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*.

Harmony Grove Community Facilities District (HGCFD) - The *HGCFD* was established to provide services such as fire protection, emergency response, street improvements, flood control, street lighting, and the maintenance and operation of parks for the citizens of

Harmony Grove Village. It is financed by special taxes levied on the citizens residing within the district. The *HGCFD* is reported as *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 which focus 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. $1.153 million of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2016, the General Fund was assigned $1.146 million and the Other Governmental Funds were assigned $7 thousand.

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques.

According to GASB 72, 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 mutual funds which are valued at net asset value - $1 dollar per share (amortized cost).

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. Fair value is a market-based measurement, not an entity-specific measurement.

Fair value measurements for pooled investments and investments with fiscal agents are categorized within the fair value hierarchy established by GASB 72. The hierarchy is based on the valuation inputs used to measure the fair value of assets and liabilities. Level 1 inputs are quoted prices 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 an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The County does not value any of its investments using Level 1 and Level 3 inputs.

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 ($11.535 million and $5.388 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 as of July 1st (levy date). They are payable in two equal installments due on November 1st and February 1st and are considered delinquent with ten percent penalties after December 10th and April 10th, respectively. An additional penalty of one and one-half percent per month begins to accrue on July 1st on defaulted secured property taxes. Unsecured property taxes are due as of the January 1st lien date and become delinquent, with 10 percent penalties, after August 31st. An additional penalty of one and one-half percent per month begins to accrue after October 31st on delinquent unsecured property taxes.

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

(Amounts expressed in thousands unless otherwise noted)

County Leased Property

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

Inventories and Prepaid Items

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

Capital Assets

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

Infrastructure assets include roads, bridges and sewers.

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

Table 1
Capitalization Thresholds

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

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

Table 2
Estimated Useful Lives

Buildings and improvements	10-50 years
Equipment	2-30 years
Software	2-10 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, changes in assumptions or other inputs, 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 action taken by the Board of Supervisors on November 5, 2013, 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) 2 CFR 200 Uniform Guidance.

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, 2016

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 $(4,203,474) difference are as follows:		
Bonds, notes and loans payable		
Certificates of participation and lease revenue bonds	$	(311,010)
Taxable pension obligation bonds		(649,860)
Tobacco settlement asset-backed bonds		(557,237)
Loans - non-internal service funds		(3,306)
Unamortized issuance premiums (to be amortized as interest expense)		(40,321)
Unamortized issuance discounts (to be amortized as interest expense)		11,279
Compensated absences (excluding Internal Service Funds)		(99,890)
Landfill postclosure - San Marcos landfill		(24,700)
Pollution remediation		(3,565)
Subtotal		(1,678,610)
Net pension liability		(2,524,864)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$	(4,203,474)
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 $44,626 difference are as follows:		
Net position of the internal service funds	$	44,902
Less: Internal payable representing costs in excess charges to business-type activities - prior years		(126)
Less: Internal payable representing costs in excess of charges to business-type activities - current year		(150)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	44,626

(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, 2016

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 $45,846 difference are as follows:		
Capital outlay	$	185,065
Depreciation/amortization expense		(139,219)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	45,846
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 $3,465 difference are as follows:		
The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	$	(2,319)
The gain on the disposal of capital assets does not affect current financial resources but increases net position		2,037
The loss on the disposal of capital assets does not affect current financial resources but decreases net position		(306)
Donations of assets to the County do not provide current financial resources but increase net position		4,053
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	3,465
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 $82,630 difference are as follows:		
Debt issued or incurred		
Refunding bonds issued	$	(105,330)
Plus: Premiums		(22,163)
Payment to refunded bond escrow agent		135,014
Face value of loans issued		(690)
Principal repayments		65,929
Accreted interest paid		9,870
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	82,630
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 $(310,303) difference are as follows:		
Change in net pension liability - pension expense	$	(304,613)
Compensated absences		(2,708)
Accrued interest		1,957
Accretion of capital appreciation bonds		(6,145)
Amortization of premiums		2,519
Amortization of discounts		(590)
Amortization of gain on refundings		56
Amortization of loss on refundings		(779)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(310,303)
Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this $15,253 difference are as follows:		
Change in net position of the internal service funds	$	15,403
Less: Loss from charges to business activities		(150)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	15,253

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 $8,705,968 consisting of: $8,642,414 investments in the County pool; $59.173 million in deposits; $3.875 million of collections in transit; and, $506 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, 2016, 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 $59.173 million, and the bank balance at June 30, 2016 was $62.603 million, consisting of demand deposits with various financial institutions. The difference between the carrying amount and the bank balance includes temporary reconciling items such as cash on hand, outstanding checks, and deposits in transit. Of the bank balance, $11.099 million was covered by federal deposit insurance and $51.504 million was collateralized with securities held by a depository agent on behalf of the Investment Pool as required by California Government Code Section 53656. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Also, a financial institution may, in accordance with the California Government Code, secure local agency deposits using first trust deed mortgages; however, the fair value of the first trust deed mortgages collateral must be at least 150% of the total amount deposited.

b. The carrying amount of demand deposits with Fiscal Agents (outside of the Pool) was $5.589 million and the bank balance per various financial institutions was $6.088 million. Of the total bank balance, $761 thousand was covered by federal deposit insurance; $895 thousand was collateralized by a named agent depository; and $4.432 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 in accordance with GASB Statement No. 72. Securities, which are traded on a national exchange, are valued at the last reported sales price at current exchange rates. Repurchase agreements and institutional money market mutual funds are carried at portfolio book value (carrying cost). CalTRUST Investments are reported based upon a stable value of $1 per share of the amount invested. 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 10** provides a comparison of Investment Pool policy restrictions with Government Code Section 53601 requirements.

(Amounts expressed in thousands unless otherwise noted)

Interest Rate Risk - Investments

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 least 50% of securities to mature within one year, and no more than 50% of securities to mature within one to five years. In addition, the Investment Pool limits the maximum effective duration of the portfolio to 18 months. As of June 30, 2016, 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, repurchase agreements and CalTRUST. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by California Government Code Section 53601, having a fair 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 Rating at June 30, 2016	Minimum Pool Investment Policy Ratings at Time of Purchase
Overall credit rating	AAAf/S1	
Short-term		A-1
Long-term		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 10**. As noted in **Table 10**, the Investment Pool's Investment Policy is more restrictive, in most cases, than the California Government Code. As of June 30, 2016, 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

(Amounts expressed in thousands unless otherwise noted)

Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), FNMA, or FHLMC. The Investment Pool's investments in FHLB, FFCB, FNMA and FHLMC securities as of June 30, 2016 comprised 4.71%, 3.26%, 8.56% and 7.76% of the total County Investment Pool's investments, respectively.

No general policies have been established to limit the amount of exposure to any one single issuer, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements. Instruments in any one issuer that represent 5% or more of the County investments with fiscal agents by individual major fund or nonmajor funds in the aggregate at June 30, 2016 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**. Percentages by issuer for pooled investments are noted in **Table 7**.

Table 6
Concentration of Credit Risk - Investments With Fiscal Agents

Issuer	Tobacco Endowment Fund	Percent	Nonmajor Governmental Funds	Percent
Pierce County Wash School District	$ 16,027	5%		
State of Tennessee	18,568	6%		
Federal Farm Credit Bank			$ 5,000	10%

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, Citi, in their trust department to mitigate custodial credit risk.

(Amounts expressed in thousands unless otherwise noted)

Table 7

Pooled Investments
At June 30, 2016

	Fair Value	Book Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
Federal Agencies:							
Federal Farm Credit Bank	$ 281,352	280,944	0.45% - 1.42%	11/16 - 6/20	497	AA+	3.26%
Federal Home Loan Bank	407,388	406,115	0.625% - 5%	12/16 - 12/19	579	AA+	4.71%
Federal Home Loan Mortgage Corporation	670,422	667,646	0.625% - 4.875%	11/16 - 3/21	915	AA+	7.76%
Federal National Mortgage Association	739,985	737,091	0.375% - 5.375%	7/16 - 10/20	572	AA+	8.56%
U.S. Treasury Notes	904,536	898,147	0.50% - 4.50%	8/16 - 5/21	685	AA+/AAA	10.47%
Repurchase Agreement	2,302	2,302	0.01%	7/16	1	A-1	0.03%
Supranational	400,145	398,968	0.625% - 5.125%	9/16 - 10/20	601	AAA	4.63%
Commercial Paper Discount	2,134,985	2,139,781	0.465% - 1.03%	7/16 - 1/17	72	A-1/A-1+	24.70%
Money Market Mutual Funds	443,017	443,017	0.01% - 0.39%	N/A	40	A-1+/AA/ AAA	5.13%
Negotiable Certificates of Deposit	2,575,000	2,575,000	0.43% - 1.21%	7/16 - 4/17	88	A-1/A1+/ AA-	29.79%
CalTRUST	35,140	35,000	0.51%	N/A	387	AA	0.40%
Asset Backed Securities	48,142	47,999	1.09% - 1.39%	9/18 - 4/20	1,000	AAA	0.56%
Total investments	$ 8,642,414	8,632,010			316		100.0%

(Amounts expressed in thousands unless otherwise noted)

Table 8

Investments with Fiscal Agents
At June 30, 2016

		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	$	15,032	5.13% - 5.63%	7/21 - 7/39	7023	A-	4.32%
Fixed income tax exempt bonds		15,272	0% - 5.75%	12/17 - 4/25	1726	AA	4.39%
Fixed income tax exempt bonds		5,591	5.00%	11/19 - 10/21	1587	AA-	1.61%
Fixed income tax exempt bonds		69,125	0% - 5%	7/17 - 8/37	2661	AA+	19.88%
Fixed income tax exempt bonds		84,037	3% - 5%	9/16 - 4/30	1723	AAA	24.17%
Fixed income tax exempt bonds		50,084	5% - 8.25%	11/17 - 9/39	4921	NR	14.40%
Fixed income tax exempt bonds		29,172	2% - 7.5%	8/17 - 4/25	1474	NR	8.39%
Federal farm credit bank notes		5,000	0.69%	5/17	320	AA+	1.44%
Money market mutual fund		28,051	0.21%	7/16	17	AAAm	8.07%
Subtotal		301,364					
Restricted:							
Corporate bonds		162	4.45%	1/20	1294	AA-	0.05%
Money market mutual funds		46,220	0% - 0.26%	8/16	33-52	AAAm	13.28%
Subtotal		46,382					
Total County investments with fiscal agents		347,746					100.00%
Private Purpose investments:							
Money market mutual funds		1,155	0.01%	8/16	42	AAAm	100.00%
Total Private Purpose investments		1,155					100.00%
Total investments with fiscal agents	$	348,901					

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by GASB 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The County does not value any of its investments using Level 1 and Level 3 inputs. Money market mutual funds are valued at net asset value - $1 dollar per share (amortized cost). Additionally, CalTRUST is not subject to the fair value hierarchy.

Total pooled investments as of June 30, 2016, were valued at $8.642 billion. The fair value of pooled investments categorized according to the GASB Statement No. 72 fair value hierarchy totaled $8.164 billion, and are all classified as Level 2. The Investment Pool uses the market approach as a valuation technique in the application of GASB 72. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets. Pooled investments also include money market mutual funds and CalTRUST totaling $478 million, which are valued at amortized cost.

Total investments with fiscal agents as of June 30, 2016, were valued at $348.9 million. The fair value of investments with fiscal agents according to the GASB 72 fair value hierarchy totaled $273.5 million, and are all classified as Level 2. They were valued using matrix pricing, which is consistent with the market approach. The matrix pricing technique is used to value some types of financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities. Instead, matrix pricing relies on the securities' relationship to other benchmark quoted securities. Investments with fiscal agents also include money market mutual funds totaling $75.4 million, which are valued at amortized cost.

(Amounts expressed in thousands unless otherwise noted)

Table 9 below, summarizes pooled investments' and investments with fiscal agents' recurring fair value measurements and the fair value hierarchy as of June 30, 2016.

Table 9

Pooled Investments and Investments With Fiscal Agents By Fair Value Level

		Fair Value Measurements Using		
	June 30, 2016	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled investments by fair value level				
Asset backed securities	$ 48,142		48,142	
U.S. government agencies	2,099,147		2,099,147	
U.S. treasury notes	904,536		904,536	
Supranational	400,145		400,145	
Commercial paper	2,134,985		2,134,985	
Repurchase agreements	2,302		2,302	
Negotiable certificates of deposit	2,575,000		2,575,000	
Total pooled investments and cash equivalents by fair value level	8,164,257		$ 8,164,257	
Pooled investments not subject to the fair value hierarchy				
Money market mutual funds	443,017			
CalTRUST	35,140			
Total pooled investments not subject to the fair value hierarchy	478,157			
Total pooled investments	$ 8,642,414			
Investments with fiscal agents by fair value level				
Fixed income tax exempt bonds	$ 268,313		268,313	
Federal farm credit bank notes	5,000		5,000	
Corporate bonds	162		162	
Total investments with fiscal agents by fair value level	273,475		$ 273,475	
Investments with fiscal agents not subject to the fair value hierarchy				
Money market mutual funds	75,426			
Total investments with fiscal agents not subject to the fair value hierarchy	75,426			
Total investments with fiscal agents	$ 348,901			

(Amounts expressed in thousands unless otherwise noted)

Table 10
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	None	None	None	None	None	None
U.S. Agency obligations	5 years	5 years	None	None	None	35%	None	None
Local agency obligations	5 years	5 years	None	15%	None	5%	None	A
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	None	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%	None	A
Repurchase agreements	1 year	1 year	None	40%	None	(2)	None	None
Reverse repurchase agreements	92 days	92 days	20%	20%	None	10%	None	None
Corporate medium-term notes	5 years	5 years	30%	30%	30%	5%	A	A
Collateralized certificates of deposit	N/A	13 months	None	5%	None	(4)	None	None
Money market mutual funds	N/A	N/A	20%	15%	10%	10%	AAAm	AAAm
CalTRUST	N/A	N/A	None	2.5%	None	2.5%	None	None
Pass-through mortgage securities (3)	5 years	5 years	20%	20%	None	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 Repurchase Agreements shall be 10% of the portfolio value for maturities greater than 5 days, and 15% of the portfolio value for maturities of 5 days or less.

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

(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).

(Amounts expressed in thousands unless otherwise noted)

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 2016 restricted assets were as follows:

Table 11
Restricted Assets

Fund		Legal or Contractual Requirements	Debt Covenants
General Fund	$	198	2,599
Nonmajor Governmental Funds			
Housing Authority - Other Special Revenue Fund		379	
Tobacco Securitization Joint Special Revenue Fund			45,214
San Diego Regional Building Authority Debt Service Fund			4,545
Pension Obligation Bonds - Debt Service Fund			11
Capital Outlay - Capital Projects Fund		4,617	

NOTE 5
Receivables

Details of receivables reported in the government-wide Statement of Net Position are presented in **Table 12**. Amounts that are not expected to be collected within the next fiscal year are identified below.

Due from Other Governmental Agencies - Governmental activities - $27.651 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- $86.951 million:

This amount includes: $41.656 million in housing rehabilitation loan programs for low-income or special needs residents, and loans for low income housing down payments; $26.160 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; $1.035 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; and $591 thousand owed to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of the Airport Enterprise Fund transferring its twenty percent outstanding loan principal balance to the CLMIHAF mandated by California Health and Safety Code 34191.4. At the fund level, in the General Fund and the CLMIHAF, these loans are presented as "Due From Other Funds". See Note 8 to the financial statements, "Interfund Balances". The remaining balance represents various other loans totaling $261 thousand.

Loans- Business-type activities- $5.648 million:

This amount includes $1.858 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 $3.790 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”.

(Amounts expressed in thousands unless otherwise noted)

Table 12

Receivables
Primary Government and Discretely Presented Component Unit
At June 30, 2016

		Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:									
General Fund	$	3,736	3,081	266,209	60,890	854	334,770		334,770
Public Safety Special Revenue Fund				46,360			46,360		46,360
Tobacco Endowment Fund			4,163				4,163		4,163
Other Governmental Funds		22,416	4,549	31,311	24,435	612	83,323	(5,388)	77,935
Internal Service Funds		105	327	784		19	1,235		1,235
Total governmental activities - fund level		26,257	12,120	344,664	85,325	1,485	469,851	(5,388)	464,463
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund					1,626		1,626		1,626
Less: Due from Component Unit						(122)	(122)		(122)
Total governmental activities - Statement of Net Position	$	26,257	12,120	344,664	86,951	1,363	471,355	(5,388)	465,967
Business-type activities:									
Enterprise Funds	$	448	105	918	1,858	3	3,332		3,332
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund					3,790		3,790		3,790
Total business-type activities - Statement of Net Position	$	448	105	918	5,648	3	7,122		7,122
Component Unit:									
First 5 Commission of San Diego	$	2,986	80	2,410			5,476		5,476

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 $6.93 million at June 30, 2016. The lease revenue received by the County and the SDRBA for the year ended June 30, 2016 was approximately $732 thousand and $893 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, 2016.

Lease revenue from noncancelable operating leases for the year ended June 30, 2016 was approximately $11.90 million. Future minimum lease payments to be received under the direct financing and noncancelable operating leases are noted in **Table 13**.

(Amounts expressed in thousands unless otherwise noted)

Table 13
Lease Revenue
County Property Leased To Others

Fiscal Year	Direct Financing Leases	Operating Leases
2017	$ 1,627	10,010
2018	1,632	9,578
2019	1,633	8,651
2020	1,265	7,691
2021		7,165
2022-2026		32,811
2027-2031		29,959
2032-2036		24,799
2037-2041		19,732
2042-2046		15,020
2047-2051		11,776
2052-2056		8,317
2057-2061		4,448
2062-2066		3,116
2067-2071		340
Total	$ 6,157	193,413

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 14
Capital Assets - Governmental Activities

	Beginning Balance at July 1, 2015	Increases	Decreases	Ending Balance at June 30, 2016
Capital assets, not being depreciated/amortized:				
Land	$ 402,472	8,103	(25)	410,550
Easements	8,318	55		8,373
Construction in progress	127,485	103,308	(166,318)	64,475
Total capital assets, not being depreciated/amortized	538,275	111,466	(166,343)	483,398
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,796,167	148,309	(1,220)	1,943,256
Equipment	286,573	40,257	(15,626)	311,204
Software	61,837	15,077	(6,877)	70,037
Road infrastructure	2,619,431	54,883		2,674,314
Bridge infrastructure	72,938	1,700		74,638
Total capital assets, being depreciated/amortized	4,836,946	260,226	(23,723)	5,073,449
Less accumulated depreciation/amortization for:				
Buildings and improvements	(422,379)	(40,725)	1,067	(462,037)
Equipment	(166,844)	(25,980)	14,808	(178,016)
Software	(37,291)	(14,763)	6,873	(45,181)
Road infrastructure	(1,338,643)	(70,480)		(1,409,123)
Bridge infrastructure	(21,506)	(1,444)		(22,950)
Total accumulated depreciation/amortization	(1,986,663)	(153,392)	22,748	(2,117,307)
Total capital assets, being depreciated/amortized, net	2,850,283	106,834	(975)	2,956,142
Governmental activities capital assets, net	$ 3,388,558	218,300	(167,318)	3,439,540

(Amounts expressed in thousands unless otherwise noted)

Table 15
Capital Assets - Business-type Activities

	Beginning Balance at July 1, 2015	Increases	Decreases	Ending Balance at June 30, 2016
Capital assets, not being depreciated:				
Land	$ 11,593			11,593
Construction in progress	7,528	4,952	(3,232)	9,248
Total capital assets, not being depreciated	19,121	4,952	(3,232)	20,841
Capital assets, being depreciated:				
Buildings and improvements	126,409	3,229		129,638
Equipment	1,685	388	(61)	2,012
Software		101		101
Road infrastructure	9,679			9,679
Sewer infrastructure	99,091	2		99,093
Total capital assets, being depreciated	236,864	3,720	(61)	240,523
Less accumulated depreciation for:				
Buildings and improvements	(43,462)	(3,551)		(47,013)
Equipment	(994)	(84)	55	(1,023)
Software		(3)		(3)
Road infrastructure	(1,050)	(329)		(1,379)
Sewer infrastructure	(42,551)	(1,942)		(44,493)
Total accumulated depreciation	(88,057)	(5,909)	55	(93,911)
Total capital assets, being depreciated, net	148,807	(2,189)	(6)	146,612
Business-type activities capital assets, net	$ 167,928	2,763	(3,238)	167,453

Depreciation/Amortization

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

Table 16
Depreciation/Amortization Expense - Governmental Activities

General government	$ 15,337
Public protection	32,044
Public ways and facilities	71,415
Health and sanitation	7,715
Public assistance	3,522
Education	1,850
Recreation and cultural	7,336
Internal Service Funds	14,173
Total	$ 153,392

Table 17
Depreciation Expense - Business-type Activities

Airport Fund	$ 3,722
Jail Store Commissary Fund	1
Sanitation District Fund	2,186
Total	$ 5,909

(Amounts expressed in thousands unless otherwise noted) 101

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, 2016, the County General Fund's outstanding encumbrances totaled $359.806 million; the Public Safety Fund's outstanding encumbrances totaled $3.288 million; and, Nonmajor governmental funds' outstanding encumbrances totaled $38.230 million.

At June 30, 2016, major contracts entered into for structures and improvements and other commitments within governmental and business-type activities are noted in **Table 18**.

Table 18
Capital Commitments
At June 30, 2016

	Remaining Commitments
Governmental Activities	
General Fund:	
Development of Integrated Property Tax System	$ 14,179
Construction of Crime Lab	11,694
Construction of Las Colinas Detention and Reentry Facility	6,728
Development of Knowledge Integration Program (KIP)	6,699
Improvements at East County Regional Center	5,510
Construction of Imperial Beach Library	4,012
Development of Telephone System for Emergency Communications	2,550
Construction of Regional Communications System	2,284
Development of Re-entry Case Management System	1,312
Subtotal	54,968
Nonmajor Governmental Funds:	
Construction of Alpine Blvd	3,780
Flood Control Improvements at Woodside Ave.	3,726
Construction of Bear Valley Parkway Road	3,472
Construction of San Vicente Road	3,278
Subtotal	14,256
Internal Service Funds:	
Vehicle Acquisitions	7,324
Subtotal	7,324
Governmental Activities Subtotal	76,548
Business-type Activities	
Enterprise Funds:	
Improvements at Various Airports	1,843
Sanitation District Sewer Improvements	479
Business-Type Activities Subtotal	2,322
Total	$ 78,870

(Amounts expressed in thousands unless otherwise noted)

NOTE 8
Interfund Balances

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

Table 19

Interfund Balances
At June 30, 2016

	DUE FROM							
DUE TO	General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Private Purpose Trust Fund	Total
General Fund		36,311	1,923	24,867	265	5,103	1,035	69,504
Nonmajor Governmental	$ 17,623	70		3,780	225	29	591	22,318
Nonmajor Enterprise	223						3,790	4,013
Internal Service	28,821			1,283	89	1,663		31,856
Total	$ 46,667	36,381	1,923	29,930	579	6,795	5,416	127,691

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

a) $1.035 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) $3.790 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.

c) $591 thousand is due from the County of San Diego Successor Agency Private Purpose Trust Fund to the County Low and Moderate Income Housing Asset Fund as a result of the Airport Enterprise Fund transferring its twenty percent outstanding loan principal balance to the County Low and Moderate Income Housing Asset Fund mandated by California Health and Safety Code 34191.4.

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 $1.035 million Upper San Diego River Project loan and the “Due from other funds” for the County Low and Moderate Income Housing Asset fund's $591 thousand are included in the governmental activities' “Receivables, net”. The “Due from other funds” for the $3.790 million Airport Enterprise Fund's airport projects loan, is included in the business-type activities' “Receivables, net”. 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 20

Transfers In/Transfers Out
At June 30, 2016

TRANSFERS IN		TRANSFERS OUT						
	General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund		275,624	6,646	13,724	696		296,690
Nonmajor Governmental	$ 160,718	684		7,004	3,377	1,702	173,485
Nonmajor Enterprise	609			50			659
Internal Service	10,425			1,000	300		11,725
Total	$ 171,752	276,308	6,646	21,778	4,373	1,702	482,559

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 21

Payables
At June 30, 2016

	Vendors	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:				
General Fund	$109,659	21,002	4,970	135,631
Other Governmental Funds	22,037	1,250	333	23,620
Internal Service Funds	37,817	501	1	38,319
Total governmental activities	$169,513	22,753	5,304	197,570
Business-type activities:				
Enterprise Funds	$ 1,920	6		1,926
Component Unit:				
First 5 Commission of San Diego	$ 3,622	6,551	487	10,660

NOTE 11
Deferred Inflows of Resources: Unavailable Revenue

Table 22

Deferred Inflows of Resources - Non-pension
At June 30, 2016

Unavailable Revenue	General Fund	Other Governmental Funds	Total
Unavailable revenue-property and miscellaneous local taxes	$ 40,298	533	40,831
Unavailable revenue-aid from other governmental agencies	31,841	19,191	51,032
Unavailable revenue-charges for services	2,708	3,563	6,271
Unavailable revenue-other	507	31,346	31,853
Total	$ 75,354	54,633	129,987

A large portion of the Unavailable revenue - aid from other governmental agencies consists primarily of $19.2 million of TransNet one-half cent sales tax revenue to be used for projects in the Road Fund, and $27.7 million of California Senate Bill 90 (SB 90) revenues. In 1972, SB90 established a requirement that the State reimburse local government agencies for the costs of new programs or increased levels of service on programs mandated by the State. The remaining $4.1 million represents various other unavailable aid from other governmental agencies revenues.

(Amounts expressed in thousands unless otherwise noted)

Of the $31.9 million of Unavailable revenue - other, approximately $13.2 million are tobacco settlement receivables, $17.1 million are low and moderate income housing assistance receivables, approximately $800 thousand is for interest receivable and $800 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 2026 (**Table 23**). The County is the lessee under the terms of several non-cancelable operating leases for real property used to house certain County operations. The total rental expense for all real property leases for the year ended June 30, 2016 was approximately $37.00 million, including $26.63 million for non-cancelable leases.

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

Table 23
Lease Commitments - Real Property

Fiscal Year		Minimum Lease Payments
2017	$	27,249
2018		22,672
2019		20,321
2020		16,587
2021		13,947
2022-2026		36,096
Total	$	136,872

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, 2016, was approximately $4.9 million.

Capital Lease
Minimum Lease Payments

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

Table 24
Capital Lease - Future Minimum Lease Payments

Fiscal Year		Amount
2017	$	40
2018		13
Total minimum lease payments		53
Less: Amount representing interest		(2)
Net lease payments	$	51

Book Value

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

Table 25
Capital Lease - Book Value
At June 30, 2016

Capital Lease Property		Original Cost	Accumulated Amortization	Net Book Value
Equipment	$	310	266	44

The accumulated amortization of this equipment capital lease was $266 thousand as of June 30, 2016. The current year's portion is included in the Internal Service Funds' depreciation/amortization of $14.173 million in **Table 16**.

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 March 2016 $105.330 million of fixed rate lease revenue bonds titled, "San Diego Regional Building Authority Lease Revenue Refunding Bonds (County Operations Center), Series 2016A" (the 2016A Bonds) were executed and delivered pursuant to a Trust Agreement by and among a Trustee bank, the County, and the SDRBA. The 2016A Bonds were issued at fixed interest rates ranging from 3.00% to 5.00% with maturity dates ranging from October 15, 2016 to October 15, 2035.

The 2016A Bonds were issued with a premium of $22.163 million. Bond proceeds of $127.493 million along with $12.481 million of funds held by the San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project), Series 2009A (Series 2009A Bonds) Trustee (Trustee) were distributed as follows: 1) approximately $135.014 million (consisting of new 2016A Bond proceeds and funds on hand with the Trustee) was transferred to an escrow agent to advance refund the entire $120.215 million of outstanding Series 2009A Bonds; 2) $4.178 million to fund a 2016A Bonds reserve fund; and, 3) approximately $782 thousand was set aside to pay certain costs of issuance.

The $135.014 million transfer referred to above was placed in an irrevocable trust with an escrow agent to provide for the payment of the remaining principal and interest due on the Series 2009A Bonds. As a result, the Series 2009A Bonds 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 $19.791 million over the next 20 years to obtain an economic gain of $17.189 million (i.e. difference between the present value of the debt service payments on the refunded debt and the refunding debt).

In November 2015, the County prepaid, in full, $9.865 million County of San Diego Certificates of Participation (North and East County Justice Facilities Refunding) (the Series 2005 Certificates) issued in the amount of $28.210 million. The source of funds used to prepay the Series 2005 Certificates was the County's General Fund. The prepayment will result in approximately $11.129 million in debt service cost savings - $9.865 million in principal and $1.264 million in interest.

(Amounts expressed in thousands unless otherwise noted)

Details of the COPs and LRBs outstanding at June 30, 2016 are as follows:

Table 26

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

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2016
2003 San Miguel Consolidated Fire Protection District Refunding LRB	$ 10,005	2.00 - 5.00%	2020	3,180
2009 Justice Facilities Refunding of 1997 Central Jail COP	48,300	2.00 - 5.00%	2026	32,270
2009 Justice Facilities Refunding of 1998 Courthouse COP	32,640	2.00 - 5.00%	2023	14,920
2011 Metropolitan Transit System Towers Refunding COP	19,260	1.00 - 5.00%	2020	8,670
2011 CAC Waterfront Park Project COP	32,665	3.00 - 5.125%	2042	30,265
2012 Cedar-Kettner Development Project COP	29,335	2.00 - 5.00%	2042	27,540
2014 Edgemoor and RCS Refunding COP Series 2014A (Edgemoor)	91,675	2.00 - 5.00%	2030	87,275
2014 Edgemoor and RCS Refunding COP Series 2014B (RCS) Taxable	2,075	0.415 - 1.920%	2019	1,560
2016 County Operations Center Refunding LRB	105,330	3.00 - 5.00%	2036	105,330
Total	$ 371,285			311,010

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

Table 27

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

Fiscal Year	Principal	Interest	Total
2017	$ 17,390	14,282	31,672
2018	18,735	13,194	31,929
2019	18,665	12,381	31,046
2020	17,535	11,671	29,206
2021	16,040	10,910	26,950
2022-2026	83,460	42,753	126,213
2027-2031	70,170	23,791	93,961
2032-2036	49,645	10,265	59,910
2037-2041	15,775	2,707	18,482
2042	3,595	95	3,690
Subtotal	311,010	$ 142,049	$ 453,059
Add:			
Unamortized issuance premium	40,321		
Less:			
Unamortized discount	(152)		
Total	$ 351,179		

(Amounts expressed in thousands unless otherwise noted)

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, 2016 are as follows:

Table 28
Taxable Pension Obligation Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2016
2004 Series A	$ 241,360	3.28 - 5.86%	2023	200,595
2004 Series B1-2	147,825	5.91%	2025	147,825
2008 Series A	343,515	3.33 - 6.03%	2027	301,440
Total	$ 732,700			649,860

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

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

Fiscal Year	Principal	Interest	Total
2017	$ 44,340	36,065	80,405
2018	46,995	33,413	80,408
2019	49,760	30,585	80,345
2020	52,725	27,525	80,250
2021	55,915	24,265	80,180
2022-2026	334,975	64,541	399,516
2027	65,150	491	65,641
Total	$ 649,860	216,885	866,745

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.

(Amounts expressed in thousands unless otherwise noted)

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.

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, 2016 are as follows:

Table 30
Tobacco Settlement Asset-Backed Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2016
Series 2006A Senior Current Interest Bonds	$ 534,610	4.75 - 5.125%	2025-2046	462,495
Series 2006B CABs	19,770	6.25%	2046	231,820
2006B unaccreted appreciation CABs				(195,041)
Series 2006C CABs	8,686	6.40%	2046	107,950
2006C unaccreted appreciation CABs				(91,553)
Series 2006D CABs	20,565	7.10%	2046	335,105
2006D unaccreted appreciation CABs				(293,539)
Total	$ 583,631			557,237

(Amounts expressed in thousands unless otherwise noted)

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

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

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2017	$ -	6,402	23,321	29,723
2018		6,842	23,321	30,163
2019		7,302	23,321	30,623
2020		7,800	23,321	31,121
2021		8,328	23,321	31,649
2022-2026	51,370	50,933	111,906	214,209
2027-2031	67,715	70,781	97,542	236,038
2032-2036	86,945	98,384	78,707	264,036
2037-2041	111,895	136,812	54,334	303,041
2042-2046	193,591	186,549	22,369	402,509
Subtotal	511,516	$ 580,133	$ 481,463	$ 1,573,112
Add:				
Accreted appreciation through June 30, 2016	45,721			
Subtotal	557,237			
Less:				
Unamortized issuance discount	(11,127)			
Total	$ 546,110			

As shown in **Table 31**, the unpaid accreted appreciation of the 2006 Bonds as of June 30, 2016 was $45,721, which will be paid in 2046.

Pledged revenue related to the 2006 Bonds for the year ended June 30, 2016 was as follows:

Table 32
Tobacco Settlement Asset-Backed Bonds - Pledged Revenues

			Fiscal Year 2016	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 Tobacco Settlement Asset-Backed Bonds	2046	$ 1,618,833	$ 26,835	$ 26,550

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; a real property contract with the Whiting Family Trust titled Sheriff RCS - Ocotillo Wells for the purchase of one acre of property located in the Borrego Springs area to support the County's Regional Communications System (RCS); an Energy Conservation Assistance Act loan agreement with the California Energy Commission to fund energy savings measures consisting of 2,200 LED streetlight fixtures; and San Diego Gas & Electric (SDG&E) On Bill Financing (OBF) program loans used to fund energy efficiency and demand response projects at County-owned facilities.

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 the previously mentioned 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 was completed in September 2015. Additional proceeds of $690 thousand were received in fiscal year 2016 for a total loan of $1.42 million. Semi-annual principal and interest payments will be made beginning in December 2016 in 18 equal installments at a fixed interest rate of 1.00%.

In November 2011, the County Board of Supervisors authorized the use of the previously mentioned San Diego Gas & Electric (SDG&E) On Bill Financing (OBF) program loans to fund energy efficiency and demand response projects. This program finances installations, modifications and upgrades, such as lighting retrofits and controls and mechanical system upgrades, with the goal of reducing utility costs. The financing is a zero percent interest loan which is repaid from energy savings generated by each San Diego Gas and Electric meter. The County received its first OBF loan in 2013. In fiscal year 2016 the County received $1.28 million in new OBF loans. As of June 30, 2016, fifteen OBF loans were outstanding, with remaining balances totaling $1.97 million.

(Amounts expressed in thousands unless otherwise noted)

Details of loans outstanding at June 30, 2016 for governmental activities are as follows:

Table 33
Loans - Governmental Activities

Issuance		Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2016
Loans - non internal service funds (ISF)					
Firebird Manor	$	4,486	1.00%	2028	1,828
California Energy Comm Loan (Street Light & Maint Dist)		1,422	1.00%	2025	1,422
Sheriff RCS Land Purchase		68	6.78%	2026	56
Total loans - non-ISF		5,976			3,306
Loans - ISF					
California Energy Comm Loan 3 (Facilities ISF)		2,565	4.50%	2018	745
San Diego Gas and Electric On Bill Financing (Facilities ISF)		3,085	0.00%	2024	1,969
Total loans - ISF		5,650			2,714
Total	$	11,626			6,020

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

Table 34
Loans - Governmental Activities
Debt Service Requirements to Maturity

Fiscal Year		Principal	Interest	Total
2017	$	1,356	68	1,424
2018		1,234	42	1,276
2019		586	26	612
2020		503	23	526
2021		475	20	495
2022 - 2026		1,568	53	1,621
2027 - 2028		298	4	302
Total	$	6,020	236	6,256

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, 2016 for business-type activities are as follows:

Table 35
Loans - Business-type Activities

Loan		Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2016
2001 Airport Development Loan - Ramona Sewer Line	$	2,388	5.63%	2017	114
2001 Airport Development Loan - Ramona Control Tower		1,196	5.63%	2017	57
Total	$	3,584			171

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

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

Fiscal Year		Principal	Interest	Total
2017	$	171	10	181
Total	$	171	10	181

Prior Year Defeasance of Long-Term Debt

In September, 2014, the County defeased the outstanding County of San Diego Certificates of Participation (2005 Edgemoor Project and 1996 Regional Communication System Refunding) and County of San Diego Certificates of Participation (2006 Edgemoor Completion Project) Certificates of Participation (together, the Prior COPs) by placing proceeds of refunding certificates of participation, along with monies from the original issue, in an irrevocable trust to provide for all future debt service payments on the Prior COPs. Accordingly, the trust account assets and the liabilities for the defeased obligations were not included in the County's financial statements. The Prior COPs were completely paid off in February, 2016 and no Prior COPs remain outstanding.

(Amounts expressed in thousands unless otherwise noted)

In March, 2016 the County defeased the San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project) Series 2009A (2009A LRBs) by placing proceeds of the refunding bonds, along with monies from the original issue, in an irrevocable trust to provide for all future debt service payments on the 2009A LRBs. Accordingly, the trust account assets and the liabilities for the defeased obligations are not included in the County's financial statements. At June 30, 2016, $120.215 million of the 2009A LRBs were legally defeased and remain outstanding.

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, 2016, the probable arbitrage rebate was zero.

NOTE 14
Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2016 were as follows:

Table 37

Changes in Long-Term Liabilities

		Beginning Balance at July 1, 2015	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2016	Amounts Due Within One Year
Governmental Activities:							
COPs, bonds & loans							
Certificates of participation and lease revenue bonds	$	355,565	105,330	(149,885)		311,010	17,390
Taxable pension obligation bonds		692,338		(42,625)	147	649,860	44,340
Tobacco settlement asset-backed bonds		554,594		(3,355)	5,998	557,237	
Loans - non-internal service funds		2,765	690	(149)		3,306	289
Loans - internal service funds (ISF)		2,423	1,283	(992)		2,714	1,067
Unamortized issuance premiums		21,548	22,163	(3,390)		40,321	2,839
Unamortized issuance discounts		(11,869)		590		(11,279)	(590)
Total COPs, bonds & loans	$	1,617,364	129,466	(199,806)	6,145	1,553,169	65,335
Other long-term liabilities:							
Capital Leases - ISF	$	84		(33)		51	38
Claims and judgments - ISF		204,783	42,706	(33,994)		213,495	43,545
Compensated absences - non-ISF		97,182	71,662	(68,954)		99,890	42,726
Compensated absences - ISF		2,305	1,789	(1,719)		2,375	978
Landfill postclosure		18,340	6,360			24,700	823
Pollution remediation		1,563	2,149	(147)		3,565	1,015
Total Other long-term liabilities	$	324,257	124,666	(104,847)		344,076	89,125
Total Governmental Activities	$	1,941,621	254,132	(304,653)	6,145	1,897,245	154,460
Business-type activities:							
Loans	$	475		(304)		171	171
Compensated absences		439	366	(389)		416	172
Total Business-type Activities	$	914	366	(693)		587	343

(Amounts expressed in thousands unless otherwise noted)

NOTE 15
Funds Used to Liquidate Liabilities

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

Table 38
Liquidated Liabilities

Liability	Fund(s) Used to Liquidate in Prior Years
Claims & Judgments	Internal Service Funds - Employee Benefits Fund and Public Liability Insurance Fund
Compensated Absences	General Fund; Special Revenue Funds - 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 District
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) six 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, 2016, the aggregate conduit debt principal amount outstanding was $115.334 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 March 22, 2007.

The projected landfill postclosure care liability at June 30, 2016 for the San Marcos Landfill was $24.700 million. This estimated amount is based on what it would cost to perform all postclosure care in calendar year 2016 dollars and is subject to change annually 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 CalRecycle (formerly the CIWMB).

Beginning July 1, 2011, CalRecycle, in accordance with Title 27, Division 2, Subdivision 1, Chapter 6 of the California Code of Regulations, requires owners and operators of all disposal facilities operating after July 1, 1991 to provide additional financial assurance for corrective action based on the highest amount of either a water release corrective action or a non-water release corrective action, on or before the date of the first permit review.

The County determined that a non-water release corrective action would have the highest cost impact to the landfill and on January 27, 2016 the Board of Supervisors approved Minute Order No. 4 "Adopt a Resolution for Financial Assurance for Corrective Actions of the San Marcos Landfill and Authorize Submission of a Pledge of Revenue for Corrective Action Program at San Marcos Landfill." Pursuant to Resolution No. 16-011, adopted under Minute Order No. 4, the County entered into a pledge of revenue agreement to assure that adequate funds are available to carry out the Corrective Action Program 95-112 of the San Marcos Landfill. The pledge of revenue for corrective action costs is $1.153 million per year for the 30-year period and may increase or decrease to match any adjustment to the identified cost estimate mutually agreed to by the County and CalRecycle (adjusted to $1.165 million in fiscal year 2016). This pledged revenue will remain in the Environmental Trust Fund as a contingency until such time that corrective action costs are incurred.

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, 2016, the County's estimated pollution remediation obligations totaled $3.565 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 Fiscal Year 2016, the Board of Supervisors adopted San Diego Code of Administrative Ordinance No. 10400 (N.S.), "An Ordinance Amending the San Diego Code of Administrative Ordinances Article VII Section 113 Relating To The Maintenance And Restoration of Fund Balances and Reserves in the General Fund", thereby adding Sections 113.1, "Fund Balances and Reserves" and 113.2, "Restoration of Fund Balances and Reserves". The additional language serves to codify guidelines regarding the maintenance and restoration of fund balance and reserves including appropriations for budget stabilization levels that will help to protect the fiscal health and stability of the County. These sections include:

Fund Balance Committed for Unforeseen Catastrophic Events: The amount of fund balance committed to unforeseen catastrophic events shall be 5% of the total amount of budgeted general purpose revenue. This commitment is governed by Government Code Sections 29085-29806, and may only be used for legally declared emergencies as defined in Government Code Section 29127. This commitment is reported on the General Fund's Balance Sheet.

General Fund Minimum Fund Balance: This fund balance shall be 10% of the total amount of budgeted general purpose revenue, and is the minimum level of unassigned fund balance in the General Fund. 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 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: These shall not be approved if they would result in the amount of General Fund unassigned fund balance falling below the targeted level, with the exception of fund balance commitments established because of restrictions on the use of certain revenues. Additionally, from time to time fund balance may be committed or assigned by the Board; and, as per action taken by the Board of Supervisors on November 5, 2013, Fund Balance may be assigned by the Chief Administrative Officer for specific purposes.

Restoration of Fund Balances and Reserves: In the event that the fund balance Commitment for Unforeseen Catastrophic Events, or the General Fund Minimum unassigned fund balance falls below the established levels, the Chief Administrative Officer shall present a plan to the Board for restoration of those targeted levels. The plan shall restore balances to targeted levels within two fiscal years.

(Amounts expressed in thousands unless otherwise noted)

NOTE 20
Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose

At June 30, 2016, the fund balances restricted for laws or regulations of other governments: fund purpose are presented in **Table 39** as follows:

Table 39
Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose
At June 30, 2016

Fund Type:	Purpose		Amount
Nonmajor Funds			
Special Revenue Funds			
Air Pollution Fund	Air pollution activities	$	20,225
Asset Forfeiture Program Fund	Law enforcement		9,208
County Library Fund	Library services		11,047
County Low and Moderate Income Housing Asset Fund	County housing activities		83
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services		24,595
Edgemoor Development Fund	Edgemoor development		4,156
Harmony Grove Community Facilities District Fund	Maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control services		50
In Home Supportive Services Public Authority Fund	In home supportive services		90
Inmate Welfare Fund	Benefit, education, and welfare of jail inmates		14,763
Lighting Maintenance District Fund	Street and road lighting maintenance		1,383
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		1,447
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities		14,858
Total Nonmajor Funds (Special Revenue Funds)		$	101,905

(Amounts expressed in thousands unless otherwise noted)

NOTE 21

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

At June 30, 2016, the fund balances restricted for laws or regulations of other governments: other purposes are presented in **Table 40** as follows:

Table 40
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2016

Major Fund		
General Fund		
Vector control	$	12,808
Teeter tax loss		8,532
Fingerprinting equipment purchase and operation		7,905
Sheriff automated warrant system		4,528
Real estate fraud prosecution		4,342
Emergency medical services, various construction costs		4,209
Parole revocation hearings		4,119
Public Defender defense of indigent cases		3,849
Mental health		3,412
Parks and Recreation land acquisition, improvements, stewardship and other activities		2,769
Domestic violence and child abuse prevention		2,333
Sheriff vehicle maintenance and replacement		1,902
Sheriff law enforcement		1,652
Projects, programs and services that benefit Crest -Dehesa - Harbison Canyon - Granite Hills sub-region		1,540
Probation Department activities		1,538
Probation community transition unit activities		1,443
Improvement, maintenance and operation of the Waterfront Park		693
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		549
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		271
Equipment replacement/system enhancement Caller ID Remote Access Network		110
Social services child safety education		91
Total General Fund	$	68,595
Nonmajor Funds		
Special Revenue Funds		
Flood Control District Fund		
Flood control future drainage improvements	$	14,258
Housing Authority - Other Fund		
Disaster related administration		44
Housing repairs and improvements		32
Total Nonmajor Special Revenue Funds	$	14,334
Total Nonmajor Funds	$	14,334
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	$	82,929

(Amounts expressed in thousands unless otherwise noted)

NOTE 22
Fund Balances Committed to Other Purposes

At June 30, 2016, the fund balances committed to other purposes are presented in **Table 41** as follows:

Table 41
Fund Balances Committed To Other Purposes
At June 30, 2016

Major Fund		
General Fund		
Regional communication system infrastructure enhancements	$	15,817
Health based programs reducing adult/youth smoking		8,244
San Diego Fire Authority equipment replacement		2,333
Parks and Recreation land acquisition		1,494
Department of Planning and Development Services activities		1,437
Sheriff's Department future capital expenditures		1,399
Department of Environmental Health services		1,277
Sheriff's Department helicopter replacement		667
Management of conduit financing programs		589
Registrar of Voters equipment acquisition		445
Assessor/Recorder/County Clerk services		111
South County Shelter capital improvements		78
Capital projects or major maintenance projects		30
Future purchase of agricultural conservation easements		21
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	$	33,982

NOTE 23
Fund Balances Assigned to Other Purposes

At June 30, 2016, the fund balances assigned to other purposes are presented in **Table 42** as follows:

Table 42
Fund Balances Assigned to Other Purposes
At June 30, 2016

Major Fund		
General Fund		
Law enforcement, detention, legal and other protection services	$	20,627
Health, mental health and social services		18,068
Operations, maintenance and debt service for Cedar Kettner and Waterfront Park		14,278
Planning, land use, agriculture, watershed and other public services		7,447
Park and recreation services		4,676
Assessor/Recorder/County Clerk services		1,924
Treasurer-Tax Collector services		1,243
Registrar of Voters services		1,240
Fire protection		995
Maintenance		556
Animal Services		217
Total General Fund	$	71,271

(Amounts expressed in thousands unless otherwise noted)

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

At June 30, 2016, the net position restricted for laws or regulations of other governments: other purposes is presented in **Table 43** as follows:

Table 43
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2016

Developing new or rehabilitating existing neighborhood or community park or recreational facilities	$	14,858
Benefit, education, and welfare of jail inmates		14,763
Library services		11,047
Law enforcement		9,208
Fingerprinting equipment purchase and operation		7,905
Sheriff automated warrant system		4,528
Real estate fraud prosecution		4,342
Emergency medical services, various construction costs		4,209
Edgemoor development		4,156
Parole revocation hearings		4,119
Public Defender defense of indigent cases		3,849
Parks and Recreation land acquisition, improvements, stewardship and other activities		2,769
Domestic violence and child abuse prevention		2,333
Sheriff vehicle maintenance and replacement		1,902
Sheriff law enforcement		1,652
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		1,540
Probation Department activities		1,538
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		1,447
Probation community transition unit activities		1,443
Street and road lighting maintenance		1,383
Improvement, maintenance and operation of the Waterfront Park		693
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		549
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		271
Equipment replacement/system enhancement Caller ID Remote Access Network		110
Social services child safety education		91
In home supportive services		90
Housing activities		83
Disaster related administration		44
Housing repairs and improvements		32
Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	$	100,954

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.

(Amounts expressed in thousands unless otherwise noted)

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, 2016, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $213.5 million, including $38.2 million in public liability and $175.3 million in workers' compensation. Changes in the balances of claim liabilities for fiscal years 2016 and 2015 are shown in **Table 44**.

Table 44
Risk Management - Changes in Claim Liabilities

		2016	2015
Employee Benefits Fund			
Unpaid claims, July 1	$	166,876	153,811
Incurred claims		31,942	36,487
Claim payments		(23,486)	(23,422)
Unpaid claims, June 30	$	175,332	166,876
Public Liability Insurance Fund			
Unpaid claims, July 1	$	37,907	30,852
Incurred claims		10,764	16,911
Claim payments		(10,508)	(9,856)
Unpaid claims, June 30	$	38,163	37,907

NOTE 26
Contingencies
Litigation

As of June 30, 2016, 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 $197.5 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 $1.3 million contributed primarily by the City and the County to supplement its operating revenues. In its latest report, SanGIS reported a decrease in net position of $8.5 thousand and ending net position of $237 thousand for the fiscal year ended June 30, 2015. 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 18 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 or disaster in the region. 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 $73 thousand and ending net position of $138 thousand for the fiscal year ended June 30, 2015. 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 San Diego Workforce Partnership (Partnership) funds job training programs to meet current and future workforce needs of employers in San Diego County. Two boards provide oversight and funding direction: The Consortium Policy Board and the Workforce Development Board (WDB). As a joint powers authority, the Consortium Policy Board is a community partnership of the City and County of San Diego. Members include two County Board of Supervisors, two San Diego City Council members, and a representative of the United Way of San Diego. The Consortium Policy Board appoints members to, and receives recommendations from, the WDB. The two boards collaborate on funding decisions and programmatic priority. For the year ended June 30, 2015, the Partnership reported an increase in net position of $42 thousand and ending net position of $423 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 Fire Authority, agreed to be a participant in the Heartland Fire Training Authority effective July 1, 2012. The Authority includes 10 other member agencies and was formed for the purposes of jointly equipping, maintaining, operating, and staffing to provide training of fire-fighting and emergency response personnel to member agencies. It is governed by a Commission comprised of elected officials 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 $185 thousand and ending net position of $715 thousand for the fiscal year ended June 30, 2015. 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 (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, 2015 SDCERA-PP membership totaled 40,116, consisting of the following: Retired members or beneficiaries currently receiving benefits - 17,186, Vested terminated members entitled to, but not yet receiving benefits - 5,274; and Active members - 17,656.

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 45
SDCERA - PP Tiers and Basic Provisions

Tier Name	Governing Code	Membership Effective Date	Basic Provisions	Final Average Salary Period
General Tier I	§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	August 28, 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% at 50; maximum 2% COLA	Highest 1 - year
Safety Tier B	§31664.2	August 28, 2009 to December 31, 2012	3% 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.

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.

(Amounts expressed in thousands unless otherwise noted)

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, 2016 for 2015-2016 was 8.96% 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, 2016 for 2015-2016 was 33.49% (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 $354,524 for the year ended June 30, 2016.

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

Table 46
Employer/Employee Contribution Rates and Active Members by Tier

	Employer Contribution Rates	Employee Contribution Rates	Active Members
General Tier I	33.05%	7.53 - 14.74%	34
General Tier A	33.05%	9.11 - 16.35%	9,683
General Tier B	33.05%	6.41 - 12.94%	1,678
General Tier C	26.91%	8.03%	2,635
Safety Tier A	42.84%	12.91 - 19.08%	2,570
Safety Tier B	42.84%	10.15 - 15.25%	495
Safety Tier C	35.66%	13.81%	561

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, 2016, the County reported a liability of $2,593,395 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2015 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2014 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).

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 2015; therefore 100% of the NPL for the Safety membership class is allocated to San Diego County.

(Amounts expressed in thousands unless otherwise noted)

For the County's General membership class, actual or statutorily required contributions for the fiscal year ended June 30, 2015 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, 2015, the County's proportionate share of the net pension liability was approximately 92.827%, (General 90.119%, Safety 100%), which was an increase of approximately 0.535% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of $315,697.

At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Table 47

Pension Deferred Outflows/ Inflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share of contributions	$ 18,945	
Changes of assumptions or other inputs	229,711	
Contributions to the pension plan subsequent to the measurement date	354,524	
Difference between expected and actual experience in the total pension liability	5,765	196,767
Net difference between projected and actual earnings on pension plan investments	112,323	
	$ 721,268	196,767

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, changes of assumptions and other inputs, and differences between expected and actual experience in the total pension liability, are amortized over the average of the expected remaining service lives (service lives) 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. The service lives' amortization period was 4.91 years for deferrals incurred in fiscal year 2014-2015 and 4.80 years for deferrals that originated in the prior period, fiscal year 2013-2014.

(Amounts expressed in thousands unless otherwise noted)

$354,524 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, 2017.

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 48

Pension Expense

Year Ending June 30		Amount
2017	$	9,432
2018		9,432
2019		15,862
2020		135,251
Total	$	169,977

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 are shown in the following table:

Table 49

Actuarial Assumptions

Inflation	3.00%
Salary increases	General: 4.50% to 9.75% and Safety: 4.75% to 11.75% vary by service, including inflation.
Discount rate	7.50%, net pension plan investment expense, including inflation.
Cost-of-living adjustment	Maximum of 3% for TIER I, II and A Maximum 2% for TIER B and C
Date of last experience study	July 1, 2009 through June 30, 2012

Mortality rates for General members are based on the RP-2000 mortality table projected with Scale AA to 2017 with a two-year age setback for males and a one-year age setback for females. For Safety members, 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 (7.50 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 50

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.

(Amounts expressed in thousands unless otherwise noted)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.50% as of June 30, 2015. 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. 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, 2015.

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, 2015, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Table 51
County's Share of Net Pension Liability Discount Rate Sensitivity

	1% Decrease (6.50%)	Current DiscountRate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension plan liability	$ 4,206,092	$ 2,593,395	$ 1,259,464

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, 2016, were the following:

Table 52
CoSD Employer Contributions - SDCERA-RHP

FiscalYearEnded June 30	Annual Required Contribution (ARC)	Contributions Made	Percentage of ARC Contributed
2016	$ 18,125	$ 18,125	100.0%
2015	19,444	19,444	100.0%
2014	18,548	18,548	100.0%

(Amounts expressed in thousands unless otherwise noted)

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.

NOTE 29
Fund Deficit

Table 53		
Fund Deficit		
At June 30, 2016		
Internal Service Fund:		
Employee Benefits Fund	$	(38,400)
Facilities Management Fund		(20,721)
Purchasing Fund		(64)

The Employee Benefits Fund deficit of $38.4 million, (a decrease of $4.2 million from the 2014-2015 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, 2016. The liability increased to $175.3 million from the prior year's estimate of $166.9 million. The County will continue 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 Facilities Management Fund and Purchasing Fund deficits of approximately $20.7 million and $64 thousand, respectively, resulted from adjustments attributed to reporting the County’s proportionate share of the SDCERA-PP net pension liability.

NOTE 30
County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency

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

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

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

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

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

After the date of dissolution, as allowed in the Bill, the County elected to retain the housing assets and functions previously performed by the former SDCRA. These assets and activities are accounted for in the County 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.

(Amounts expressed in thousands unless otherwise noted)

Due To Other Funds

The County of San Diego Successor Agency Private Purpose Trust Fund's "Due To Other Funds" consists of outstanding loans owed to the General Fund for the Upper San Diego River Project ($1.035 million), to the Airport Enterprise Fund (AEF) for the Airport Projects ($3.790 million) and to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) ($591 thousand). The loans were originally made from the General Fund and AEF to the former San Diego County Redevelopment Agency (SDCRA) but were transferred to the County of San Diego Successor Agency Private Purpose Trust Fund upon dissolution of the SDCRA on February 1, 2012. Additionally, in fiscal year 2016, twenty percent of the then outstanding amount owed to the AEF was transferred from the AEF to the CLMIHAF, as mandated by California Health and Safety Code 34191.4. As of June 30, 2016, the interest earned on the General Fund loan accrues on the average quarterly outstanding balance, at a rate equal to the average County earned investment rate as determined by the County Treasurer. Interest earned on the AEF and CLMIHAF loans accrue at the rate mandated by Health and Safety Code 34191.4. 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 31

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, 2016 were the following:

Table 54
SDCRA Revenue Refunding Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2016
Revenue Refunding Bonds Series 2005A	$ 16,000	3.65 - 5.75%	2033	12,210
Total	$ 16,000			12,210

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
2017	$ 475	662	1,137
2018	500	637	1,137
2019	525	611	1,136
2020	555	583	1,138
2021	580	553	1,133
2022-2026	3,405	2,247	5,652
2027-2031	4,475	1,138	5,613
2032-2033	1,695	91	1,786
Total	12,210	$ 6,522	$ 18,732
Less:			
Unamortized issuance discount	(27)		
Total	$ 12,183		

SDCRA pledged revenue for the year ended June 30, 2016 was as follows:

Table 56
SDCRA Revenue Refunding Bonds - Pledged Revenues

Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Fiscal Year 2016: Debt Principal & Interest Paid	Fiscal Year 2016: Pledged Revenue Received
Revenue Refunding Bonds Series 2005A	2033	$ 18,732	$ 1,142	$ 1,142

(Amounts expressed in thousands unless otherwise noted)

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2016 were as follows:

Table 57

SDCRA Changes in Long-Term Liabilities

		Beginning Balance at July 1, 2015	Additions	Reductions	Ending Balance at June 30, 2016	Amounts Due Within One Year
Revenue Refunding Bonds Series 2005A	$	12,665		(455)	12,210	475
Unamortized issuance discounts		(29)		2	(27)	(2)
Total	$	12,636		(453)	12,183	473

NOTE 32

New Governmental Accounting Standards

Implementation Status

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 County has implemented this Statement for the current fiscal year.

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. 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 County has no accumulated ending balances for assets accumulated for purposes of providing those pensions and consequently this portion of this Statement is not currently applicable. The County also did not have any investment-related factors that significantly affect trends in the amounts reported, did not incur any separately financed specific liabilities, and did not support nonemployer contributing entities; consequently this portion of this Statement is not currently applicable.

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, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

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

In December 2015, the GASB issued ***Statement No. 79, Certain External Investment Pools and Pool Participants***. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

The requirements of this portion of the Statement do not currently impact the County, consequently this portion of this Statement is not currently applicable.

In March 2016, the GASB issued ***Statement No. 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73***. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The County early implemented the portions of this Statement pertaining to presentation of payroll-related measures in required supplementary information and the classification of payments made by employers to satify employee (plan member) contribution requirements, in 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 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*.

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.

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.

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 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.

In December 2015, the GASB issued **Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans***. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

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

In December 2015, the GASB issued **Statement No. 79, *Certain External Investment Pools and Pool Participants***. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price.

The provisions related to portfolio quality and custodial credit risk, effective for reporting periods beginning after December 15, 2015, are as follows: (1) a security should be acquired only if denominated in U.S. dollars and has a credit rating within the highest category if rated by a nationally recognized statistical rating organization or determined equivalent if unrated; (2) securities held by a qualifying external investment pool should not be exposed to custodial risk; (3) the credit quality of a deposit should be evaluated in terms of either the credit quality of the depository institution or the exposure of the deposit to custodial credit risk; (4) the credit quality of a repurchase agreement should be evaluated in terms of the credit quality of the counterparty or its parent and the underlying collateral; and, (5) a repurchase agreement should be collateralized fully.

The provisions related to shadow pricing, effective for reporting periods beginning after December 15, 2015, are as follows: a qualifying external investment pool should calculate its shadow price at a minimum on a monthly basis. The monthly calculation of the shadow price should occur no earlier than five business days prior to and no later than the end of the month. At each calculation date, that shadow price should not deviate by more than one half of 1 percent from the net asset value per share calculated using total investments measured at amortized cost.

The requirements of this Statement for certain provisions on portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2015.

In January 2016, the GASB issued **Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14***. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

In March 2016, the GASB issued ***Statement No. 81, Irrevocable Split-Interest Agreements*****.** The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

In March 2016, the GASB issued ***Statement No. 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73***. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

As previously mentioned, the County early implemented the portions of this Statement pertaining to presentation of payroll-related measures in required supplementary information and the classification of payments made by employers to satisfy employee (plan member) contribution requirements, in the current fiscal year.