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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 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 services. 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. For further information see Deferred Outflows and Inflows of Resources.

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. $859 thousand of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2015, the General Fund was assigned $798 thousand and the Other Governmental Funds were assigned $61 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 ($11.228 million and $3.995 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.

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.

(Amounts expressed in thousands unless otherwise noted)

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.

Examples of deferred outflows and inflows of resources include property taxes received in advance, unavailable revenue, unamortized losses and gains on refunding of long-term debt (discussed below), and pension related deferrals. Pension related deferred outflows and inflows of resources include changes in proportionate share contributions, contributions to the pension plan subsequent to the measurement date, differences between expected and actual experience in the total pension liability and net difference between projected and actual earnings on pension plan investments.

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.

Pension

In fiscal year 2015, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. As a result, the County recognizes its proportionate share of the San Diego County Employees Retirement Association Pension Plan's (SDCERA-PP) collective net pension liability. Essentially, the net pension liability represents the excess of the total pension liability over the fiduciary net position of the SDCERA-PP reflected in the actuarial report provided by the SDCERA-PP actuary. The net pension liability is measured as of the County's prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred, as pension expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources are those that arise from changes in actuarial assumptions or other inputs, changes in proportionate share of contributions, differences between expected and actual experience in the total pension liability, and the net difference between projected and actual earnings on San Diego County Employees Retirement Association pension plan (SDCERA-PP) investments.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources or resources relating to pension expense, information about the fiduciary net position of the SDCERA-PP and additions to/deductions from the SDCERA-PP fiduciary net position have been determined on the same basis as they are reported by SDCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

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 (OMB) Circular A-87.

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.

(Amounts expressed in thousands unless otherwise noted)

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, 2015

Long-term liabilities, including bonds, notes, loans payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds. The details of this $(3,638,820) difference are as follows:		
Bonds, notes and loans payable		
Certificates of participation and lease revenue bonds	$	(355,565)
Taxable pension obligation bonds		(692,338)
Tobacco settlement asset-backed bonds		(554,594)
Loans - non-internal service funds		(2,765)
Unamortized issuance premiums (to be amortized as interest expense)		(21,548)
Unamortized issuance discounts (to be amortized as interest expense)		11,869
Compensated absences (excluding Internal Service Funds)		(97,182)
Landfill postclosure - San Marcos landfill		(18,340)
Pollution remediation		(1,563)
Subtotal	$	(1,732,026)
Net pension liability		(1,906,794)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$	(3,638,820)
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 $29,373 difference are as follows:		
Net position of the internal service funds	$	29,499
Less: Internal payable representing charges in excess of cost to business-type activities - prior years		(308)
Add: Internal payable representing costs in excess of charges to business-type activities - current year		182
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	29,373

(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, 2015

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 $28,871 difference are as follows:		
Capital outlay	$	160,474
Depreciation/amortization expense		(131,603)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	28,871
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. The details of this $(6,825) difference are as follows:		
The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	$	(984)
The loss on the disposal of capital assets does not affect current financial resources but decreases net position		(24,755)
Donations of assets to the County do not provide current financial resources but increase net position		18,914
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(6,825)
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 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 $73,177 difference are as follows:		
Debt issued or incurred		
Refunding bonds issued	$	(93,750)
Plus: Premiums		(15,070)
Payment to refunded bond escrow agent		112,232
Face value of loans issued		(732)
Principal repayments		67,542
Accreted interest paid		2,955
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	73,177
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 $(217,760) difference are as follows:		
Change in net pension lliability - pension expense	$	(212,655)
Compensated absences		(1,090)
Accrued interest		2,153
Accretion of capital appreciation bonds		(6,819)
Amortization of premiums		1,730
Amortization of discounts		(590)
Amortization of gain on refundings		47
Amortization of loss on refundings		(536)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(217,760)
Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this $(4,554) difference are as follows:		
Change in net position of the internal service funds	$	(4,736)
Add: Gain from charges to business activities		182
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(4,554)

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 $7,532,689 consisting of: $7,451,742 investments in the County pool; $76.102 million in demand deposits; $4.345 million of collections in transit; and, $500 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 Corporation (FDIC) insurance 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, 2015, 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. Deposits consist of cash in banks as well as non-negotiable certificates of deposit. At year-end, the carrying amount of the Investment Pool's deposits was $76.102 million, and the bank balance at June 30, 2015 was $78.738 million, consisting of demand deposits and non-negotiable certificates of deposit 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, $14.613 million was covered by federal deposit insurance and $64.125 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 market 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 market 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 $6.238 million and the bank balance per various financial institutions was $6.299 million. Of the total bank balance, $687 thousand was covered by federal deposit insurance; $1.130 million was collateralized by a named agent depository; and $4.482 million was uncollateralized.

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; banker's acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; medium-term notes; money market mutual funds; mortgage pass-through securities; supranationals; mortgage backed securities; local agency investment funds; collateralized mortgage 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.

Interest Rate Risk - Investments

Interest rate risk 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, at

(Amounts expressed in thousands unless otherwise noted)

least 25% 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, 2015, 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

Credit risk 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 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

Concentration of credit risk 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, 2015, 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 (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, 2015 comprised 13.69%, 10.10%, and 6.75% 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

(Amounts expressed in thousands unless otherwise noted)

aggregate at June 30, 2015 are shown in **Table 6**. Any investments explicity guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from **Table 6**.

Table 6
Concentration of Credit Risk - Investments With Fiscal Agents

Issuer	Tobacco Endowment Fund	Percent	Nonmajor Governmental Funds	Percent
BlackRock MuniFund	$ 204,000	65		
Federal farm credit bank			$ 4,986	9

Custodial Credit Risk - Investments

Custodial credit risk 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, Citibank, in their trust department to mitigate custodial credit risk.

Table 7
Pooled Investments
At June 30, 2015

	Fair Value	Book Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
U.S. government agencies:							
Federal home loan mortgage corporation notes	$ 503,709	502,982	0.42% - 4.88%	9/15 - 6/20	1008	AA+	6.75%
Federal home loan bank notes	1,020,413	1,019,468	0.13% - 3.13%	9/15 - 12/19	460	A-1+/AA+	13.69%
Federal national mortgage association notes	752,846	751,739	0.38% - 5.38%	7/16 - 11/18	791	AA+	10.10%
Federal farm credit bank notes	294,823	294,758	0.28% - 1.38%	3/16 - 10/18	511	A-1+/AA+	3.96%
U.S. treasury notes	456,320	454,564	0.50% - 4.50%	8/15 - 5/20	1036	AA+	6.12%
Repurchase agreement	8,999	8,999	0.01%	7/15	1	A-1	0.13%
Supranational	174,995	174,912	1.00% - 1.23%	11/17 - 6/18	964	AAA	2.35%
Commercial paper	1,867,577	1,868,505	0.18% - 0.53%	7/15 - 2/16	84	A-1/A-1+	25.06%
Money market mutual funds	242,255	242,255	0.01% - 0.39%	N/A	29	A-1+/AAA	3.25%
Negotiable certificates of deposit	2,094,700	2,094,703	0.14% - 0.42%	7/15 - 2/16	73	A-1/A-1+	28.12%
CalTRUST	35,105	35,000	0.51%	N/A	489	AA	0.47%
Total investments	$ 7,451,742	7,447,885			360		100.00%

(Amounts expressed in thousands unless otherwise noted)

Table 8

Investments with Fiscal Agents
At June 30, 2015

	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	$ 16,116	0% - 7%	8/15 - 2/27	3147	AA	4.40%
Fixed income tax exempt bonds	5,810	5.00%	8/27	4429	AA-	1.59%
Fixed income tax exempt bonds	40,163	0% - 8%	9/15 - 11/36	2242	AA+	10.96%
Fixed income tax exempt bonds	3,780	5.00%	8/16 - 7/17	643	AAA	1.03%
Fixed income tax exempt bonds	2,738	5.00%	11/19	1585	AA-/NR	0.75%
Fixed income tax exempt bonds	1,353	7.50%	9/22	2620	NA	0.37%
Fixed income tax exempt bonds	40,076	5% - 6.13%	11/17 - 2/37	4294	NR	10.93%
Federal farm credit bank notes	4,986	0.69%	5/17	686	AA+	1.36%
MuniFunds	204,000	0.02%	7/15	28	AAA	55.66%
Subtotal	319,022					
Restricted:						
Federal home loan mortgage corporation notes	331	0.50%	5/16	318	AA+	0.08%
Federal national mortgage association notes	555	0.88% - 1.13%	4/17 - 12/17	792	AA+	0.15%
Corporate bonds	83	5.40%	5/18	1050	AA	0.02%
Medium-term notes	27	5.63%	9/17	808	AA+	0.01%
Money market mutual funds	46,500	0% - 0.01%	8/15	33-55	AAA	12.69%
Subtotal	47,496					
Total County investments with fiscal agents	366,518					100.00%
Private Purpose investments:						
Money market mutual funds	1,155	0.00%	8/15	38	AAA	100.00%
Total Private Purpose investments	1,155					100.00%
Total investments with fiscal agents	$ 367,673					

(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
U.S. Treasury obligations	5 years	5 years	No limit	No limit	No limit	No limit	No limit	No limit
U.S. Agency obligations	5 years	5 years	No limit	No limit	No limit	35%	No limit	No limit
State and 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	(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 deposit	N/A	13 months	No limit	10%	No limit	(4)	No limit	No limit
Money market mutual funds	N/A	N/A	20%	15%	10%	10%	AAAm	AAAm
CalTrust (JPA Mutual Funds)	N/A	N/A	No limit	2.5%	No limit	2.5%	No limit	No limit
Pass-through mortgage securities (3)	5 years	5 years	20%	20%	No limit	5%	A/AA	A/AA
Supranationals (5)	5 years	5 years	30%	30%	10%	10%	AA	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 RPs maturing in 5 days or less. The maximum exposure to a single broker/dealer of RPs 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.

(4) May not exceed total paid-up capital and surplus of depository.

(5) The following institutions are considered "Supranationals": International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Inter-American Development Bank (IADB).

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 2015 restricted assets were as follows:

Table 10
Restricted Assets

Fund	Legal or Contractual Requirements	Debt Covenants
General Fund	$ 151	$ 3,331
Nonmajor Governmental Funds		
Housing Authority - Other Special Revenue Fund	425	
Tobacco Securitization Joint Special Revenue Fund		45,503
San Diego Regional Building Authority Debt Service Fund		5,433
Capital Outlay- Capital Projects Fund	5,806	

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 - $27.461 million.

This amount represents Senate Bill (SB) 90 cost reimbursements due the County for the provision of State mandated programs and services mostly for Handicapped & Disabled Students II/Seriously Emotionally Disturbed Students (SEDS) and Absentee Ballots. 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.

Loans - Governmental activities- $84.183 million

This amount includes: $38.822 million in housing

(Amounts expressed in thousands unless otherwise noted)

rehabilitation loan programs for low-income or special needs residents, and loans for low income housing down payments; $26.591 million in community development block grant loans; $13.831 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 developer loans; and $1.032 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". The remaining balance represents various other loans totaling $490 thousand.

Loans- Business-type activities- $5.944 million

This amount includes $2.179 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 $3.765 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, 2015

	Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:								
General Fund	$ 6,034	1,855	285,567	58,188	917	352,561		$ 352,561
Public Safety Special Revenue Fund			45,439			45,439		45,439
Tobacco Endowment Fund		1,836				1,836		1,836
Other Governmental Funds	19,602	3,913	43,704	24,945		92,164	(3,995)	88,169
Internal Service Funds	195	204	1,267	18	18	1,702		1,702
Total governmental activities - fund level	$ 25,831	7,808	375,977	83,151	935	493,702	(3,995)	$ 489,707
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				1,032		1,032		1,032
Less: Due from Component Unit					(165)	(165)		(165)
Total governmental activities - Statement of Net Position	$ 25,831	7,808	375,977	84,183	770	494,569	(3,995)	$ 490,574
Business-type activities:								
Enterprise Funds	$ 737	69	870	2,179	4	3,859		$ 3,859
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				3,765		3,765		3,765
Total business-type activities - Statement of Net Position	$ 737	69	870	5,944	4	7,624		$ 7,624
Component Unit:								
First 5 Commission of San Diego	$		5,050		118	5,168		$ 5,168

(Amounts expressed in thousands unless otherwise noted)

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 $6.69 million at June 30, 2015. The lease revenue received by the County and the SDRBA for the year ended June 30, 2015 was approximately $751 thousand and $886 thousand, respectively.

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 $2.71 million in land at June 30, 2015.

Lease revenue from noncancelable operating leases for the year ended June 30, 2015 was approximately $12.09 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
2016	$ 1,624	$ 11,904
2017	1,627	10,667
2018	1,632	10,235
2019	1,633	9,252
2020	1,266	8,237
2021-2025		35,498
2026-2030		32,370
2031-2035		27,727
2036-2040		19,900
2041-2045		15,444
2046-2050		11,609
2051-2055		8,708
2056-2060		4,216
2061-2065		2,919
2066-2070		450
Total	$ 7,782	$ 209,136

(Amounts expressed in thousands unless otherwise noted)

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, 2014	Increases	Decreases	Ending Balance at June 30, 2015
Capital assets, not being depreciated/amortized:				
Land	$ 398,288	5,838	(1,654)	$ 402,472
Easements	8,085	233		8,318
Construction in progress	217,534	106,252	(196,301)	127,485
Total capital assets, not being depreciated/amortized	623,907	112,323	(197,955)	538,275
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,624,194	186,295	(14,322)	1,796,167
Equipment	276,218	31,889	(21,534)	286,573
Software	70,096	7,605	(15,864)	61,837
Road infrastructure	2,581,864	55,292	(17,725)	2,619,431
Bridge infrastructure	71,408	1,530		72,938
Total capital assets, being depreciated/amortized	4,623,780	282,611	(69,445)	4,836,946
Less accumulated depreciation/amortization for:				
Buildings and improvements	(390,348)	(38,166)	6,135	(422,379)
Equipment	(162,940)	(23,319)	19,415	(166,844)
Software	(40,181)	(12,860)	15,750	(37,291)
Road infrastructure	(1,269,412)	(69,897)	666	(1,338,643)
Bridge infrastructure	(20,090)	(1,416)		(21,506)
Total accumulated depreciation/amortization	(1,882,971)	(145,658)	41,966	(1,986,663)
Total capital assets, being depreciated/amortized, net	2,740,809	136,953	(27,479)	2,850,283
Governmental activities capital assets, net	$ 3,364,716	249,276	(225,434)	$ 3,388,558

Table 14
Capital Assets - Business-type Activities

	Beginning Balance at July 1, 2014	Increases	Decreases	Ending Balance at June 30, 2015
Capital assets, not being depreciated:				
Land	$ 11,593			$ 11,593
Construction in progress	16,382	1,097	(9,951)	7,528
Total capital assets, not being depreciated	27,975	1,097	(9,951)	19,121
Capital assets, being depreciated:				
Buildings and improvements	119,494	6,915		126,409
Equipment	1,543	181	(39)	1,685
Road infrastructure	9,569	110		9,679
Sewer infrastructure	96,165	2,926		99,091
Total capital assets, being depreciated	226,771	10,132	(39)	236,864
Less accumulated depreciation for:				
Buildings and improvements	(39,799)	(3,663)		(43,462)
Equipment	(946)	(83)	35	(994)
Road infrastructure	(721)	(329)		(1,050)
Sewer infrastructure	(40,603)	(1,948)		(42,551)
Total accumulated depreciation	(82,069)	(6,023)	35	(88,057)
Total capital assets, being depreciated, net	144,702	4,109	(4)	148,807
Business-type activities capital assets, net	$ 172,677	5,206	(9,955)	$ 167,928

(Amounts expressed in thousands unless otherwise noted)

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	$	13,862
Public protection		28,359
Public ways and facilities		70,653
Health and sanitation		6,944
Public assistance		3,172
Education		1,822
Recreation and cultural		6,791
Internal Service Funds		14,055
Total	$	145,658

Table 16
Depreciation Expense - Business-type Activities

Airport Fund	$	3,798
Jail Store Commissary Fund		5
Sanitation District Fund		2,220
Total	$	6,023

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, 2015, the County General Fund's outstanding encumbrances totaled $316.060 million; the Public Safety Fund's outstanding encumbrances totaled $3.075 million; and, Nonmajor governmental funds' outstanding encumbrances totaled $42.177 million.

At June 30, 2015, 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, 2015

		Remaining Commitments
Governmental Activities		
General Fund:		
Construction of Crime Lab	$	30,081
Construction of Women's Detention Facility		24,257
Development of Integrated Property Tax System		17,237
Construction of Imperial Beach Library		7,427
Construction of Alpine Library		6,367
Development of Knowledge Integration Program		6,116
Construction of parking garage at Cedar and Kettner		4,685
Regional Communications System		1,481
Subtotal		97,651
Nonmajor Governmental Funds:		
Construction of San Vicente Road		14,673
Flood Control improvements at Woodside Ave.		14,149
Construction of Bear Valley Parkway Road		9,641
Improvement to County Roads		2,900
Subtotal		41,363
Internal Service Funds:		
Vehicle acquisitions		5,037
Subtotal		5,037
Governmental Activities Subtotal		144,051
Business-type Activities		
Enterprise Funds:		
Improvements at various airports		2,325
Sanitation District sewer improvements		428
Business-Type Activities Subtotal		2,753
Total	$	146,804

(Amounts expressed in thousands unless otherwise noted)

NOTE 8
Interfund Balances

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

Table 18

Interfund Balances
At June 30, 2015

DUE TO	DUE FROM: General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Private Purpose Trust Fund	Total
General Fund		16,235	8,848	12,210	436	3,985	1,032	$ 42,746
Nonmajor Governmental	$ 12,587			5,470	70	24		18,151
Nonmajor Enterprise	27					1	3,765	3,793
Internal Service	24,529			1,265	86	1,204		27,084
Total	$ 37,143	16,235	8,848	18,945	592	5,214	4,797	$ 91,774

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

a) $1.032 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.

b) $3.765 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 31 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 $1.032 million Upper San Diego River Project loan and the "Due from other funds" for the $3.765 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.

(Amounts expressed in thousands unless otherwise noted)

NOTE 9
Interfund Transfers

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

Table 19

Transfers In/Transfers Out At June 30, 2015

TRANSFERS IN	TRANSFERS OUT: General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund		253,287	13,500	14,490	710	405	$ 282,392
Nonmajor Governmental	$ 144,415			3,677	2,342	1,715	152,149
Nonmajor Enterprise	309			50			359
Internal Service	8,929			1,000			9,929
Total	$ 153,653	253,287	13,500	19,217	3,052	2,120	$ 444,829

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.

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, 2015

	Vendors	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:				
General Fund	$ 80,567	16,392	3,747	$100,706
Other Governmental Funds	24,406	1,451	255	26,112
Internal Service Funds	35,172	765	2	35,939
Total governmental activities	$140,145	18,608	4,004	$162,757
Business-type activities:				
Enterprise Funds	$ 2,926	6		$ 2,932
Component Unit:				
First 5 Commission of San Diego	$ 3,209	11,142	726	$ 15,077

NOTE 11
Deferred Inflows of Resources: Unavailable Revenue

Table 21

Deferred Inflows of Resources - Non-pension At June 30, 2015

Unavailable Revenue	General Fund	Other Governmental Funds	Total
Unavailable revenue-property and miscellaneous local taxes	$ 41,394	549	$ 41,943
Unavailable revenue-aid from other governmental agencies	31,304	27,854	59,158
Unavailable revenue-charges for services	3,470	4,532	8,002
Unavailable revenue-other	507	31,160	31,667
Total	$ 76,675	64,095	$ 140,770

A large portion of the Unavailable revenue - aid from other governmental agencies consists primarily of $27.9 million of TransNet one-half cent sales tax revenue to be used for projects in the Road Fund, $1.6 million of Air Quality State Moyer Program monies to be used for projects in the Air Pollution Fund, and $27.5 million of California Senate Bill 90 (SB 90)

(Amounts expressed in thousands unless otherwise noted)

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 $3.9 million represents various other unavailable aid from other governmental agencies revenues.

Of the $31.4 million of Unavailable revenue - other, approximately $13.4 million are Tobacco Settlement Revenues, $16.7 million are low and moderate income housing assistance receivables, approximately $700 thousand is for interest receivable and $600 thousand represents various other unavailable revenues.

NOTE 12
Lease Obligations

Operating Leases

Real Property

The County has obligations under long-term operating lease agreements through fiscal year 2025 (**Table 22**). 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, 2015 was approximately $31.22 million, including $22.82 million for non-cancelable leases.

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

Table 22
Lease Commitments - Real Property

Fiscal Year		
2016	$	21,207
2017		18,819
2018		15,051
2019		12,744
2020		8,025
2021-2025		13,841
Total	$	89,687

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, 2015, was approximately $4.2 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 23**.

Table 23
Capital Lease - Future Minimum Lease Payments

Fiscal Year	Amount	
2016	$	40
2017		40
2018		10
Total minimum lease payments		90
Less: Amount representing interest		(6)
Net lease payments	$	84

Book Value

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

Table 24
Capital Lease - Book Value
At June 30, 2015

Capital Lease Property	Original Cost		Accumulated Amortization	Net Book Value	
Equipment	$	310	235	$	75

The accumulated amortization of this equipment capital lease was $235 thousand as of June 30, 2015. The current year's portion is included in the Internal Service Funds' depreciation/amortization of $14.055 million in **Table 15**.

NOTE 13
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".)

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 SMCFPD 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.

In September 2014 $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) were executed and delivered pursuant to a Trust Agreement by and among a Trustee bank, the County, and SANCAL. 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) $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 County of San Diego Certificates of Participation (2005 Edgemoor Project and 1996 Regional Communications System Refunding) (the Series 2005 Certificates) and County of San Diego Certificates of Participation (2006 Edgemoor Completion Project) (the Series 2006 Certificates and, together with the 2005 Certificates, the Prior Certificates); 2) $2.630 million to pay interest on the 2014A Certificates due on April 15, 2015; 3) $4.460 million to fund a 2014A Certificate reserve fund; 4) approximately $577 thousand was set aside to pay 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) $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 Certificates attributable to the regional communication system refunding; 2) $14 thousand to pay interest on the 2014B Certificates due on April 15, 2015; 3) $87 thousand to fund a 2014B Certificate reserve fund; 4) approximately $12 thousand was set aside to pay costs

(Amounts expressed in thousands unless otherwise noted)

of issuance.

The $105.898 million and $6.334 million transfers referred to above were placed in an irrevocable trust with an escrow agent to provide for the payment of the remaining principal and interest due on the Prior Certificates. As a result, the Prior Certificates are considered legally defeased and the liability for those certificates has been removed from the government-wide statement of net position governmental activities' liabilities due within one year and due in more than one year. This advance refunding will result in reducing the County's principal and interest payments by $15.771 million over the next 15 years to obtain an economic gain of $12.701 million (i.e. difference between the present value of the debt service payments on the refunded debt and the refunding debt).

Interest evidenced by the 2014A Certificates and the 2014B Certificates is exempt from state personal income taxes. Interest evidenced by the 2014A Certificates is excluded from gross income for federal income tax purposes; interest evidenced by the 2014B Certificates is not excluded from gross income for federal tax purposes.

Details of the COPs and LRBs outstanding at June 30, 2015 are as follows:

Table 25
Certificates of Participation (COP) and Lease Revenue Bonds (LRB)

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
2003 San Miguel Consolidated Fire Protection District Refunding LRB	$ 10,005	2.00 - 5.00%	2020	$ 3,895
2005 North & East Justice Facilities Refunding COP	28,210	3.25 - 5.00%	2020	12,045
2009 Series A COC and Annex Project LRB	136,885	3.00 - 5.50%	2036	123,780
2009 Justice Facilities Refunding of 1997 Central Jail COP	48,300	2.00 - 5.00%	2026	34,875
2009 Justice Facilities Refunding of 1998 Courthouse COP	32,640	2.00 - 5.00%	2023	17,285
2011 Metropolitan Transit System Towers Refunding COP	19,260	1.00 - 5.00%	2020	10,890
2011 CAC Waterfront Park Project COP	32,665	3.00 - 5.00%	2042	30,890
2012 Cedar-Kettner Development Project COP	29,335	2.00 - 5.00%	2042	28,155
2014 Edgemoor and RCS Refunding COP Series 2014A (Edgemoor)	91,675	2.00 - 5.00%	2030	91,675
2014 Edgemoor and RCS Refunding COP Series 2014B (RCS) Taxable	2,075	0.415 - 1.92%	2019	2,075
Total	$ 431,050			$ 355,565

(Amounts expressed in thousands unless otherwise noted)

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

Table 26
Certificates of Participation and Lease Revenue Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2016	$ 19,805	16,314	$ 36,119
2017	20,670	15,440	36,110
2018	21,580	14,534	36,114
2019	21,670	13,569	35,239
2020	20,690	12,696	33,386
2021-2025	85,785	51,349	137,134
2026-2030	81,535	31,031	112,566
2031-2035	52,325	14,706	67,031
2036-2040	24,470	3,690	28,160
2041-2042	7,035	347	7,382
Subtotal	$ 355,565	173,676	$ 529,241
Add:			
Unamortized issuance premium	21,548		
Less:			
Unamortized discount	(158)		
Total	$ 376,955		

Taxable Pension Obligation Bonds (POBs)

Taxable Pension Obligation Bonds (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 proceeds of tax-exempt bonds in higher-yielding taxable securities, POBs are issued on a taxable basis.

Details of POBs outstanding at June 30, 2015 are as follows:

Table 27
Taxable Pension Obligation Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
2002 Series A	$ 132,215	3.88 - 4.95%	2016	$ 17,230
2004 Series A	241,360	3.28 - 5.86%	2023	200,595
2004 Series B1-2	147,825	5.91%	2025	147,825
2004 Series C CABs	64,928	4.66 - 5.76%	2016	21,070
2004 Series C Unaccreted Interest CABs				(147)
2008 Series A	343,515	3.33 - 6.03%	2027	305,765
Total	$ 929,843			$ 692,338

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for POBs are shown below in **Table 28**.

Table 28
Taxable Pension Obligation Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2016	$ 42,625	147	38,380	$ 81,152
2017	44,340		36,065	80,405
2018	46,995		33,413	80,408
2019	49,760		30,585	80,345
2020	52,725		27,524	80,249
2021-2025	315,670		84,312	399,982
2026-2027	140,370		4,986	145,356
Subtotal	$ 692,485	147	255,265	$ 947,897
Add:				
Accreted appreciation through June 30, 2015	35,094			
Less:				
Accreted appreciation paid through fiscal year 2015	(25,372)			
Less:				
Accreted appreciation to be paid in fiscal year 2016 (already included in the 2016 principal shown above)	(9,722)			
Less:				
Unaccreted appreciation to be paid in fiscal year 2016	(147)			
Total	$ 692,338			

As shown in **Table 28**, the unpaid Taxable Pension Obligation Bonds' accreted appreciation as of June 30, 2015 was $9,722 (accreted appreciation through June 30 of $35,094 less $25,372 accretion paid through fiscal year 2015). The total amount of $9,869 (unpaid accreted appreciation as of June 30, 2015 of $9,722 and the unpaid 2016 unaccreted appreciation of $147) 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 four 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 (2001 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 (2006 Bonds) 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 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 2006 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 2006 Bonds.

(Amounts expressed in thousands unless otherwise noted)

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

The minimum payments for the 2006 Bonds are based on the Indenture and the Series 2006 Supplement, both dated as of May 1, 2006. However, actual payments on the 2006 Bonds 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 2006 Bonds 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 2006 Bond payments and Turbo Redemptions are based, will be realized.

Based on the information above and the ongoing under realization of TSRs, beginning in fiscal year 2014, the County decided to present the debt service to maturity for the 2006 Bonds assuming no further turbo payments are made besides those that have actually been made.

Details of 2006 Bonds outstanding at June 30, 2015 are as follows:

Table 29
Tobacco Settlement Asset-Backed Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
Series 2006A Senior Current Interest Bonds	$ 534,610	4.75 - 5.125%	2025-2046	$ 465,850
Series 2006B CABs	19,770	6.25%	2046	231,820
2006B unaccreted appreciation CABs				(197,237)
Series 2006C CABs	8,686	6.40%	2046	107,950
2006C unaccreted appreciation CABs				(92,555)
Series 2006D CABs	20,565	7.10%	2046	335,105
2006D unaccreted appreciation CABs				(296,339)
Total	$ 583,631			$ 554,594

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for 2006 Bonds are as follows:

Table 30
Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2016	$ -	5,998	23,480	$ 29,478
2017		6,402	23,480	29,882
2018		6,842	23,480	30,322
2019		7,302	23,480	30,782
2020		7,800	23,480	31,280
2021-2025	43,100	47,695	114,063	204,858
2026-2030	64,410	66,269	100,777	231,456
2031-2035	82,705	92,113	82,860	257,678
2036-2040	106,340	128,073	59,761	294,174
2041-2045	137,345	178,154	29,438	344,937
2046	80,971	39,483	1,501	121,955
Subtotal	$ 514,871	586,131	505,800	$ 1,606,802
Add:				
Accreted appreciation through June 30, 2015	39,723			
Subtotal	554,594			
Less:				
Unamortized issuance discount	(11,711)			
Total	$ 542,883			

As shown in **Table 30**, the unpaid accreted appreciation of the 2006 Bonds as of June 30, 2015 was $39,723, which will be paid in 2046.

Pledged revenue related to the 2006 Bonds for the year ended June 30, 2015 was as follows:

Table 31
Tobacco Settlement Asset-Backed Bonds - Pledged Revenues

			Fiscal Year 2015	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 Tobacco Settlement Asset-Backed Bonds	2046	$ 1,646,525	$ 38,941	$ 26,792

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 (Firebird Manor), a California Energy Commission (Comm) loan to fund various projects in County facilities to increase energy efficiency and San Diego Gas & Electric (SDG&E) On Bill Financing (OBF) program loans used to fund energy efficiency and demand response projects.

In September 2012, the County Board of Supervisors authorized the acquisition of sites needed to support the County's Regional Communications System (RCS). In October 2014, the County entered into a real property contract with the Whiting Family Trust titled Sheriff RCS-Ocotillo Wells. The contract states terms for the purchase of one acre of property located in the Borrego Springs area; the current site of a Sheriff RCS. The purchase price for the property is $68 thousand to be paid in 12 equal annual installments of approximately $8 thousand including interest thereon at a rate of 6.78% per annum. The first installment was made on May 1, 2015.

In March 2014, the County entered into an Energy Conservation Assistance Act loan agreement with the California Energy Commission to borrow $1.56 million for energy saving measures consisting of 2,200 LED streetlight fixtures. Loan proceeds are disbursed on a reimbursement basis based on invoices submitted by the County for project expenditures. In fiscal year 2015 the County received $732 thousand in proceeds. The project is scheduled to be completed in December, 2015. Semi-annual interest and principal payments will be made beginning on December 22, 2016 in 19 equal installments at a fixed interest rate of 1.00%.

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

(Amounts expressed in thousands unless otherwise noted)

2013. In fiscal year 2015 the County received $843 thousand in OBF loans. As of June 30, 2015, sixteen OBF loans were outstanding, with remaining balances totaling $1.33 million.

Details of loans outstanding at June 30, 2015 for governmental activities are as follows:

Table 32
Loans - Governmental Activities

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
Loans - non internal service funds (ISF)				
Firebird Manor	$ 4,486	1.00%	2028	$ 1,973
California Energy Comm Loan (Street Light & Maint Dist)	732	1.00%	2026	732
Sheriff RCS Land Purchase	68	6.78%	2026	60
Total loans - non-ISF	5,286			2,765
Loans - ISF				
California Energy Comm Loan 3 (Facilities ISF)	2,565	4.50%	2018	1,093
San Diego Gas and Electric On Bill Financing (Facilities ISF)	2,114	0.00%	2022	1,330
Total loans - ISF	4,679			2,423
Total	$ 9,965			$ 5,188

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

Table 33
Loans - Governmental Activities
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2016	$ 869	65	$ 934
2017	916	54	970
2018	805	36	841
2019	361	21	382
2020	357	19	376
2021 - 2025	1,373	59	1,432
2026 - 2028	507	9	516
Total	$ 5,188	263	$ 5,451

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, 2015 for business-type activities are as follows:

Table 34
Loans - Business-type Activities

Loan	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
2001 Airport Development Loan - Ramona Sewer Line	$ 2,388	5.63%	2017	$ 317
2001 Airport Development Loan - Ramona Control Tower	1,196	5.63%	2017	158
Total	$ 3,584			$ 475

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

Table 35
Loans - Business-type Activities
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2016	$ 304	27	$ 331
2017	171	10	181
Total	$ 475	37	$ 512

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, 2015, the probable arbitrage rebate was zero.

(Amounts expressed in thousands unless otherwise noted)

NOTE 14
Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2015 were as follows:

Table 36

Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2014	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2015	Amounts Due Within One Year
Governmental Activities:						
COPs, bonds & loans						
Certificates of participation and lease revenue bonds	$ 384,410	93,750	(122,595)		355,565	$ 19,805
Taxable pension obligation bonds	732,330		(41,194)	1,202	692,338	42,625
Tobacco settlement asset-backed bonds	563,737		(14,760)	5,617	554,594	
Loans - non-internal service funds	2,117	800	(152)		2,765	148
Loans - internal service funds (ISF)	3,007	843	(1,427)		2,423	721
Unamortized issuance premiums	11,927	15,070	(5,449)		21,548	1,846
Unamortized issuance discounts	(12,459)		590		(11,869)	(590)
Total COPs, bonds & loans	$ 1,685,069	110,463	(184,987)	6,819	1,617,364	$ 64,555
Other long-term liabilities:						
Capital Leases - ISF	$ 119		(35)		84	$ 36
Claims and judgments - ISF	184,663	53,398	(33,278)		204,783	43,562
Compensated absences - non-ISF	96,092	69,515	(68,425)		97,182	41,298
Compensated absences - ISF	2,206	1,713	(1,614)		2,305	940
Landfill postclosure	18,992		(652)		18,340	815
Pollution remediation	3,778	270	(2,485)		1,563	45
Total Other long-term liabilities	305,850	124,896	(106,489)		324,257	86,696
Total Governmental Activities	$ 1,990,919	235,359	(291,476)	6,819	1,941,621	$ 151,251
Business-type activities:						
Loans	$ 766		(291)		475	$ 304
Compensated absences	438	353	(352)		439	179
Total Business-type Activities	$ 1,204	353	(643)		914	$ 483

(Amounts expressed in thousands unless otherwise noted)

NOTE 15
Funds Used to Liquidate Liabilities

The following funds presented in **Table 37** below have typically been used to liquidate other long-term obligations in prior years:

Table 37
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 - Road, Air Pollution, County Library, Inactive Wastesites and Other Special Revenue Funds; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and, Enterprise Funds - Airport and Sanitation
Landfill Postclosure	Special Revenue Funds - Inactive Wastesites
Pollution Remediation	General Fund, Special Revenue Funds - Inactive Wastesites, Road Fund

NOTE 16
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) seven certificates of participation (COPs) for the acquisition, construction, capital improvement and equipping of various facilities and b) one mortgage revenue bond for the construction and permanent financing of a multi-family residential rental project 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, 2015, the aggregate conduit debt principal amount outstanding was $124.972 million.

NOTE 17
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. Post closure maintenance began in April 2007.

The projected landfill postclosure care liability at June 30, 2015 for the San Marcos Landfill was $18.340 million. This estimated amount is based on what it would cost to perform all postclosure care in calendar year 2015 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 18
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, 2015, the County's estimated pollution remediation obligations totaled $1.563 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. The County owns a 70-acre parcel that currently consists of vacant, mowed land, a temporary asphalt parking lot, and a small plant preserve. Organochlorine pesticide chlordane, metals, hydrocarbons, and toluene were detected at various concentrations in the soil samples collected. Engineering design of redevelopment and infrastructure of the site is in progress, and therefore, the range of the pollution remediation obligation is not reasonably estimable. Upon finalization of the construction plans, a soil and sediment management plan will be implemented to manage above ground debris; and the following: hydrocarbon and toluene impacted sediment; metals within stained soil; and, abandonment or protection of the onsite irrigation and groundwater monitoring wells. At this time, the County has determined there are no estimated recoveries reducing the obligations.

NOTE 19
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 20

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

At June 30, 2015, the fund balances restricted for laws or regulations of other governments: fund purpose are presented in **Table 38** as follows:

Table 38

Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose
At June 30, 2015

Fund Type:	Purpose	Amount
Nonmajor Funds		
Special Revenue Funds		
Air Pollution Fund	Air pollution activities	$ 20,397
Asset Forfeiture Program Fund	Law enforcement	9,489
County Library Fund	Library services	12,130
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services	21,997
Edgemoor Development Fund	Edgemoor development	4,880
In Home Supportive Services Public Authority Fund	In home supportive services	84
Inmate Welfare Fund	Benefit, education, and welfare of jail inmates	14,759
Lighting Maintenance District Fund	Street and road lighting maintenance	662
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	654
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities	13,706
Total Nonmajor Funds (Special Revenue Funds)		$ 98,758

(Amounts expressed in thousands unless otherwise noted)

NOTE 21
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2015, the fund balances restricted for laws or regulations of other governments: other purposes are presented in **Table 39** as follows:

Table 39
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2015

Major Fund		
General Fund		
Vector control	$	14,064
Teeter tax loss		8,287
Fingerprinting equipment purchase and operation		8,142
Sheriff automated warrant system		5,005
Emergency medical services, various construction costs		4,507
Real estate fraud prosecution		4,215
Public Defender defense of indigent cases		3,904
Parks and Recreation land acquisition, improvements, stewardship and other activities		3,176
Parole revocation hearings		2,917
Domestic violence and child abuse prevention		2,772
Sheriff law enforcement		2,287
Mental health		2,277
Sheriff vehicle maintenance and replacement		1,949
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		1,210
Probation community transition unit activities		1,057
Probation Department activities		852
Equipment replacement/system enhancement Caller ID Remote Access Network		695
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		557
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		551
Improvement, maintenance and operation of the Waterfront Park		303
Fire safety projects		255
Social services child safety education		96
Total General Fund	$	69,078
Nonmajor Funds		
Special Revenue Funds		
Flood Control District Fund		
Flood control future drainage improvements	$	19,742
Housing Authority - Other Fund		
Disaster related administration		44
Housing repairs and improvements		36
Total Nonmajor Special Revenue Funds	$	19,822
Total Nonmajor Funds	$	19,822
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	$	88,900

(Amounts expressed in thousands unless otherwise noted)

NOTE 22

Fund Balances Committed to Other Purposes

At June 30, 2015, the fund balances committed to other purposes are presented in **Table 40** as follows:

Table 40
Fund Balances Committed To Other Purposes
At June 30, 2015

Major Fund		
General Fund		
Regional communication system infrastructure enhancements	$	16,810
Replacement and upgrade of Public Safety Communication System		16,300
Health based programs reducing adult/youth smoking		8,192
Sheriff's Department future capital expenditures		4,399
Department of Environmental Health services		2,644
San Diego Fire Authority equipment replacement		2,233
Future replacement of Health and Human Services Agency public health clinic		1,575
Parks and Recreation land acquisition		1,121
Department of Planning and Development Services activities		1,053
Registrar of Voters services		1,000
Sheriff's Department helicopter replacement		667
Management of conduit financing programs		554
Registrar of Voters equipment acquisition		445
Assessor/Recorder/County Clerk services		111
South County Shelter capital improvements		50
Capital projects or major maintenance projects		30
Parks and Recreation turf replacement Sweetwater Valley		14
Capital Improvement		12
Senior Volunteer Patrols Program in the unincorporated communities		9
Clerk of the Board services		5
Total General Fund	$	57,224

NOTE 23

Fund Balances Assigned to Other Purposes

At June 30, 2015, the fund balances assigned to other purposes are presented in **Table 41** as follows:

Table 41
Fund Balances Assigned to Other Purposes
At June 30, 2015

Major Fund		
General Fund		
Operations, maintenance and debt service for Cedar Kettner and Waterfront Park	$	17,122
Health, mental health and social services		14,769
Law enforcement, detention, legal and other protection services		14,081
Planning, land use, agriculture, watershed and other public services		6,642
Park and recreation services		4,111
Fire protection		2,919
Assessor/Recorder/County Clerk services		1,336
Treasurer-Tax Collector services		810
Maintenance		752
Animal Services		728
Registrar of Voters services		44
Total General Fund	$	63,314

(Amounts expressed in thousands unless otherwise noted)

NOTE 24
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2015, the net position restricted for laws or regulations of other governments: other purposes is presented in **Table 42** as follows:

Table 42
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2015

Benefit, education, and welfare of jail inmates	14,759
Developing new or rehabilitating existing neighborhood or community park or recreational facilities	13,706
Library services	12,130
Law enforcement	9,489
Fingerprinting equipment purchase and operation	8,142
Sheriff automated warrant system	5,005
Edgemoor development	4,880
Emergency medical services, various construction costs	4,507
Real estate fraud prosecution	4,215
Public Defender defense of indigent cases	3,904
Parks and Recreation land acquisition, improvements, stewardship and other activities	3,176
Parole revocation hearings	2,917
Domestic violence and child abuse prevention	2,772
Sheriff law enforcement	2,287
Sheriff vehicle maintenance and replacement	1,949
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region	1,210
Probation community transition unit activities	1,057
Probation Department activities	852
Equipment replacement/system enhancement Caller ID Remote Access Network	695
Street and road lighting maintenance	662
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	654
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities	557
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles	551
Improvement, maintenance and operation of the Waterfront Park	303
Fire safety projects and equipment	255
Social services child safety education	96
In home supportive services	84
Disaster related administration	44
Housing repairs and improvements	36
Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	$ 100,894

(Amounts expressed in thousands unless otherwise noted)

NOTE 25

Risk Management

The County operates a Risk Management Program, whereby it is self-insured for general liability (California Government Code Section 990), malpractice (California Government Code Section 990.9), automobile liability (California Vehicle Code Section 16020(b)(4)) and primary workers' compensation (California Code of Regulations, Title 8, Section 15203.4). The County purchases insurance coverage for all risk property losses, cyber liability, excess workers' compensation, government crime insurance, including employee dishonesty and faithful performance, aviation commercial general 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, 2015, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $204.8 million, including $37.9 million in public liability and $166.9 million in workers' compensation. Changes in the balances of claim liabilities for fiscal years 2015 and 2014 are shown in **Table 43**.

Table 43
Risk Management - Changes in Claim Liabilities

	2015	2014
Employee Benefits Fund		
Unpaid claims, July 1	$ 153,811	$ 132,504
Incurred claims	36,487	45,207
Claim payments	(23,422)	(23,900)
Unpaid claims, June 30	$ 166,876	$ 153,811
Public Liability Insurance Fund		
Unpaid claims, July 1	$ 30,852	$ 24,048
Incurred claims	16,911	11,247
Claim payments	(9,856)	(4,443)
Unpaid claims, June 30	$ 37,907	$ 30,852

NOTE 26

Contingencies

Litigation

As of June 30, 2015, the County has no potential liability that could result if unfavorable final decisions are rendered in numerous lawsuits to which the County is a named defendant.

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 complied with item number 1 and has been remitting the housing administrative allowance due to date. However, full acceptance will not occur until the full amount as required by law is satisfied.

Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately $190.10 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 27

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 one voting member from the City of San Diego and one from the County of San Diego. 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 a decrease in net position of $87.8 thousand and ending net position of $245 thousand for the fiscal year ended June 30, 2014. 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 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 California Governor's Office of Emergency Services, the Federal Emergency Management Agency, as well as non-governmental agencies such as 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 a decrease in net position of $187 thousand and ending net position of $211 thousand for the fiscal year ended June 30, 2014. 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. For the year ended June 30, 2014, the Partnership reported a decrease in net position of $81 thousand and ending net position of $382 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 ten 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 Joint Powers Authority Commission comprised of one elected official from each member jurisdiction, along with a Board of Fire Chiefs which includes each respective Fire Chief. The annual budget is derived from fees paid by participating agencies. Funds are also generated from the contract agencies, the rental of the facility to other public safety agencies, and from the delivery of College Fire Science classes. In its latest report, Heartland Fire Training Authority reported an increase in net position of $255 thousand and ending net position of $530 thousand for the fiscal year ended June 30, 2014. 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 28
Pension and Retiree Health Plans

Pension Plan

Plan Description

The County contributes to the San Diego County Employees Retirement Association pension plan (SDCERA-PP or the Plan), a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the Board of Retirement of the San Diego County Employees Retirement Association (SDCERA), a public employee retirement system established by the County of San Diego (County) on July 1, 1939. SDCERA is an independent governmental entity separate and distinct from the County of San Diego. The SDCERA-PP provides retirement, disability, death and survivor benefits for its employees under the County Employees Retirement Law of 1937 From (Government Code Section 31450 et.seq.), the "Retirement Act".

The management of SDCERA is vested with the Board of Retirement. The Board consists of nine members and two alternates made up of member-elected representatives, Board of Supervisors-appointed representatives and the County Treasurer-Tax Collector who is elected by the general public and a member of the Board of Retirement by law. All members of the Board of Retirement serve terms of three years except for the County Treasurer-Tax Collector whose term runs concurrent with his term as County Treasurer.

Plan Membership

The participating employers in the SDCERA-PP consist of the County of San Diego; Superior Court of California - County of San Diego; San Dieguito River Valley Joint Powers Authority; Local Agency Formation Commission; and, the San Diego County Office of Education.

All employees of the County of San Diego and the other aforementioned participating employers working in a permanent position at least 20 hours each week are members of the SDCERA. Membership begins with the first biweekly payroll period in the month following employment. Members are vested after accruing five years of service credit.

At June 30, 2014 SDCERA-PP membership totaled 38,930, consisting of the following: Retired members or beneficiaries currently receiving benefits - 16,373, Vested terminated members entitled to, but not yet receiving benefits - 5,091; and Active members - 17,466.

There are separate retirement plans (types of membership) - General and Safety, under the SDCERA-PP. Safety membership is extended to those involved in active law enforcement or who otherwise qualify for Safety membership including court service officers and probation officers. All other employees are classified as General members.

The SDCERA-PP has four Tiers. Any new employee who becomes a member on or after January 1, 2013 is placed into Tier C and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code Section 7522 et seq. and Assembly Bill (AB) 197. Tier C is the current open plan for all new General and Safety employees; Tiers I, A, and B are generally closed to new entrants but have active members. On March 8, 2002, an additional Tier, Tier II, was eliminated for General and Safety members. Tier A was established for active General members and all non-retired Safety members. All active General members were converted to Tier A unless they elected to opt out during the one-time opt-out period that ended March 7, 2002. When Tier II was eliminated, all deferred General, Tier II members and active members who elected to opt out of Tier A were converted to Tier I. Both Tier I and Tier II are closed to new entrants.

(Amounts expressed in thousands unless otherwise noted)

Benefits Provided

The tiers and their basic provisions are listed in the following table:

Table 44

SDCERA - PP Tiers and Basic Provisions

Tier Name	Governing Code	Membership Effective Date	Basic Provisions	Final Average salary Period
General Tier 1	§31676.12	Before March 8, 2002 (1)	2.62% at 62; maximum 3% COLA	Highest 1 - year
General Tier A	§31676.17	March 8, 2002 to August 27, 2009	3.0% at 60; maximum 3% COLA	Highest 1 - year
General Tier B	§31676.12	August28, 2009 to December 31, 2012	2.62% at 62; maximum 2% COLA	Highest 3 - year
General Tier C	§7522.20(a)	January 1, 2013	2.5% at 67; maximum 3% COLA	Highest 3 - year
Safety Tier A	§31664.1	Before August 28, 2009	3.0% at 50; maximum 2% COLA	Highest 1 - year
Safety Tier B	§31664.2	August 28, 2009 to December 31, 2012	3.0% at 55; maximum 2% COLA	Highest 3 - year
Safety Tier C	§7522.25(d)	January 1, 2013	2.7% at 57; maximum 2% COLA	Highest 3 - year

(1) All general members with membership dates before March 8, 2002 who made a specific and irrevocable election to opt out of General Tier A. This also included those General Members in deferred status on March 8, 2002

General members enrolled in Tier 1, A or B are eligible to retire once they attain the age of 70 regardless of service or at age 50 (55 for Tier B) and have acquired 10 or more years of retirement service credit. A General member in Tier 1, A or B with 30 years of service is eligible to retire regardless of age. General members enrolled in General Tier C are eligible to retire once they have attained the age of 55, and have acquired five years of retirement service credit.

Safety members enrolled in Tier A or B are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A Safety member in Tier A or B with 20 years of service is eligible to retire regardless of age. Safety members enrolled in Safety Tier C are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

For members enrolled in Tier 1, A or B, the maximum monthly retirement allowance is 100% of final compensation. The California Public Employees' Pension Reform Act (PEPRA), limits the amounts of compensation that can be used to calculate the retirement benefit for Tier C to 100% of the 2013 Social Security taxable wage base limit for General Members and 120% for Safety Members. These amounts will be adjusted with price inflation starting in 2014.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouse or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

(Amounts expressed in thousands unless otherwise noted)

The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the County Board of Supervisors the authority to establish and amend benefit provisions.

In addition to the aforementioned retirement, disability, death and survivor benefits, SDCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment (COLA), based upon the Consumer Price Index for the San Diego County Area (with 1982-84 as the base period), are capped at 3.0% for Tier 1 and Tier A; and capped at 2.0% for Tier B and Tier C. The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the SDCERA Board of Retirement authority to approve retiree members and beneficiaries cost-of-living increases.

Contributions

SDCERA-PP is a contributory plan, meaning both the member and the employer pay contributions into the system; membership and contributions are mandatory. All members are required to make contributions to SDCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2015 for 2014-2015 (based on the June 30, 2013 valuation) was 11.69% of compensation, (not adjusted for employer pick-up of employee contributions).

The County of San Diego and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SDCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2015 for 2014-2015 (based on the June 30, 2013 valuation) was 35.79% (not adjusted for pick-up) of compensation.

The Retirement Act requires that County and member contributions be actuarially determined to provide a specific level of benefit. California Government Code Section 31454 (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 (SDCERA Board). Section 31454 allows the Board of Supervisors to set (amend) the rate to a higher rate than that recommended by the SDCERA Board, but cannot fix the rate lower than the recommended rate. 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.

Contributions to the Plan from the County were $356,732 for the year ended June 30, 2015.

Employer and employee contribution rates and active members for the General and Safety plans are as follows:

Table 45
Employer/Employee Contribution Rates and Active Members by Tier

	Employer Contribution Rates	Employee Contribution Rates	Active members
General Tier 1	30.85%	7.23 - 14.12%	29
General Tier A	30.85%	8.77 - 15.72%	10,330
General Tier B	30.85%	6.24 - 12.60%	1,766
General Tier C	25.14%	7.74%	1,770
Safety Tier A	45.92%	12.42 - 18.35%	2,710
Safety Tier B	45.92%	9.80 - 14.75%	489
Safety Tier C	37.73%	13.22%	372

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-PP. 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported a liability of $1,958,456 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2014 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2013 actuarial valuation date. The NPL is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of Plan assets (excluding the Health Insurance Allowance Reserve).

(Amounts expressed in thousands unless otherwise noted)

Pension amounts, including the County's proportionate share of the NPL, are determined separately for the General and Safety membership classes based on their benefit provisions, actuarial experience, receipts and expenses. The total pension liability for each membership class was calculated based on the participants in and benefits provided for the respective membership class, and the SDCERA-PP fiduciary net position was determined in proportion to the valuation value of assets for each membership class. San Diego County is the sole active employer in the Safety membership class that made contributions in fiscal year 2014; therefore 100% of the NPL for the Safety membership class is allocated to San Diego County.

For the County's General membership class, actual or statutorily required contributions for the fiscal year ended June 30, 2014 were used as the basis for determining the proportion of pension amounts, including the NPL. The ratio of the County's General member contributions to the total SDCERA-PP General member contributions for all participating employers is multiplied by the SDCERA-PP total General member NPL to determine the County's proportionate share of the General membership class NPL. The County's total proportionate share is the combination of the County's Safety and General member class proportions.

At June 30, 2014, the County's proportionate share of employer contributions was approximately 92.292%, (General 89.734%, Safety 100%), which was an increase of approximately 0.747% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of $218,415.

At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Table 46

Pension Deferred Outflows/Inflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share of contributions	$ 17,302	
Contributions to the pension plan subsequent to the measurement date	356,732	
Differences between expected and actual experience in the total pension liability		$ 138,978
Net difference between projected and actual earnings on pension plan investments		387,113
	$ 374,034	$ 526,091

Deferred outflows of resources and deferred inflows of resources noted above represent the unamortized portion of changes to net position liability to be recognized in future periods in a systematic and rational manner.

Projected earnings on pension investments are recognized as a component of pension expense. The net difference between projected and actual earnings on pension plan investments is reported as a deferred outflow of resources or deferred inflow of resources and amortized as a component of pension expense on a closed basis over a five-year period, beginning with the period in which they are incurred.

Changes in proportionate share of contributions, and differences between expected and actual experience in the total pension liability, are amortized over the average of the expected remaining service lives (4.8 years) of all employees that are provided with pensions through the SDCERA-PP and are recorded as a component of pension expense, beginning with the period in which they are incurred.

$356,732 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

(Amounts expressed in thousands unless otherwise noted)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Table 47
Pension Expense

Year Ending June 30		Amount
2016	$	(128,798)
2017		(128,798)
2018		(128,798)
2019		(122,395)
Total	$	(508,789)

Actuarial Assumptions

Total Pension Liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of employee service. The significant actuarial assumptions used to measure the total pension liability as of June 30, 2014 (the measurement date) are shown in the following table:

Table 48
Actuarial Assumptions

Inflation	3.25%
Salary increases	General: 4.75% to 10.00% and Safety: 5.00% to 12.00% vary by service, including inflation
Discount rate	7.75%, net of pension plan investment expense, including inflation
Cost-of-living adjustment	Maximum of 3% for TIER 1, II and A Maximum of 2% for TIER B and C
Date of last experience study	July 1, 2009 through June 30, 2012

Mortality rates are based on the RP-2000 mortality table projected with Scale AA to 2016 with a two-year age setback for males and a one-year age setback for females. For Safety, the same mortality table is used with a one-year setback for males and no age setback for females. For members with a disability retirement, there is a six-year age set forward on post-retirement mortality for General members and a three-year age setback for Safety members.

The allocation of investment assets within the SDCERA portfolio is approved by the Board of Retirement. Plan assets are managed on a total return basis with a long-term objective of achieving the assumed rate of return.

The long-term expected rate of return on pension plan investments (7.75 percent) was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

Table 49
Target Allocation and Projected Arithmetic Real Rates of Return for each Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity (U.S. and Non - U.S. Developed)	20%	6.37%
Emerging Market Equity	5%	8.42%
High Yield Bonds	5%	3.30%
TIPS	5%	0.48%
Emerging Market Debt	10%	4.36%
U.S. Treasuries	40%	0.59%
Real Estate	10%	4.87%
Natural Resources and Other Real Assets	10%	6.49%
Hedge Funds - Macro	10%	6.89%
Hedge Funds - Relative Value	10%	3.20%
Private Equity	10%	10.83%
Total (1)	135%	

(1) The total portfolio asset allocation is greater than 100% to reflect the portfolio's leveraged asset allocation.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed SDCERA-PP member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current SDCERA-PP members and their beneficiaries are included.

(Amounts expressed in thousands unless otherwise noted)

Projected employer contributions that are intended to fund the service costs for future SDCERA-PP members and their beneficiaries, as well as projected contributions from future SDCERA-PP members, are not included. Based on those assumptions, the SDCERA-PP's fiduciary net position was projected to be available to make all projected future benefit payments for current SDCERA-PP members. Therefore, the long-term expected rate of return on SDCERA-PP investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2014.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the County's proportionate share of the Net Pension Liability as of June 30, 2014, calculated using the discount rate of 7.75%, as well as what the County's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

Table 50
County's Share of Net Pension Liability Discount Rate Sensitivity

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension plan liability	$ 3,440,640	1,958,456	$ 716,064

SDCERA-PP Fiduciary Net Position

Detailed information about the SDCERA-PP fiduciary net position is available in the aforementioned SDCERA publicly available financial report.

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, 2015, were the following:

Table 51
CoSD Employer Contributions - SDCERA-RHP

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Contributions Made	Percentage of ARC Contributed
2015	$ 19,444	$ 20,083	103.3%
2014	18,548	18,581	100.2%
2013	17,236	17,272	100.2%

SDCERA Financial Report

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for 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.

(Amounts expressed in thousands unless otherwise noted)

NOTE 29
Fund Deficit

Table 52

Fund Deficit
At June 30, 2015

Internal Service Fund:		
Employee Benefits Fund	$	(42,573)
Public Liability Insurance Fund		(1,331)
Facilities Management Fund		(20,201)
Purchasing Fund		(1,961)

The Employee Benefits Fund deficit of $42.6 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, 2015. The liability increased to $166.9 million from the prior year's estimate of $153.8 million. The County intends to reduce the deficit through increased premium rate charges to County departments by $5 million per year in excess of projected operating expenses beginning in fiscal year 2015-2016 for a 10 year period.

The Public Liability Insurance Fund deficit of $1.3 million resulted mainly from the accrual of the estimated liability based on an actuarial determination that overall losses had developed significantly higher than expected. The liability increased to $37.9 million from the prior year's estimate of $30.9 million. The County intends to reduce the deficit through increased rate charges to County Departments in fiscal year 2015-16, primarily based on the 5 year history of actual expenditures by department.

The Facilities Management Fund and Purchasing Fund deficits of approximately $20 million and $2 million, respectively, resulted from adjustments to beginning fund balance, attributed to reporting the County's proportionate share of the SDCERA-PP net pension liability. For further details, please see Note 30 Restatements.

NOTE 30
Restatements

Change in Accounting Principle - In fiscal year 2015, the County implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement Number 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment to GASB 68*. As a result, the County was required to report its proportionate share of the collective SDCERA-PP net pension liability; and, prior period adjustments were made to decrease the affected Enterprise Funds, Internal Service Funds, and the governmental activities and business-type activities beginning net positions for the prior period costs associated with reporting the net pension liability. The effects of these restatements are shown in **Table 53**.

(Amounts expressed in thousands unless otherwise noted)

Table 53

Restatement of Beginning Fund Balances/Net Positions

Restatement - Enterprise Funds	Airport Fund (Fund Financial Statements)	Sanitation District Fund (Fund Financial Statements)	Total Enterprise Funds (Fund Financial Statements)	Total Business-type Activities (Primary Government)
Total net position at June 30, 2014	$ 119,338	128,718	$ 250,150	$ 250,458
Adjustment for Net Pension Liability	(4,835)	(5,060)	(9,895)	(9,895)
Total net position, restated June 30, 2014	$ 114,503	123,658	$ 240,255	$ 240,563

Restatement - Internal Service Funds (ISF)	Facilities Management Fund	Fleet Services Fund	Purchasing Fund	Total Internal Service Funds	Total Governmental Activities
Total net position at June 30, 2014	$ 11,857	59,645	5,227	$ 83,663	$ 4,341,191
Adjustment for Net Pension Liability	(35,262)	(6,723)	(7,443)	(49,428)	(49,428)
Total net position, restated June 30, 2014	$ (23,405)	52,922	(2,216)	$ 34,235	
Add: Adjustment for Net Pension Liability - Non ISF					(2,189,507)
Total net position, restated June 30, 2014					$ 2,102,256

Restatement - Total Primary Government	Total Primary Government
Total net position at June 30, 2014	$ 4,591,649
Adjustment for Net Pension Liability	(2,248,830)
Total net position, restated June 30, 2014	$ 2,342,819

NOTE 31

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

(Amounts expressed in thousands unless otherwise noted)

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 Low and Moderate Income Housing Asset 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 $1.032 million Upper San Diego River Project and $3.765 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, 2015, 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.

NOTE 32

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, 2015 were the following:

Table 54
SDCRA Revenue Refunding Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2015
Revenue Refunding Bonds Series 2005A	$ 16,000	3.65 - 5.75%	2033	$ 12,665
Total	$ 16,000			$ 12,665

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

Table 55
SDCRA Revenue Refunding Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2016	$ 455	686	$ 1,141
2017	475	662	1,137
2018	500	637	1,137
2019	525	611	1,136
2020	555	583	1,138
2021 - 2025	3,230	2,427	5,657
2026 - 2030	4,230	1,390	5,620
2031 - 2033	2,695	212	2,907
Total	$ 12,665	7,208	$ 19,873
Less:			
Unamortized issuance discount	(29)		
Total	$ 12,636		

(Amounts expressed in thousands unless otherwise noted)

SDCRA pledged revenue for the year ended June 30, 2015 was as follows:

Table 56
SDCRA Revenue Refunding Bonds - Pledged Revenues

			Fiscal Year 2015	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Revenue Refunding Bonds Series 2005A	2033	$ 19,873	$ 1,139	$ 1,139

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2015 were as follows:

Table 57
SDCRA Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2014	Additions	Reductions	Ending Balance at June 30, 2015	Amounts Due Within One Year
Revenue Refunding Bonds Series 2005A	$ 13,095		(430)	12,665	$ 455
Unamortized issuance discounts	(31)		2	(29)	(2)
Total	$ 13,064		(428)	12,636	$ 453

NOTE 33
New Governmental Accounting Standards

Implementation Status

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.

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

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.

The County did not have any combinations or disposals, consequently this Statement is not currently applicable.

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.

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

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

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs-other than

quoted prices-included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

This Statement requires additional analysis of fair value if the volume or level of activity for an asset or liability has significantly decreased. It also requires identification of transactions that are not orderly. Quoted prices provided by third parties are permitted, as long as a government determines that those quoted prices are developed in accordance with the provisions of this Statement.

This Statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, the GASB issued ***Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*** The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues: 1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported; 2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and, 3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68

are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

In June 2015, the GASB issued ***Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*** The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, F*inancial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans-defined benefit and defined contribution-administered through trusts that meet the following criteria: 1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable; 2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms; and, 3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements - a statement of fiduciary net position and a statement of changes in fiduciary net position.

In addition to the requirements of this Statement, those plans also are required to follow all accounting and financial reporting requirements of other standards, as applicable.

This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. However, if an OPEB plan has fewer than 100 plan members (active and inactive), use of a specified alternative measurement method in place of an actuarial valuation is permitted. Actuarial valuations, or calculations using the specified alternative measurement method, of the total OPEB liability are required to be performed at least every two years, with more frequent valuations or calculations encouraged. If a valuation or calculation is not performed as of the OPEB plan's fiscal year-end, the total OPEB liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation or alternative measurement method calculation (performed as of a date no more than 24 months prior to the OPEB plan's fiscal year-end). Unless otherwise specified by this Statement, all assumptions underlying the determination of the total OPEB liability are required to be made in conformity with the guidance in Actuarial Standards of Practice issued by the Actuarial Standards Board.

This Statement requires that projections of benefit payments incorporate the effects of projected salary changes (if the OPEB formula incorporates

compensation levels) and service credits (if the OPEB formula incorporates periods of service), as well as projected automatic postemployment benefit changes (including automatic cost-of-living adjustments [COLAs]). The effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they are considered to be substantively automatic, also are required to be included in the projections. This Statement also requires that projections of benefit payments include certain taxes or other assessments expected to be imposed on benefit payments.

This Statement requires that the actuarial present value of projected benefit payments be attributed to periods of plan member service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each plan member individually, from the period when the plan member first provides service under the benefit terms through the period in which the member is assumed to exit service.

This Statement requires that, for accounting and financial reporting purposes, assets accumulated for purposes of providing OPEB through OPEB plans that are not administered through trusts that meet the specified criteria not be accounted for as OPEB plan assets. Instead, any assets accumulated for OPEB purposes are required to be reported as assets of the employer or nonemployer contributing entity.

If an OPEB plan is not administered through a trust that meets the specified criteria, a government that holds assets accumulated for OPEB purposes in a fiduciary capacity is required to report those assets in an agency fund. The amount of assets accumulated in excess of liabilities for benefits due to plan members and accrued investment and administrative expenses is required to be reported as a liability to participating employers or nonemployer contributing entities. If the agency fund is included in the financial report of an employer whose employees are provided with benefits through the OPEB plan or a nonemployer contributing entity that makes benefit payments as OPEB comes due, balances reported by the agency fund are required to exclude amounts that pertain to the employer or nonemployer contributing entity that reports the agency fund.

This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued ***Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the

OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria: 1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable; 2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms; and, 3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

For OPEB that is administered through a trust that meets the specified criteria, requirements differ based on the number of employers whose employees are provided with OPEB through the OPEB plan and whether OPEB obligations and OPEB plan assets are shared by the employers. Employers are classified in one of the following categories for purposes of this Statement: 1. Single employers are those whose employees are provided with defined benefit OPEB through single-employer OPEB plans-OPEB plans in which OPEB is provided to the employees of only one employer (as defined in this Statement); 2. Agent employers are those whose employees are provided with defined benefit OPEB through agent multiple-employer OPEB plans-OPEB 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; and, 3. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans-OPEB plans in which the OPEB 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 OPEB through the OPEB plan.

This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

This Statement requires that projections of benefit payments incorporate the effects of projected salary changes (if the OPEB formula incorporates future compensation levels) and service credits (if the OPEB formula incorporates periods of service), as well as projected automatic postemployment benefit changes, including automatic cost-of-living-adjustments (COLAs). The effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they are considered to be substantively automatic, also are required to be included in the projections. This Statement also requires that projections of benefit payments include certain taxes or other assessments expected to be imposed on the benefit payments.

This Statement requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the first period in which the employee provides service under the benefit terms, through the period in which the employee exits active service.

For cost-sharing employers, in financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net OPEB liability (of all employers for benefits provided through the OPEB plan)-the collective net OPEB liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the OPEB plan are determined. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred

inflows of resources related to OPEB.

In addition, the effects of (1) a change in the employer's proportion of the collective net OPEB liability and (2) differences during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined.

This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the OPEB plans through which the OPEB is provided. Cost-sharing employers are required to identify the discount rate and assumptions made in the measurement of their proportionate shares of net OPEB liabilities, similar to the disclosures about those items that should be made by single and agent employers. Cost-sharing employers, like single and agent employers, also are required to disclose information about how their contributions to the OPEB plan are determined.

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net OPEB liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the OPEB plan, and related ratios.

For employers that provide insured benefits-defined benefit OPEB through an arrangement whereby premiums are paid or other payments are made to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the OPEB of those employees-this Statement requires recognition of OPEB expense/expenditures equal to the amount of premiums or other payments required in accordance with their agreement with the insurance company. In addition to the amount of OPEB expense/ expenditures recognized in the current period, a brief description of the benefits provided through the arrangement is required to be disclosed.

For defined benefit OPEB, other than insured benefits, that are provided through OPEB plans that are not administered through trusts that meet the specified criteria, this Statement requires an approach to measurement of OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB parallel to that which is required for OPEB provided through OPEB plans that are administered through trusts that meet the specified criteria. Similar note disclosures and required supplementary information are required to be presented. However, the requirements incorporate modifications to reflect the absence of OPEB plan assets for financial reporting purposes.

This Statement is effective for fiscal years beginning after June 15, 2017.

In June 2015, the GASB issued **Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*** The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, T*he Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

In August 2015, the GASB issued **Statement No. 77, *Tax Abatement Disclosures.*** Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing: 1. whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity); 2. whether a government complied with finance-related legal and contractual obligations; 3. where a government's financial resources come from and how it uses them; and, 4. a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; 2. The gross dollar amount of taxes abated during the period; and, 3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose: 1. The names of the governments that entered into the agreements; 2. The specific taxes being abated; and, 3. The gross dollar amount of taxes abated during the period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.