to 5.00% with maturity dates ranging from October 15, 2015 to October 15, 2029. The 2014B Certificates were issued at fixed interest rates ranging from 0.415% to 1.920% with maturity dates ranging from October 15, 2015 to October 15, 2018.

The 2014A Certificates were issued with a premium of $15.070 million. Certificate proceeds of $106.745 million along with $6.820 million of funds held by the 2005 and 2006 Edgemoor and RCS Refunding trustee (trustee) were distributed as follows: 1) approximately $105.898 million (consisting of $101.708 million of new 2014A Certificate proceeds plus $4.190 million of funds held by the trustee) was transferred to an escrow agent to advance refund the entire $102.025 million of outstanding 2005 and 2006 Edgemoor Refunding certificates of participation; 2) $2.630 million to pay interest on the 2014A Certificates due on April 15, 2014; 3) $4.460 million to fund a 2014A Certificate reserve fund; 4) approximately $577 thousand was set aside to pay certain costs of issuance.

The 2014B Certificate proceeds of $2.075 million along with $4.372 million of funds held by the trustee were distributed as follows: 1) approximately $6.334 million (consisting of $2.063 million of new 2014B Certificate proceeds plus $4.271 million of funds held by the trustee) was transferred to an escrow agent to advance refund the entire $6.180 million of outstanding 2005 RCS Refunding certificates of participation; 2) $14 thousand to pay interest on the 2014B Certificates due on April 15, 2014; 3) $87 thousand to fund a 2014B Certificate reserve fund; 4) approximately $12 thousand was set aside to pay costs of issuance.

NOTE 33

County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 ("the Bill") that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County that previously had reported the San Diego County Redevelopment Agency (SDCRA) as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the County or another unit of local government would agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, via Minute Order 14, the County Board of Supervisors designated the County as the successor agency to the SDCRA; in accordance with the Bill.

Subject to the control of an established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will continue to only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of dissolution, as allowed in the Bill, the County elected to retain the housing assets and functions previously performed by the former SDCRA. These assets and activities are accounted for in the County Housing Fund and are reported in the County's governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved SDCRA are reported in the County of San Diego Successor Agency Private Purpose Trust Fund (fiduciary fund) financial statements of the County.

Due To Other Funds

The County of San Diego Successor Agency Private Purpose Trust Fund's "Due To Other Funds" consists of the $1.043 million Upper San Diego River Project and $3.862 million Airport Projects loans made from the County's General Fund and Airport Enterprise Fund, respectively, to the former San Diego County Redevelopment Agency (SDCRA). Upon dissolution of the SDCRA on February 1, 2012, these loans were transferred to the County of San Diego Successor Agency Private Purpose Trust Fund. As of June 30, 2014, interest accrues on the average quarterly outstanding balance, at a rate equal to the average County earned investment rate as determined by the County Treasurer. Under California Assembly Bills ABx1 26 and AB 1484, it is expected that the County Successor Agency will pay principal and interest on the loans outstanding when funds are available for this purpose. The timing and total amount of any repayment is subject to applicable law.

(Amounts expressed in thousands unless otherwise noted)

NOTE 34

San Diego County Redevelopment Agency (SDCRA) Revenue Refunding Bonds

In December 2005, the San Diego County Redevelopment Agency (SDCRA) issued $16 million Revenue Refunding Bonds Series 2005A that mature in fiscal year 2033. The SDCRA has pledged property tax increment revenues generated within the Gillespie Field Project Area to pay for the bonds. Gillespie Field Airport revenues may also be used to fund debt service payments if there are insufficient property tax increment revenues to cover a particular fiscal year's debt service requirement. Bonds are also payable from funds held under the indenture, including earnings on such funds. Pursuant to California Assembly Bill ABx1 26, the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund.

SDCRA revenue refunding bonds outstanding at June 30, 2014 were the following:

Table 52
SDCRA Revenue Refunding Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2014
Revenue Refunding Bonds Series 2005A	$ 16,000	3.65 - 5.75%	2033	$ 13,095
Total	$ 16,000			$ 13,095

Annual debt service requirements to maturity for SDCRA bonds are as follows:

Table 53
SDCRA Revenue Refunding Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2015	$ 430	708	$ 1,138
2016	455	686	1,141
2017	475	662	1,137
2018	500	637	1,137
2019	525	611	1,136
2020 - 2024	3,070	2,596	5,666
2025 - 2029	4,000	1,626	5,626
2030 - 2033	3,640	389	4,029
Total	$ 13,095	7,915	$ 21,010
Less:			
Unamortized issuance discount	(31)		
Total	$ 13,064		

SDCRA pledged revenue for the year ended June 30, 2014 was as follows:

Table 54
SDCRA Revenue Refunding Bonds -Pledged Revenues

			Fiscal Year 2014	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2005A Revenue Refunding Bonds	2033	$ 21,010	$ 1,145	$ 1,145

(Amounts expressed in thousands unless otherwise noted)

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2014 were as follows:

Table 55

SDCRA Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2013	Additions	Reductions	Ending Balance at June 30, 2014	Amounts Due Within One Year
SDCRA revenue refunding bonds Series 2005A	$ 13,510		(415)	13,095	$ 430
Unamortized issuance discounts	(33)		2	(31)	(2)
Total	$ 13,477		(413)	13,064	$ 428

NOTE 35

New Governmental Accounting Standards

Implementation Status

In March 2012, GASB issued Statement No. 65: *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

This Statement is effective for periods beginning after December 15, 2012.

The County has implemented this Statement for the current fiscal year.

In March 2012, GASB issued Statement No. 66: *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting accounting and financial reporting guidance that resulted from the issuance of two recent standards-Statement No. 54, *Fund Balance Reporting and Governmental Fund Type* Definitions, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement provides guidance on how to address conflicts in those pronouncements with Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases.*

The provisions of this Statement are effective for periods beginning after December 15, 2012.

The County has implemented this Statement for the current fiscal year.

In June 2012, GASB issued Statement No. 67: *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

This Statement is effective for fiscal years beginning after June 15, 2013.

This Statement does not apply to the basic financial statements of the County. The County contributes to a cost-sharing multiple-employer defined benefit pension plan.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

The County does not currently have any nonexchange financial guarantees, consequently this Statement is not currently applicable.

Under Analysis

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June 2012, GASB issued Statement No. 68: *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer.

Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

In January 2013, the 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. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement 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.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, 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. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.