



County of San Diego, California



Comprehensive Annual Financial Report / For the fiscal year ended June 30, 2017



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County of San Diego, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



Board of Supervisors

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Ron Roberts - District 4
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Helen N. Robbins-Meyer
*Chief Administrative Officer
(CAO)*

Donald F. Steuer
*Assistant CAO/
Chief Operating Officer*

Compiled under the direction of:

Tracy M. Sandoval
*Deputy CAO/
Auditor & Controller*

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County of San Diego

TRACY M. SANDOVAL
DEPUTY CHIEF ADMINISTRATIVE OFFICER/
AUDITOR AND CONTROLLER
(619) 531-5413
FAX: (619) 531-5219

FINANCE & GENERAL GOVERNMENT GROUP
1600 PACIFIC HIGHWAY, SUITE 166, SAN DIEGO, CA 92101-2422

November 30, 2017

To the honorable members of the Board of Supervisors and the Citizens of San Diego County:

The Comprehensive Annual Financial Report (CAFR) of the County of San Diego (County) for the fiscal year ended June 30, 2017, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2017. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A

complements this letter of transmittal and should be read in conjunction with it.

County Profile

San Diego County covers 4,261 square miles, approximately the size of the state of Connecticut, extending 70 miles along the Pacific Coast from Mexico to Orange County and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern border. It is the most southwestern county in the contiguous 48 states.

San Diego County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert. The Cleveland National Forest occupies much of the interior portion of the county. The climate is mild in the coastal and valley regions, where most resources and population are located. The average annual rainfall is less than 12 inches for the coastal regions.

According to the State of California Department of Finance (DOF) as of May 2017, the County's population estimate for January 1, 2016 was 3.29 million, which grew 0.9 percent to 3.32 million as of the January 1,

ASSESSOR/RECORDER/COUNTY CLERK
AUDITOR AND CONTROLLER
CHIEF ADMINISTRATIVE OFFICE
CIVIL SERVICE COMMISSION

CLERK OF THE BOARD
COUNTY COMMUNICATIONS OFFICE
COUNTY COUNSEL
COUNTY TECHNOLOGY OFFICE

GRAND JURY
HUMAN RESOURCES
RETIREMENT ASSOCIATION
TREASURER-TAX COLLECTOR

2017 estimate. San Diego is the second largest county by population in California according to the DOF and the fifth largest county by population in the nation, as measured by the U.S. Census Bureau based on 2016 population estimates. There are 18 incorporated cities in the County; the City of San Diego being the largest, with a population of approximately 1.41 million; and the City of Del Mar the smallest, at approximately 4,297.

The racial and ethnic composition of the County is as diverse as its geography. The San Diego Association of Governments (SANDAG) projects that in 2035, San Diego's population breakdown will be: 36.3 percent White; 41.4 percent Hispanic; 13.9 percent Asian and Pacific Islander; 4.0 percent African American; and 4.4 percent all other groups including American Indian. A significant growth in the region's Hispanic population is seen in this projection.

County Government, Economy and Outlook

County Government

San Diego became one of California's original 27 counties on February 18, 1850, shortly after California became the 31st State in the Union. The County functions under a charter adopted in 1933, as subsequently amended. A five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections governs the County. Each board member is limited to no more than two terms and must reside in the district from which he or she is elected.

The Board of Supervisors sets priorities and approves the County's two-year budget. Per California Government Code Section 23005, the County may exercise its powers only through the Board of Supervisors or through agents and officers acting under the authority of the Board or authority conferred by law. The Board of Supervisors appoints the following officers: the Chief Administrative Officer (CAO), the County Counsel, the Probation Officer and the Clerk of the Board of Supervisors. The CAO appoints the Assistant CAO/Chief Operating Officer, the Deputy CAO/Auditor and Controller and all other appointive officers. The CAO assists the Board of Supervisors in coordinating the functions and operations of the County; is responsible for carrying

out all of the Board's policy decisions that pertain to the functions assigned to that officer; and supervises the expenditures of all departments. Elected officials head the offices of the Assessor/Recorder/County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. The County provides a full range of public services to residents, including law enforcement, detention and correction, emergency response services, health and human services, parks and recreation, libraries and roads. The County also serves as a delivery channel for many State services, such as foster care, public health care and elections. These services are provided by five business Groups (Public Safety, the Health and Human Services Agency, Land Use and Environment, Community Services and Finance and General Government), each headed by a General Manager who reports to the CAO.

Economy and Outlook

Gross domestic product (GDP) is one of the main indicators of the health of the nation's economy, representing the total dollar value of all goods and services produced in the U.S. over a given time period. GDP growth is driven by a variety of economic sectors, as explained by the Institute for Applied Economics, Los Angeles County Economic Development Corporation (LAEDC), "The largest contributor is the consumer, as household spending continues to shoulder approximately two-thirds of the economic activity of the nation. The business sector typically contributes between 15 and 20 percent of GDP. Government spending is small and often used to make up for a decline in the consumer sector, such as during a recession. Net exports contribute to or detract very little from GDP growth."

Calendar year 2016 saw some growth in real GDP, closing the year with a mediocre 1.5 percent annual growth over the previous year, compared to an increase of 2.9 percent seen in 2015, according to the U.S. Department of Commerce Bureau of Economic Analysis (BEA). LAEDC reports that the 2016 growth in real GDP was, "the slowest annual growth rate since 2011, and below the annual average for all recoveries

since the 1980s—including the current recovery period." The BEA attributes the modest increase in real GDP in 2016 to positive contributions from personal consumption expenditures, residential fixed investment, state and local government spending, exports, and federal government spending that were offset somewhat by negative contributions from private inventory investment and nonresidential fixed investment as well as increases in imports.

According to the minutes of the January 31-February 1 meeting of the Federal Open Market Committee (FOMC) of the Federal Reserve Board, real GDP growth in the fourth quarter of 2016 was estimated to have been faster than anticipated. The FOMC projects that the slow pace of growth seen at the end of 2016 will continue through the first half of 2017, and that consumer price inflation would increase over the next several years, driven by increases in food and energy prices and non-energy imports.

The UCLA Anderson Forecast June 2017 Report projects real GDP growth of 2.2 percent in 2017, 2.6 percent in 2018 and 2.2 percent in 2019, and previously cautioned that the growth target of 4 percent identified by the current Presidential administration was unlikely and could lead to increased inflation, given that the nation is near full employment. The nation's unemployment rate of 4.9 percent is projected to drop to 4.5 percent and 4.2 percent in 2017 and 2018, respectively. Many uncertainties abound with regard to the economic impacts of the federal policy changes that have been suggested since the November 2016 Presidential election. UCLA Anderson projects that significant reductions to personal and corporate taxes and reductions in regulation in the energy, environment and financial sectors could bring modest growth in the short term however, also would result in a significant increase in the federal deficit, estimated to exceed a trillion dollars by 2019, along with increased inflation and interest rates, with associated negative effects on the housing sector.

Nationally, total housing construction starts are anticipated to increase 6.7 percent in 2017, with the largest gains for single-family homes, according to Kiplinger Economic Forecasts. Kiplinger predicts low housing inventories, rising mortgage rates and modest

wage growth will drive gains in housing prices in 2017, particularly in many metropolitan areas.

California's economy is large and diverse, with global leadership in innovation-based industries including information technology, aerospace, entertainment and biosciences. A global destination for millions of visitors, California supports a robust tourism industry, and its farmers and ranchers provide for the world. California accounts for nearly 14 percent of the nation's GDP which is, by far, the largest of any state according to the BEA.

In 2016, California's economy grew an estimated 2.5 percent, outperforming the nation's real GDP growth rate, but at a slower rate of growth compared to the 2014 level of 3.8 percent. State GDP is expected to grow by 2.4 percent in 2017 and 2.6 percent in 2018. Nearly every major industry sector in the State added jobs in 2016, with the exceptions of manufacturing and natural resources, while the largest job gains were seen in the private sector industries of health care and social assistance; leisure and hospitality; and professional, scientific and technical services; and in the public sector. California's job growth is anticipated to slow to 1.7 percent in 2017 and 2018.

Along with the State's job growth, California's unemployment rate averaged 5.4 percent in 2016, the lowest in 9 years. California residents have also seen personal income gains, up 3.1 percent in 2016, due to increased employment and higher wages, although there are disparities across the State. The UCLA Anderson June 2017 Report projects that the unemployment rate in California will fall to 4.8 percent, 4.6 percent and 4.5 percent in 2017, 2018 and 2019, respectively, and that real personal income in the State will rise by 3.1 percent in 2017, 3.3 percent in 2018 and 3.2 percent in 2019. Overall, "California job creation has continued but slowed" according to Beacon Economics, noting that the State is, "effectively at full employment with little slack in the labor market. Moreover, it appears that there are not enough qualified candidates to fill job openings in some industries. Meanwhile, as rents and home prices head north, California's lower wage workers simply cannot afford to live here, adding more strain to an already tight labor market."

A strong employment sector can support continued consumer spending and taxable sales, with positive results for sales tax collection. UCLA Anderson projects real taxable sales will decline by 0.3 percent in 2017 and increase thereafter by 1.9 percent in both 2018 and 2019.

Statewide construction activity continued in 2016 with slow growth in home building evenly-balanced between single-family and multi-family construction permits. UCLA Anderson estimates total residential building permits will continue to increase at a modest pace from 101,200 units in 2016 to 105,100 units in 2017, 115,900 units in 2018 and 118,700 units in 2019. Nonresidential building permit valuation as calculated in real 2009 dollars grew 1.1 percent in 2016 and is expected to decline 1.3 percent in 2017, but to grow 2.3 percent and 1.2 percent in 2018 and 2019, respectively.

It remains to be seen what impacts California will face as a result of the shift in federal leadership on trade, immigration, taxes, regulation and economic stimulus spending. Gains in some industries may be offset by reductions in others and because federal programs generally affect the economy after about 18 months, the results may not be immediately felt.

The San Diego region is home to nearly 3.3 million residents, the second largest county in California in terms of population. The San Diego region includes the largest concentration of military in the world, making the military presence an important driver of the region's economy. In addition, San Diego is a thriving hub for the life sciences/biomedical and technology-oriented industries and a popular travel destination. The region's quality of life attracts a well-educated, talented workforce and well-off retirees which contribute to local consumer spending.

In 2016 the San Diego region accounted for 8.9 percent of California's gross State product and 8.4 percent of the State's population. According to the LAEDC, in 2016 San Diego's economy grew at an estimated 2.4 percent, slightly slower than the State's overall rate of growth, and is expected to expand at a lower rate in 2017, by 2.1 percent, and by 2.3 percent in 2018.

Overall, San Diego's economic outlook continues to be

moderately positive with growth anticipated in 2017, albeit at a slower pace than 2016. The regional gross domestic product is expected to lag in 2017, with the region trailing the State and nation in inflation-adjusted growth of only 1.2 percent, according to Kelly Cunningham, economist for the National University System Institute for Policy Research.

Slower growth could result in a slowdown of sales tax collection. According to HdL Companies, "[t]he consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years."

The region's employment showed positive results in 2016 with a 2.4 percent growth in jobs and a drop in unemployment from 5.2 percent in 2015 to 4.7 percent in 2016. Nearly all industries in the region added jobs in 2016 with the largest gains by percentage in administrative and support services; health care and social assistance; leisure and hospitality; and construction sectors. Most industries are projected to continue adding jobs, although at a slower rate of 1.8 percent in 2017 and 1.6 percent in 2018. Unemployment is projected to reach an annual rate of 4.5 percent in 2018.

Coupled with the region's low unemployment, local residents have experienced some growth in personal income. In 2016 total nominal personal income increased by 4.1 percent as a result of increased employment and rising wages. Payroll expansion is anticipated to strengthen in 2017, along with job gains, although growth will be constrained by the rate of growth in the labor force.

Price inflation in the San Diego region, as measured by the U.S. Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers (CPI-U), increased 3.3 percent over the 12 preceding months ending in July 2017. Driving the increase in CPI-U in July was increasing prices for shelter.

San Diego housing is among the least affordable in the nation. The median price of a home in the region reached \$495,000 in June 2016 and \$543,500 in June 2017. As of August 2017, it is estimated that a salary of more than \$116,000 would be needed to afford the principal, interest, taxes and insurance payments on a

local median priced home of \$605,000 in the San Diego-Carlsbad metropolitan region.

According to the LAEDC, new home construction in the region lost some momentum in 2016 with the number of building permits down by 0.3 percent to 9,970 units from 10,005 units in 2015. New home construction is anticipated to improve modestly in 2017, supported by increases in employment, population and income. Like many other urban areas of California, apartment and condominium construction is out-pacing that of single-family homes. Between 2012 and 2016, single-family construction was a mere 31 percent of new residential construction in the region.

Another measure of the housing market is the rate of foreclosures, as well as the companion indices of notices of loan default and deeds recorded (changes in ownership). According to the Assessor/Recorder/County Clerk, foreclosures compared to total deeds recorded averaged 0.3 percent over the three-year period of 2003 through 2005, then rose significantly reaching 16.9 percent in 2008 and has declined to 0.9 percent in 2016. Total deeds recorded in 2016 were 133,383, an increase of 4.1 percent from the previous year. Notices from lenders to property owners that they were in default on their mortgage loans peaked at 38,308 in 2009, and foreclosures reached a high of 19,577 in 2008. In comparison, San Diego County saw 4,352 Notices of Default in 2016, down 15.4 percent from the 2015 level of 5,142. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6 percent from 2003 through 2005. During the recession this indicator peaked at 57.5 percent in 2008 but since has declined to 27.4 percent in 2016, a decrease of 8.6 percent from 2015.

The visitor industry is the region's third largest industry and employed more than 180,000 residents in fields directly related to lodging, food service, attractions, and transportation in 2016, according to the San Diego Tourism authority. San Diego welcomes more than 34.9 million visitors annually who spend nearly \$10.4 billion at local businesses. The San Diego Travel Forecast indicates that total visits to the region were anticipated to grow 1.7 percent in 2017 and 2018, lower than previously forecasted based on weakened international

travel. Nonetheless, total spending by visitors to the region is projected to grow by 5.3 percent in 2017 and 4.2 percent by 2018 however, "uncertainty in both domestic and international markets will continue to weigh on the San Diego [lodging] market, as well as the US lodging sector as a whole."

The state of the economy impacts the ability of the County to provide the services that residents rely upon. Changing economic conditions impact the County's revenue and workload, along with the strategies used to manage the public's resources.

The real estate market impacts the County's general purpose revenue (GPR). Actual GPR increased in Fiscal Year 2016-17 from Fiscal Year 2015-16. General purpose revenue funds local services when no other funding is available and funds the County's share of costs for services that are provided in partnership with the State and federal governments. The County continues to adjust to changing roles and responsibilities in the areas of health, public safety, and redevelopment.

County management continuously evaluates and responds to the changing economic environment and its impact on the cost and the demand for County services. Specific actions are detailed in the Fiscal Year 2017-19 Adopted Operational Plan which can be accessed at <http://www.sdcountry.ca.gov/auditor/opplan/adoptedlist.html>.

County's Economic Base

The County's economic stability is based on significant manufacturing presence and innovation clusters (e.g. energy storage, cyber-security, and clean tech), a large tourist industry attracted by the favorable climate of the region, a considerable defense-related presence from federal spending, and a thriving hub of biotech and telecommunications industries. Highlights of seasonally unadjusted County employment as of August 2017 data from the California Employment Development Department Labor Market Information Division are listed below:

- Non-farm industry employment totals 1.4 million jobs. This represents a gain of more than 24,000 jobs from August 2016. In comparison, agriculture includes 9,400 jobs, or 0.6 percent of all industries in the region.

- Goods-producing industries make up 13.1 percent of non-farm employment or 188,600 jobs. The most significant sectors include manufacturing, which accounted for 7.4 percent of non-farm employment or 107,400 jobs; and construction employment, which accounted for 5.6 percent of total non-farm employment or 80,900 jobs.
- Private (non-government) services industries constitute the largest share of employment in the region and accounted for 70.4 percent of non-farm employment, with more than 1.0 million employed. These industries include: transportation, information, financial activities, professional and business services, education and health services, leisure and hospitality, and other services.
- Of these, professional and business services make up the largest non-government sector, comprising 23.1 percent of private service-providing employment, totaling 235,300 jobs. Other large non-government sectors in this industry category include: trade, transportation and utilities (220,300 jobs), educational and health services (201,800 jobs) and leisure and hospitality (198,700 jobs).
- Government accounted for 16.5 percent of non-farm service-providing employment, or 238,800 jobs. San Diego's local governments, including education, contribute significantly to this sector.

County revenues that are affected by the state of the local economy include property taxes, sales taxes, and charges for services. Key factors impacting these revenues include real estate activity and consumer spending which are in turn greatly influenced by interest rates and employment levels. Short and long-term interest rates remain low by historical standards.

On balance, based on trends noted, the region's economic performance is expected to maintain slow but steady growth. Yet this conclusion will be impacted by the economic effects of changes in federal policy and administration. Results for the local region will likely be a mix of gains and losses. As the USD Index of Leading Economic Indicators notes, "[a]mong the proposals that have been mentioned that might benefit the local economy are spending on infrastructure, tax cuts, and a boost in defense spending. On the latter, San Diego could benefit from increased personnel and from increased shipbuilding as the Navy expands. On the downside, increased trade barriers, particularly against Mexico and China, could

hurt local companies that sell in an international market. Any gains from manufacturing returning to the United States would not likely benefit San Diego as those would involve heavy manufacturing, which is not a significant sector of the local economy."

General Management System

The General Management System (GMS) is the County's foundation that guides operations and service delivery to residents, businesses and visitors. The GMS identifies how the County sets goals, prioritizes the use of resources, evaluates performance, ensures collaboration and recognizes accomplishments in a structured, coordinated way. By communicating and adhering to this strategic framework, the County of San Diego is able to create and maintain an organizational culture that values transparency, accountability, innovation, and fiscal discipline and that provides focused, meaningful public services.

At the heart of the GMS are five overlapping components which ensure that the County asks and answers crucial questions, as well as completes required deliverables:

- Strategic Planning
- Operational Planning
- Monitoring and Control
- Functional Threading
- Motivation, Rewards and Recognition

These five GMS components form an annual cycle that is renewed each fiscal year with review of the Strategic Plan and development of a new Operational Plan. More information about the GMS and the Strategic Plan is available online at: www.sdcounty.ca.gov/cao/.

Context for Strategic and Operational Planning

To be effective, the goals that the County sets and the resources that are allocated must be consistent with the purpose of the organization. The context for all strategic and operational planning is provided by the County's vision; a vision that can only be realized through strong regional partnerships with the community, stakeholders and employees.

Vision:

A region that is Building Better Health, Living Safely and Thriving - Live Well San Diego

Mission:

To efficiently provide public services that build strong and sustainable communities

Values:

The County recognizes that "The noblest motive is the public good." As such, there is an ethical obligation for employees to uphold basic standards as we conduct operations. The County is dedicated to:

- **Integrity - Character First**
 - We maintain the public's trust through honest and fair behavior
 - We exhibit the courage to do the right thing for the right reason
 - We are dedicated to the highest ethical standards
- **Stewardship - Service Before Self**
 - We are accountable to each other and the public for providing service and value
 - We uphold the law and effectively manage the County's public facilities, resources and natural environment
 - We accept personal responsibility for our conduct and obligations
 - We will ensure responsible stewardship of all that is entrusted to us
- **Commitment - Excellence in all that we do**
 - We work with professionalism and purpose
 - We make a positive difference in the lives of the residents we serve
 - We support a diverse workforce and inclusive culture by embracing our differences
 - We practice civility by fostering an environment of courteous and appropriate treatment of all employees and the residents we serve
 - We promote innovation and open communication

Strategic and Operational Planning (Budgetary) Process

The County ensures operations are strategically aligned across the organization by developing a five-year Strategic Plan that sets forth priorities the County

will accomplish with public resources. The Strategic Plan is developed by the Chief Administrative Officer (CAO) and the County Executive Team, based on the policies and initiatives set by the Board of Supervisors, an enterprise review of the issues, risks and opportunities facing the region and reflects the changing environment, economy and community needs. All County programs support at least one of these four Strategic Initiatives through Audacious Visions, Enterprise-Wide goals and Cross-Departmental or departmental objectives that make achievement of the initiatives possible. The Strategic Initiatives include:

- **Healthy Families**
- **Safe Communities**
- **Sustainable Environments**
- **Operational Excellence**

The Operational Plan provides the County's detailed financial plan for the next two fiscal years. However, pursuant to Government Code Section 29000 et seq., State law allows the Board of Supervisors to formally adopt only the first year of the Operational Plan as the County's budget. The Board approves the second year of the plan in principle for planning purposes. To demonstrate that resources are allocated to support the County's Strategic Plan, all program objectives in the Operational Plan and department performance measures are aligned with the County's Strategic Initiatives, Audacious Visions and/or Enterprise-Wide Goals. State law permits modifications to the adopted budget during the year with approval by the Board of Supervisors, or in certain instances, by the Deputy Chief Administrative Officer/Auditor and Controller. The Chief Administrative Officer reviews the status of the County's performance against the budget, and requests adjustments as needed, in a quarterly status report to the Board of Supervisors.

Financial (Budgetary) Policies

California Government Code (GC) Sections 29000 through 29144 provide the statutory requirements pertaining to the form and content of the County's budget. Government Code Section 29009 requires a balanced budget in the recommended, adopted and final budgets, defined as "funding sources shall equal the financing uses".

County Charter Section 703 establishes the Chief Administrative Officer as responsible for all Groups/Agencies and their departments (except departments with elected officials as department heads), for supervising the expenditures of all departments and for reporting to the Board of Supervisors whether specific expenditures are necessary.

County Code of Administrative Ordinances Article VII establishes the components and timeline for the budget process and establishes the Chief Administrative Officer as responsible for budget estimates and submitting recommendations to the Board of Supervisors. This article also establishes guidelines for the use of fund balance and the maintenance of reserves in order to protect the fiscal health and stability of the County. Expenditures for services are subject to fluctuations in demand and revenues are influenced by changes in the economy and State and federal regulations. This section ensures the County is prepared for unforeseen events by establishing and maintaining prudent levels of fund balance and reserves, and by ensuring that all one-time resources generated by the County are appropriated for one-time expenditures only.

The County has the following financial policies that serve as guidelines for the budget process:

Board of Supervisors Policies

A-136 Use of County of San Diego General Management System for Administration of County Operations: Establishes the General Management System (GMS) as the formal guide for the administration of County departments, programs and services, and ensures that all County departments and offices operate in compliance with the GMS.

B-29 Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery: Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-37 Use of the Capital Program Funds: Establishes funding methods, administration and control, and allowable uses of the Capital Program Funds.

B-58 Funding of the Community Enhancement Program: Establishes guidelines and criteria for

allocating the appropriations for the Community Enhancement Program.

B-63 Competitive Determination of Optimum Service Delivery Method: Provides that selected departments analyze services, either County operated or contracted, to determine if the quality, economy and productivity are equal to that of an alternative delivery method, including other government agencies, and to determine how the revenues can be maximized so the highest level or volume of services can be provided.

E-14 Expenditure of Tobacco Settlement Revenue in San Diego County: Establishes that revenue received from the Tobacco Master Settlement Agreement (1998) shall be allocated to support a comprehensive tobacco control strategy, to increase funding for health care-based programs, and to supplement, but not replace, existing health care revenue.

B-65 Long-Term Financial Management Policy: Governs the management and planning for the long-term financial outlook and obligations that bear the County of San Diego's name or name of any subordinate Agency for the County.

B-72 Neighborhood Reinvestment Program: Establishes guidelines and criteria for allocating the appropriations for the Neighborhood Reinvestment Program.

M-13 Legislative Policy: State-Mandated Local Program Costs: Calls on the State and Federal Legislature to encourage equitable reimbursement of mandated program costs.

Administrative Manual

0030-01 Procedure for Fees, Grants and Revenue Contracts for Services Provided to Agencies or Individuals Outside the County of San Diego Organization: Establishes a procedure within the framework of Board of Supervisors Policy B-29, to serve as guidance in the process of recovering full costs for services provided to agencies or individuals outside the County of San Diego organization under grants or contracts or for which fees may be charged.

0030-06 State Mandated Cost Recovery: Establishes guidelines to attempt full recovery of all State-mandated costs resulting from chaptered legislation and executive orders.

0030-10 Transfers of Appropriations Between Objects within a Budget Unit: Establishes a procedure authorizing the Auditor and Controller, under the direction of the CAO, to transfer appropriations between objects within a budget unit (department).

0030-14 Use of One-Time Revenues: Establishes that one-time revenue will be appropriated only for one-time expenditures such as capital projects or equipment, not for ongoing programs.

0030-18 Establishing Funds and Transfer of Excess Cash Balances to the General Fund: Establishes the procedure for approval and establishment of funds and a policy to transfer cash balances into the General Fund, as authorized by California Government Code Section 25252.

0030-22 Revenue Management - Auditor and Controller Responsibilities: The Auditor and Controller is responsible for reviewing and evaluating revenues from all sources in order to maximize these revenues within legal provisions and to institute internal controls and systems to be used by departments to estimate, claim, and collect revenues.

0030-23 Use of the Capital Program Funds (CPFs), Capital Project Development and Budget Procedures: Establishes procedures for developing the scope of capital projects, monitoring the expenditure of funds for capital projects, timely capitalization of assets and closure of capital projects within the Capital Program Funds.

Strategic Initiatives and Achievements

Strategic planning communicates the County's strategic direction for the next five years. The Strategic Plan explains the County's four strategic initiatives, in addition to its vision, mission and values. The four strategic initiatives focus on how the County achieves the vision of a region that is Building Better Health, Living Safely and Thriving.

The five-year Strategic Plan is developed by the Chief Administrative Officer, the Assistant CAO/Chief Operating Officer, the five General Managers and the Strategic Planning Support Team based on the policies and initiatives set by the Board of Supervisors and a countywide review of the risks and opportunities facing the region.

The four strategic initiatives are:

- **Healthy Families** - ensure every resident has the opportunity to make positive healthy choices, that San Diego County has fully optimized its health and social service delivery system and makes health, safety and thriving a focus of all policies and programs.
- **Safe Communities** - make San Diego the safest and most resilient community in the nation, where youth are protected and the criminal justice system is balanced between accountability and rehabilitation.
- **Sustainable Environments** - strengthen the local economy through planning, development and infrastructure, protect San Diego's natural and agricultural resources and promote opportunities for residents to engage in community life and civic activities.
- **Operational Excellence** - promote continuous improvement in the organization through problem solving, teamwork and leadership, focus on customers' needs and keep employees positive and empowered.

Strategic planning starts with audacious visions, which are bold statements detailing the impact the County wants to make in the community. Enterprise-wide goals (EWGs) support the audacious visions by focusing on collaborative efforts that inspire greater results than any one department could accomplish alone. Audacious visions and EWGs are developed to support each of the strategic initiatives.

County EWGs for each Initiative include:

Healthy Families

- Promote the implementation of a service delivery system that is sensitive to those individuals who have been affected by traumatic circumstances.
- Strengthen the local food system and support the availability of healthy foods, nutrition education and nutrition assistance for those who need it.
- Pursue policy change for healthy, safe and thriving environments with a special focus on residents who are in our care or rely on us for support.
- Leverage internal communication resources, resource groups, and social media to enhance employee understanding of Live Well San Diego.

Safe Communities

- Encourage and promote residents to take important and meaningful steps to protect themselves and their families for the first 72 hours during a disaster.
- Plan, build and maintain safe communities to improve the quality of life for all residents.
- Strengthen our prevention and enforcement strategies to protect our youth from crime, neglect and abuse.
- Expand data-driven crime prevention strategies and utilize current technologies to reduce crime at the local and regional level.
- Fully implement a balanced-approach model that reduces crime by holding offenders accountable while providing them access to rehabilitation.

Sustainable Environments

- Provide and promote services that increase consumer and business confidence.
- Enhance the quality of the environment by focusing on sustainability, pollution prevention and strategic planning.
- Foster an environment where residents engage in recreational interests by enjoying parks, open spaces and outdoor experiences.
- Create and promote diverse opportunities for residents to exercise their right to be civically engaged and finding solutions to current and future challenges.

Operational Excellence

- Align services to available resources to maintain fiscal stability.
- Provide modern infrastructure, innovative technology and appropriate resources to ensure superior service delivery to our customers.
- Strengthen our customer service culture to ensure a positive customer experience.
- Develop, maintain and attract a skilled, adaptable and diverse workforce by providing opportunities for our employees to feel valued, engaged and trusted.

Within the structure of the two-year operational planning process, the County plans for and attains interim progress toward achievement of the Strategic Initiatives. Some of the highlights over the last year include:

Healthy Families

- The Health and Human Services Agency (HHSA) initiated ongoing actions to prevent and address elder abuse and help community members plan for their financial health and end-of-life needs through the Alzheimer's Project implementation plan. As part of these efforts, a regional strategy was created to improve services for those with Alzheimer's disease by coordinating community responses to incidents of wandering, identifying affordable and available care services for those with the disease, providing support to caregivers and furthering efforts to find a cure for the disease. Accomplishments included:
 - Secured \$1 million in funding over three years from the Administration for Community Living (ACL), Administration on Aging-Alzheimer's Disease Initiative: Specialized Supportive Services (ADI-SSS) Project. The principal goal of the grant is to improve the capability of San Diego County's aging and disability network by consistently identifying individuals with Alzheimer's disease and related dementia (ADRD) and increasing quality, quantity and accessibility of ADRD-related services. Over the three-year period, the funding will:
 - Reduce caregiver burden by offering two respite programs with dementia-specific case management;
 - Increase identification of individuals with ADRD through brief screening and referrals to physicians for diagnosis; and
 - Expand evidence-informed behavioral symptom management training and expert consultation for family caregivers through a train the trainers program.
- Achieved national accreditation from the Public Health Accreditation Board demonstrating HHSA's commitment to improve and protect the health of the public by advancing the quality and performance of our Public Health Services. The County has become one of six California health departments to earn this distinction. Of nearly 3,000 governmental public health departments in the nation only 135 health departments have earned accreditation status, since the program was launched in 2011.

- HHSA hosted the first-ever Live Well San Diego Advance to bring together over 700 partners and stakeholders to collaborate and celebrate six years of healthy, safe and thriving communities in San Diego. The Advance engaged representatives from each sector, from business to education and community organizations, to network, learn about new tools and best practices, and participate in engaging breakout sessions. Program sessions included: Healthy, Safe, and Thriving Kids; Engaging Business and Leveraging Human Capital; Growing Resilience in Our Communities to Heal Trauma; and Data and Technology for Action & Results.

Safe Communities

- The Sheriff's Department built access to assessment, referral and treatment for inmates with mental health disorders and substance abuse needs, in order to better facilitate rehabilitation, by:
 - Performing health assessments following intake at San Diego Central Jail to improve clinical outcomes and ensure quality health care for patients;
 - Deploying a new onsite mental health provider, which included access to psychiatrists, a licensed psychologist, and psychiatric nurse practitioners dedicated to performing full mental health assessments, risk identification, treatment and management of a growing population in custody with mental health issues;
 - Enhancing and expanding the Detention Services Bureau's Inmate Safety Program, which includes training hundreds of deputies, and adding six mental health clinicians to better meet the needs of inmates within and across facilities; and
 - Providing additional training to primary health care providers in detention facilities to better recognize and manage mental health issues by launching the Mental Health Training Program, including PERT Training for the detention setting.
- San Diego County Library (SDCL) provided relevant adult programs that promoted lifelong learning and civic engagement by serving more than 150,000 participants, exceeding past levels of service by 55,000 program participants. SDCL also provided students and families a safe place for the pursuit of education and constructive civic engagement in support of the County's Live Well

San Diego Living Safely initiative by offering over 300 after-school programs each month, exceeding planned levels of service by 35 programs per month.

- In a typical year, the Department of Animal Services takes in approximately 24,000 animals including dogs, cats, rabbits, birds, snakes, roosters, horses and other livestock. Through partnerships with local animal welfare organizations in the Getting to Zero program, no healthy or treatable animal has been euthanized since July 2015. Since implementing Getting to Zero, the live release rate has increased from 78.9% in Fiscal Year 2014-15 to 82.7% in Fiscal Year 2016-2017, the highest live release rate in department history.

Sustainable Environments

- The Department of General Services (DGS) improved County operations through sustainability efforts such as preparing greenhouse gas (GHG) inventories of County operations for calendar year 2016. DGS Achieved a 7.8% reduction in total GHG emissions compared to the prior calendar year.
- The Registrar of Voters successfully conducted a record-setting Presidential General Election in 2016, as measured by community engagement (exceeding staffing recruitment goals for polling sites by 3%), participation in the early Mail Ballot Drop Off Program (a 528% increase above the 2014 Gubernatorial General Election), and enrollment of permanent vote-by-mail voters (an 18% increase above the 2016 Presidential Primary Election).

Operational Excellence

- The Treasurer-Tax Collector (TTC) conducted its first online property tax sale auction which grossed \$5.6 million in sales, topping totals from previous in-person auctions. Under California law, counties can auction off properties to recover unpaid back taxes if owners fail to pay their property taxes for five years or longer. Bidders won 343 properties for a total of \$5,613,700. The TTC previous record stood at \$3.49 million from the 2013 auction, when 62 properties were sold.
- The County has maintained the highest possible ratings with all three major municipal credit rating agencies: Aaa rating with Moody's Investor Service, AAA rating with Standard & Poor's, and AAA with Fitch Ratings. County staff annually meets with the rating agencies to provide an update on County finances and operations. The ratings reflect the

County's maintenance of a very strong fiscal position. The County's overall credit quality also benefits from stable and prudent management, which maintained the County's resilient credit strength.

- Significantly enhanced the ability to deliver services to the residents of San Diego County by increasing the number of calls handled related to public assistance benefits and reduced call wait times by over 50% to the Health and Human Services Agency's Access Customer Service Center within the last year. This is a result of process improvements made in 2015 as well as the implementation of a dedicated Community Based Organization line to assist the most vulnerable residents more quickly and efficiently.
- The Health and Human Services Agency implemented automated call messages and text reminders for Medi-Cal, CalFresh and CalWORKs renewals and Semi-Annual Reporting. This innovative use of technology was applied to help remind customers of upcoming appointments or verifications, reduce the churn rate, assist in relocating staff resources to other critical tasks, ensure customers' benefits were received timely and in an uninterrupted fashion and improve productivity and efficiency for Family Resource Center operations.
- Selected a contractor via a competitive procurement process and negotiated a new agreement for the continued outsourcing of the County's Information Technology and Telecommunications services. A new Information Technology and Telecommunications Agreement was approved by the Board of Supervisors in November 2016.
- In February 2017 the County launched the "Tell Us Now" mobile app, which allows residents in unincorporated communities to use their smart phones to submit concerns to the County about a variety of issues as soon as they see them. Residents can report potholes, abandoned cars, graffiti, overcharges at the store or gas station, and even air quality complaints. The app features a GPS component that shows the exact location of the reported issue. Residents can reach four different County departments this way: Planning and Development Services; Air Pollution Control District; Department of Public Works; and Agriculture, Weights and Measures.

- The Department of Environmental Health made it easier for the public to obtain records by making over 250,000 documents accessible online through Accela Citizen Access. This includes septic and graywater layouts and permits; boundary adjustments; mobile home plans and inspections; monitoring well permits, inspections and well completion reports; recycled water plans and inspections; Site Assessment and Mitigation (closed environmental clean-up cases) files; and water well permits, sample results and well logs.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Other Awards and Recognitions

The County of San Diego workforce continually plans to cut costs, streamline processes, incorporate the newest technology and expand services to improve the lives of residents and save taxpayer dollars. While the goal is to improve communities, it is gratifying to be recognized for those efforts. The following is a sample of the recognition the County received during the past fiscal year for its leadership and excellence in operations:

- The County earned 56 Achievement Awards from the National Association of Counties for its innovative programs. Some of the award-winning programs include:
 - Leveraging Tablet/4G Tech for Process Automation, an Assessor/Recorder/County Clerk program that uses mobile technology to automate the tracking and location of boats

docked at marinas in San Diego County. Since implemented, the County has inventoried 12,000 boats in 70 marinas. Previously, inventory was paper-based and required extensive time to prepare. This new process also improved customer satisfaction by enabling automatic and real-time updates to the line of business application for a greater percentage of timely submission of unsecured tax valuations.

- The San Diego County District Attorney's Office Conviction Review Unit (CRU): Continuing the District Attorney's Office tradition of assuring post-conviction justice, the agency established the CRU to examine post-conviction claims of innocence where credible and verifiable evidence is identified or new technology exists to test or retest remaining evidence.
- The San Diego County Fire Authority's (SDCFA's) Regional Fire Prevention Program. Through partnerships with other fire agencies, the SDCFA Fire Prevention Division is able to provide prevention services across several jurisdictional boundaries spanning 2,800 square miles and serving a combined population in excess of 150,000. By working across traditional jurisdictional boundaries, the SDCFA is able to include other agencies and also provide regional consistency in the fire code regulations. This improves fire and life safety on a much larger scale and provides substantial processing efficiencies and cost savings for the county and several fire agencies.
- The Office of Emergency Services' County Security Initiative, a project that includes policy development, vulnerability assessments, site action plans, employee notification systems, training, and employee outreach for hostile situations.
- The Probation Department created a 20-bed Trauma Responsive Unit (TRU) in Juvenile Hall to provide evidence-based treatment to youth affected by traumatic experiences.
- The Department of Public Works Pedestrian Gap Analysis, a customized app to review the safety and walkability of more than 800 miles of sidewalks in 26 communities in the unincorporated area. As a result, Public Works was able to capture survey data in the field and cover all 800+ miles in just 7 months. The Pedestrian Gap Analysis report, completed in June 2016, led to a priority list for sidewalk projects and a \$1 million allocation for construction. Work to improve 1,800 feet of sidewalks in 5 communities is scheduled to begin in fall 2018.
- Planning and Development Services' (PDS) online Document Library. Members of the public who are interested in county planning and development projects can now find out more about them from their home or office. They can go online to research and download project-related documents such as Environmental Impact Reports and Use Permits. PDS was able to place 121, 718 documents into the PDS Document Library for the public to access. As of December 2016, there were nearly 9,000 visits to the PDS Document Library site, saving both the public and employee time, energy and money.
- For the 17th consecutive year, the Department of Purchasing and Contracting received the Achievement in Excellence in Procurement, awarded by the National Institute of Government Purchasing: The Institute for Public Procurement. This award recognizes organizations which demonstrate innovation, professionalism, e-procurement, productivity and leadership attributes of the procurement function.
- The County Communications Office (CCO) was a big winner at the National Association of Telecommunications Officers and Advisors' (NATOA) Government Programming Awards in Austin, Texas. CCO took home nine awards total. It won an Overall Excellence award and picked up two first place awards: for Best Website for countynewscenter.com and in the Public Education category for a piece on the CalWIN Electronic Records Management System in HHSA. CCO also received third place honors in four categories: Promotion of a City/County, Documentary, Community Awareness, & Social Media and additionally received two honorable mentions: Story on using dogs to help vets suffering from PTSD and "Now You Know" video on registering to vote.
- The County Parks and Recreation Department earned national reaccreditation from the Commission for Accreditation of Park and Recreation Agencies (CAPRA). The only national accreditation for parks and recreation operators,

CAPRA measures parks and recreation agencies for excellence in operation and service through 152 benchmarks of quality. It is the first California County to be reaccredited, after receiving national commendation five years ago when the Department became the 13th Park nationwide to receive accreditation. The 2-year accreditation process required County Parks' leaders and staff to conduct an extensive self-assessment, compiling data and documents to demonstrate best practices in all aspects of the department. A committee of


industry professionals evaluated this information during a site visit, earlier this year. Agencies must be reaccredited every 5 years.


Acknowledgments

We would like to express our appreciation to the accounting staff of County departments and the staff of the Auditor and Controller's department whose coordination, dedication and professionalism are responsible for the preparation of this report. We would also like to thank Vavrinek, Trine, Day & Co., LLP for their professional support in the preparation of the CAFR. Lastly, we thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staff for using sound business practices while conducting the financial operations of the County.

Respectfully,




DONALD F. STEUER
Assistant CAO/
Chief Operating Officer


TRACY M. SANDOVAL
Deputy CAO/
Auditor and Controller





Government Finance Officers Association

**Certificate of
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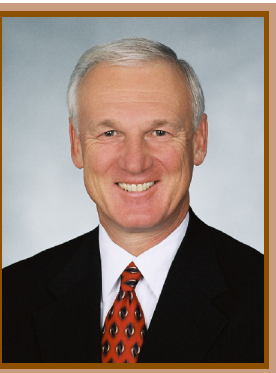
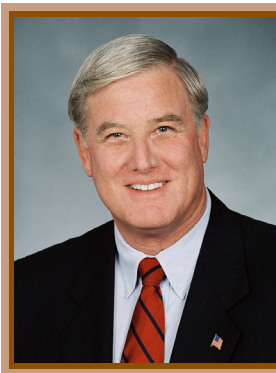
**County of San Diego
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO



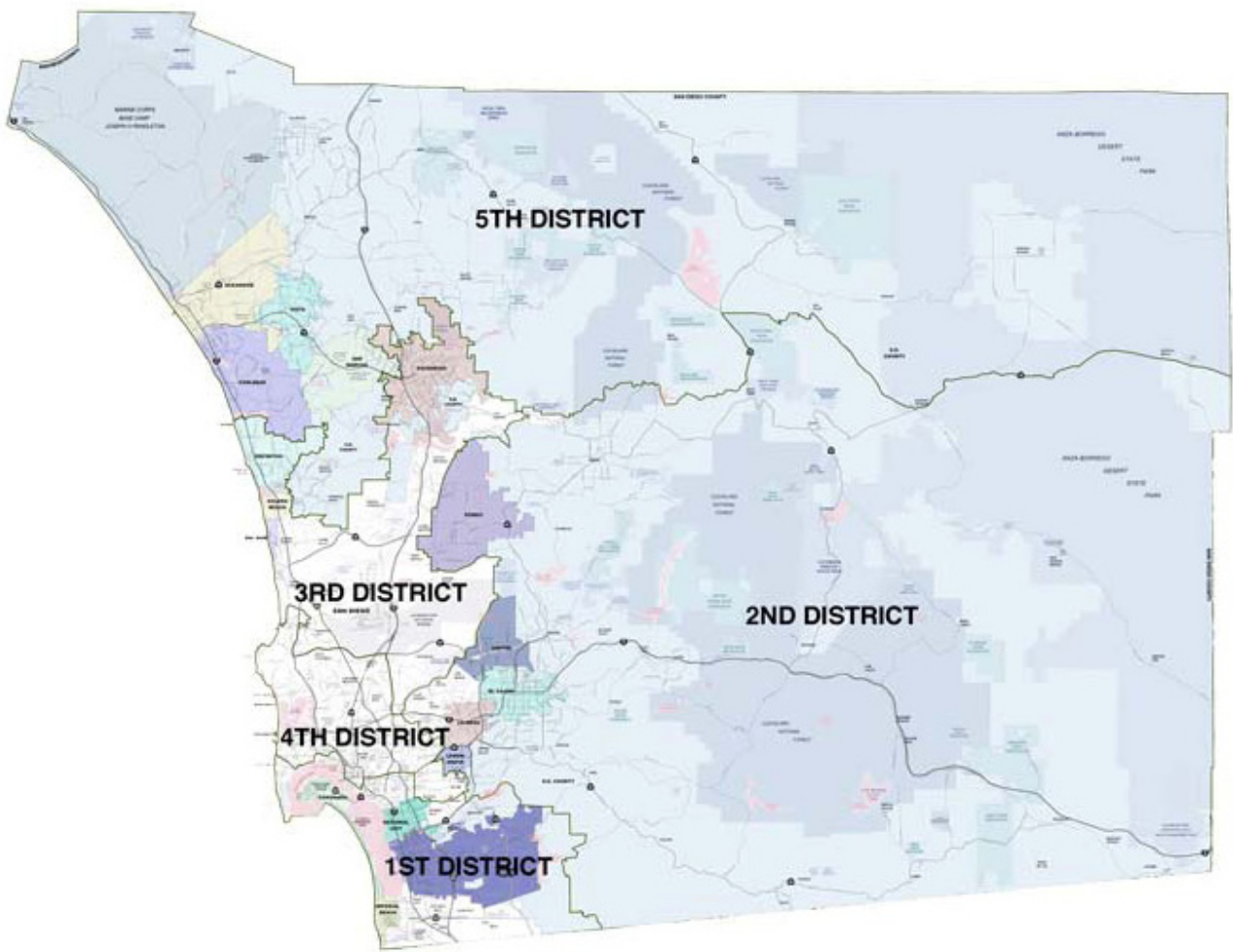
Greg Cox
District 1

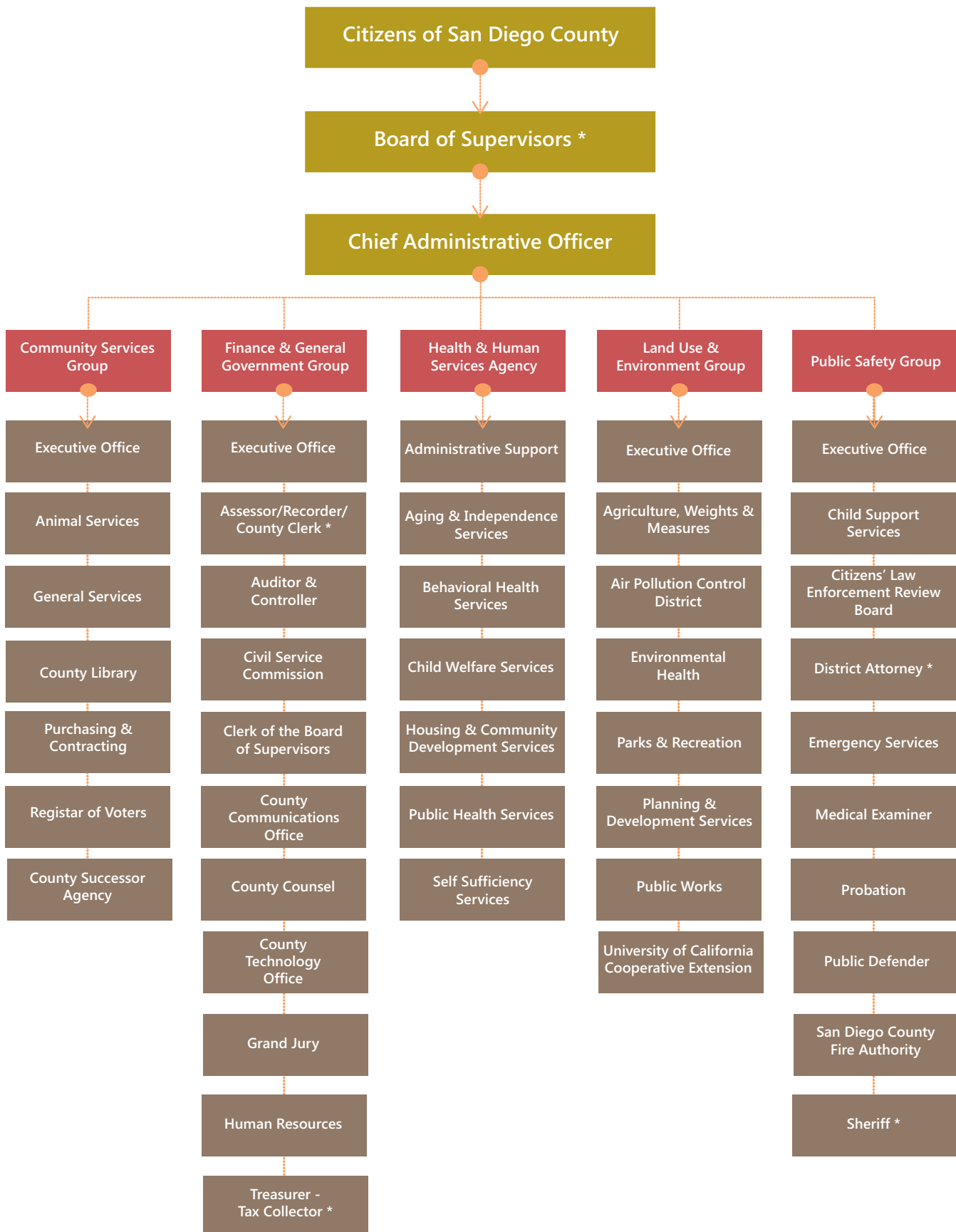
Dianne Jacob
District 2
Chair

Kristin Gaspar
District 3
Vice Chair

Ron Roberts
District 4

Bill Horn
District 5





* Elected official(s)

Chief Administrative Office

Chief Administrative Officer	Helen N. Robbins-Meyer
Assistant Chief Administrative Officer/Chief Operating Officer	Donald F. Steuer

Elected Officials

Assessor/Recorder/County Clerk	Ernest Dronenburg
District Attorney	Summer Stephan
Treasurer - Tax Collector	Dan McAllister
Sheriff	Bill Gore

General Managers

Community Services Group	April Heinze
Finance & General Government Group	Tracy Sandoval
Health & Human Services Agency	Nick Macchione
Land Use & Environment Group	Sarah Aghassi
Public Safety Group	Ron Lane

Department Heads

Agriculture, Weights & Measures	Ha Dang
Air Pollution Control District	Bob Kard
Animal Services	Dan DeSousa
Auditor and Controller	Tracy Sandoval
Behavioral Health Services	Alfredo Aguirre
Chief of Staff/CAO	Andrew Strong
Child Support Services	Jeff Grissom
Child Welfare Services	Cathi Palatella
Civil Service Commission	Todd Adams
Clerk of the Board of Supervisors	David Hall
County Communications Office	Michael Workman
County Counsel	Tom Montgomery
County Technology Office	Mikel D. Haas
Emergency Services	Holly Crawford
Environmental Health	Elise Rothschild
Ethics & Compliance	Joe Cordero
General Services	Marko Medved
Health & Human Services Agency (HHSA) Operations	Dean Arabatzis
HHSA - Aging & Independent Services, North Inland & North Coastal Regions	Chuck Matthews
HHSA - Central & South Regions/ACCESS	Barbara Jimenez
HHSA - East & North Central Regions	Kimberly P. Gallo
HHSA - Housing & Community Development Services	Todd Henderson
HHSA - Integrated Services	David Estrella
HHSA - Strategy & Innovation	Dale Fleming
Human Resources	Susan Brazeau
Library	Migell Acosta
Medical Examiner	Glenn Wagner
Parks & Recreation	Brian Albright
Planning & Development Services	Mark Wardlaw
Probation	Adolfo Gonzales
Public Defender	Randy Mize
Public Health Services	Wilma Wooten, M.D.
Public Works	Rich Crompton
Purchasing & Contracting	Jack Pellegrino
Registrar of Voters	Michael Vu
Strategy & Intergovernmental Affairs	Geoff Patnoe
University of California Cooperative Extension	James Bethke



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Diego, California (County) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the First 5 Commission of San Diego (Commission), the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 22 through 41, the schedules of the County's proportionate share of net pension liability and contributions on page 120, the schedules of revenues, expenditures, and changes in fund balance – budget and actual for the General Fund, Public Safety Fund, and Tobacco Endowment Fund on pages 121 through 125, and related notes on page 126, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.


San Diego, California
November 30, 2017

This section of the County of San Diego's (County) Comprehensive Annual Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2017.

The intent of the information presented here, in conjunction with the Letter of Transmittal is to provide the reader with a clearer picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources at the close of the fiscal year 2017 by \$2.82 billion (net position). Of this amount, \$3.30 billion represents net investment in capital assets; \$597 million is restricted for specific purposes (restricted net position); and the remaining portion represents negative unrestricted net position of \$(1.08) billion.
- Total net position decreased by \$54.6 million as follows:
 - Governmental activities net position decreased by \$63.9 million. The current and other assets and deferred outflows of resources increases of \$165.1 million and \$1.070 billion, respectively; coupled with long-term liabilities (without regard to the net pension liability), other liabilities and deferred inflows of resources decreases of \$42.3 million, \$24.3 million and \$40.4 million, respectively; all had the effect of increasing net position, while decreases to net position included the \$13 million decrease of capital assets coupled with the \$1.393 billion increase of the net pension liability.
 - Business-type activities net position increased by \$9.3 million. The current and other assets, capital assets and deferred outflows of resources increases of \$4.4 million, \$6.6 million and \$4.7 million, respectively; coupled with long-term liabilities (without regard to the net pension liability) and deferred inflows of resources decreases of \$150 thousand and \$170 thousand, respectively; all had the effect

of increasing net position, while decreases to net position included the \$6.12 million increase of the net pension liability and the \$600 thousand increase of other liabilities.

- General revenues for governmental activities were \$1.25 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for \$1.09 billion or 87%; while transient occupancy tax, real property transfer tax, miscellaneous taxes, sales and use taxes, investment earnings and other general revenues accounted for \$160 million or 13%.
- Program revenues for governmental activities were approximately \$2.97 billion. Of this amount, \$2.42 billion or 82% was attributable to operating grants and contributions coupled with capital grants and contributions, while charges for services accounted for \$548 million or 18%.
- Total expenses for governmental activities were \$4.29 billion. Public protection accounted for \$1.46 billion or 34%, while public assistance accounted for \$1.18 billion or 27% of this amount. Additionally, health and sanitation accounted for \$724 million or 17%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) *Government-wide* financial statements, 2) *Fund* financial statements, and 3) *Notes* to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

The *Government-wide financial statements* are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all County assets and deferred outflows of resources, offset by liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The illustration below depicts the required components of the basic financial statements.

Summary



The *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the aforementioned 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. The business-type activities of the County include airport operations, jail stores commissary operations, and sanitation districts.

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

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

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

The County maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Safety Special Revenue Fund, and the Tobacco Endowment Special Revenue Fund; all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each

of these nonmajor governmental funds is provided in the combining and individual fund information and other supplementary information section in this report.

Proprietary funds are generally used to account for services for which the County charges customers - either outside customers, or internal departments of the County. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County maintains the following types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for airport operations, jail stores commissary operations, and sanitation services. These nonmajor enterprise funds are combined and aggregated. Individual fund data for each nonmajor enterprise fund is provided in the combining and individual fund information and other supplementary information section in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to 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. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The County's *internal service funds* are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the combining and individual fund information and other supplementary information section in this report.

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

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information (RSI) is also presented. It provides budgetary comparisons for the General Fund, Public Safety Special Revenue Fund, and the Tobacco Endowment Special Revenue Fund (all major funds) in separate Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual. It also provides information about the County's proportionate share of the San Diego County Employees Retirement Association pension plan (SDCERA_PP) collective net pension liability and information regarding the County's contributions to the SDCERA-PP.

Combining financial statements/schedules and supplementary information section of this report presents combining and individual fund statements and schedules referred to earlier that provide information for nonmajor governmental funds, enterprise funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information section of this report.

Government-wide Financial Analysis

Table 1

Net Position June 30, 2017 and 2016 (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 3,916,376	3,751,252	85,026	80,623	4,001,402	3,831,875
Capital assets	3,426,511	3,439,540	174,044	167,453	3,600,555	3,606,993
Total assets	7,342,887	7,190,792	259,070	248,076	7,601,957	7,438,868
DEFERRED OUTFLOWS OF RESOURCES						
Total deferred outflows of resources	1,806,299	736,100	7,917	3,205	1,814,216	739,305
LIABILITIES						
Long-term liabilities	5,830,117	4,479,203	18,009	12,024	5,848,126	4,491,227
Other liabilities	573,152	597,485	3,114	2,520	576,266	600,005
Total liabilities	6,403,269	5,076,688	21,123	14,544	6,424,392	5,091,232
DEFERRED INFLOWS OF RESOURCES						
Total deferred inflows of resources	170,443	210,864	701	869	171,144	211,733
NET POSITION						
Net investment in capital assets	3,130,429	3,124,804	174,044	167,282	3,304,473	3,292,086
Restricted	596,862	604,917			596,862	604,917
Unrestricted	(1,151,817)	(1,090,381)	71,119	68,586	(1,080,698)	(1,021,795)
Total net position	\$ 2,575,474	2,639,340	245,163	235,868	2,820,637	2,875,208

Analysis of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by \$2.82 billion at the close of fiscal year 2017, a decrease of \$54.6 million or 2% over fiscal year 2016. This included a \$12.4 million increase in net investment in capital assets, (a .4% increase over fiscal year 2016), and a decrease of approximately \$8.1 million in the County's restricted net position (a 1.3% decrease over fiscal year 2016). Additionally, unrestricted net position decreased by \$58.9 million, (a 5.8% decrease over fiscal year 2016).

The aforementioned decrease of \$54.6 million in net position was composed of the following changes in total assets, deferred outflows of resources, liabilities, and deferred inflows of resources:

- Total assets increased by \$163.1 million. This included an increase of \$169.5 million in current and other assets offset by a \$6.4 million decrease in capital assets. The net increase of \$169.5 million in current and other assets was primarily attributable to an increase in cash and investments (including restricted and unrestricted cash and investments with fiscal agents) of \$170.7 million, a \$3.3 million increase in property taxes receivables, net, a \$1.9 million increase in inventories, a \$4.4 million increase in prepaid items, offset by a decrease of \$9.2 million in receivables, net (excluding property taxes), and a \$1.6 million decrease in lease receivable.
- The \$170.7 million net increase in cash and investments, (including restricted and unrestricted cash and investments with fiscal agents) is principally due to a \$9.2 million decrease in receivables, net (excluding property taxes), a \$1.6 million decrease in lease receivable, coupled with a \$33.7 million increase in unearned revenue, offset by a \$3.3 million increase in property taxes receivables, net, an \$11.9 million decrease accounts payable, a \$44.1 million decrease in accrued payroll, and a \$1.4 million decrease in accrued interest; all of which have the net effect of decreasing cash; coupled with increases to cash mainly attributable to \$33.8 million and \$19.6 million in secured property taxes and property taxes in lieu of vehicle license fees, respectively, coupled with \$ 22.9 million in State Aid Mental Health Services

Act monies, \$51.9 million in various State aid realignment, \$16.8 million in Behavioral Health realignment, \$13.9 million in institutional care hospital monies due in part to the Intergovernmental Transfer tied to Whole Person Wellness pilot project, \$6.1 million of election services other governmental agencies due to the historical 81 percent voter turnout and 2-card ballot scenario in the November 2016 Presidential General election which resulted in higher overall election cost and therefore higher billable costs to the participating jurisdictions, \$10 million in Section 8 choice vouchers, \$5.9 million in Assembly Bill 109 monies, \$4.3 million in State administration food stamps, and \$1.7 million in State administration aid for families with dependent children.

- The \$3.3 million increase in property taxes receivables, net was principally attributable to an increase in delinquent secured taxes.
- The \$9.2 million decrease in receivables, net is principally due to a decrease of \$17 million in amounts due from other governments, offset by increases in investment earnings and loans of \$6 million and \$1.8 million, respectively.
- The \$6.4 million decrease in capital assets was due in part to a \$39 million increase in land, easements and construction in progress offset by \$45.4 million decrease in other capital assets.
- Deferred outflows of resources increased by \$1.075 billion attributable to additional layers of pension related deferrals added in fiscal year 2017 including \$589 million in changes of assumptions or other inputs and \$524 million in net difference between projected and actual earnings on pension plan investments, coupled with a \$32 million increase in contributions to the pension plan subsequent to the measurement date, offset by \$70 million of amortization of pension related deferrals.
- Total liabilities increased by approximately \$1.333 billion, principally due to a \$1.399 billion increase in the net pension liability, offset by a \$23.7 million net decrease in other liabilities, coupled with a decrease in non-net pension liability long-term liabilities of \$42.4 million.
 - The decrease in other liabilities of \$23.7 million was primarily due to a \$33.7 million increase in unearned revenue; offset by decreases in accrued payroll, accounts payable and accrued interest of \$44.1 million, \$11.9 million and \$1.4 million, respectively. The \$11.9 million decrease in accounts payable was comprised of a \$10.8 million decrease in Due to other government agencies, coupled with a \$4.5 million decrease in vendors payable, offset by a \$3.4 million increase in other accounts payable.
 - The \$42.4 million decrease in non-net pension liability long-term liabilities was mainly due to a \$62.8 million decrease in long-term debt (see Long-Term Liabilities discussion) coupled with a \$5.6 million decrease in Landfill postclosure; offset by a \$14.7 million increase in claims and judgments, a \$6 million increase in capital leases, a \$5 million increase in compensated absences, and a \$300 thousand increase in pollution remediation liabilities.
- Deferred inflows of resources decreased by \$40.6 million chiefly attributable to a net decrease in pension related deferred inflows of resources of \$38.6 million coupled with a \$2 million net decrease in non-pension related deferred inflows of resources. The net decrease in pension related deferred inflows of resources is attributable to additional layers of pension related deferrals added in fiscal year 2017 including \$18.4 million and \$4.6 million in difference between expected and actual experience in the total pension liability and changes in proportionate share and differences between employer's contributions and proportionate share of contributions, respectively, offset by \$61.6 million of amortization of pension related deferrals. The \$2 million net decrease in non-pension related deferred inflows of resources is mainly attributable to a \$2 million decrease in Air Quality State Moyer Program.

The largest portion of the County's net position reflects its net investment in capital assets of \$3.3 billion (land, easements, buildings and improvements, equipment, software and infrastructure; less any related outstanding debt used to acquire those assets). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net position (restricted net position), equaled \$597 million and represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments.

The remaining portion of the County's net position includes \$(1.08) billion in negative unrestricted net position; primarily the result of implementing Governmental Accounting Standards Board (GASB) Statement No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 in fiscal year 2015, which resulted in reporting a \$2.25 billion beginning net pension liability and a beginning fiscal year 2015 \$2.25 billion negative unrestricted net position. This amount is offset by positive unrestricted net position, predominantly attributed to the County's General Fund.

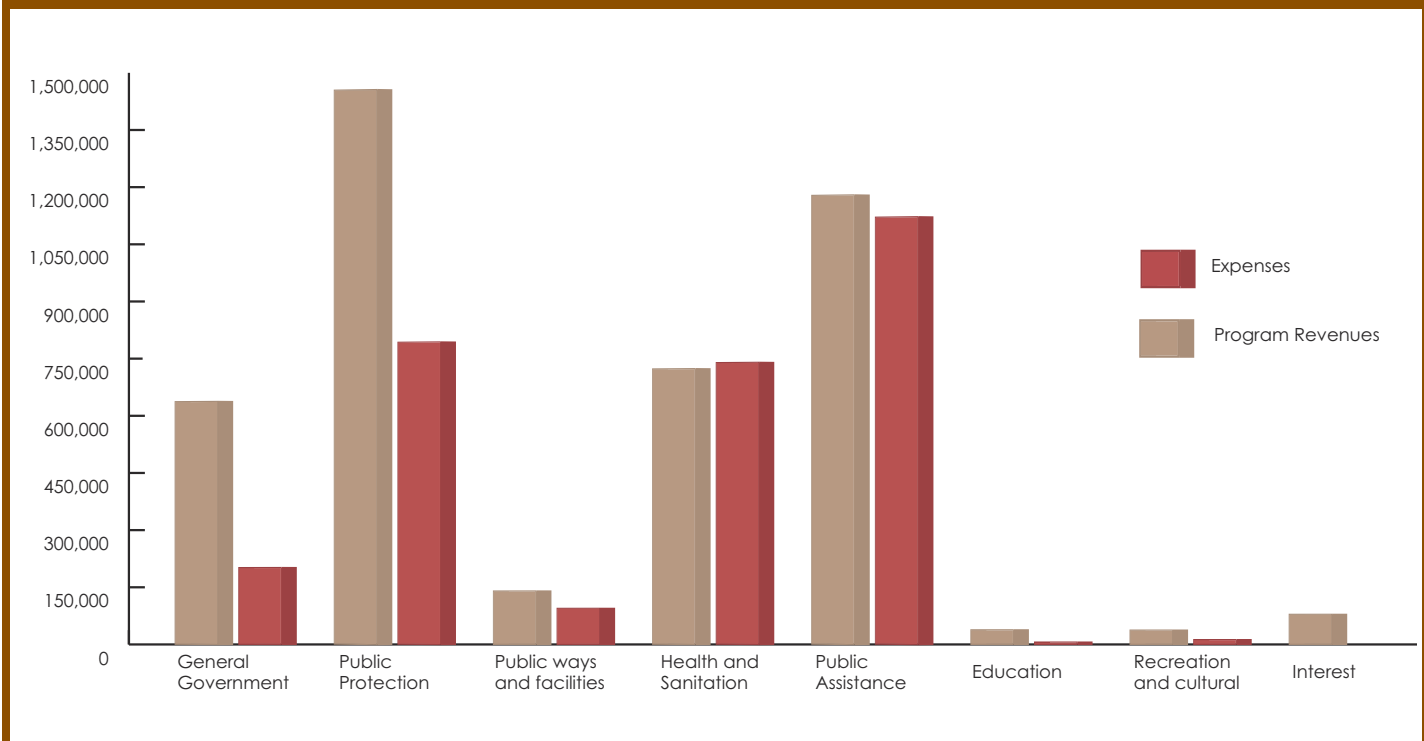
Table 2

<div> <div>Changes in Net Position</div> <div>For the Years Ended June 30, 2017 and 2016</div> <div>(In Thousands)</div> </div>						
	Governmental Activities		Business-type Activities		Total	
	2017	2016 (1)	2017	2016	2017	2016 (1)
Revenues:						
Program Revenues						
Charges for services	\$ 547,580	512,869	50,506	38,763	598,086	551,632
Operating grants and contributions	2,407,522	2,543,749	5,659	3,513	2,413,181	2,547,262
Capital grants and contributions	16,296	12,947			16,296	12,947
General Revenues						
Property taxes	720,645	680,434			720,645	680,434
Transient occupancy tax	4,889	4,128			4,889	4,128
Real property transfer tax	23,960	24,589			23,960	24,589
Miscellaneous taxes	10	38			10	38
Property taxes in lieu of vehicle license fees	371,105	351,524			371,105	351,524
Sales and use taxes	27,779	28,898			27,779	28,898
Investment earnings	15,315	17,818	523	1,622	15,838	19,440
Other	88,038	86,431	2,716	8,777	90,754	95,208
Total revenues	4,223,139	4,263,425	59,404	52,675	4,282,543	4,316,100
Expenses:						
Governmental Activities:						
General government	637,532	541,255			637,532	541,255
Public protection	1,455,462	1,216,828			1,455,462	1,216,828
Public ways and facilities	140,366	122,212			140,366	122,212
Health and sanitation	723,508	629,536			723,508	629,536
Public assistance	1,179,180	1,364,444			1,179,180	1,364,444
Education	38,477	33,608			38,477	33,608
Recreation and cultural	37,727	32,569			37,727	32,569
Interest	79,152	81,665			79,152	81,665
Business-type Activities:						
Airport			14,518	14,439	14,518	14,439
Jail Stores Commissary			6,007	5,362	6,007	5,362
Sanitation District			25,185	28,693	25,185	28,693
Total expenses	4,291,404	4,022,117	45,710	48,494	4,337,114	4,070,611
Changes in net position before transfers	(68,265)	241,308	13,694	4,181	(54,571)	245,489
Transfers	4,399	3,714	(4,399)	(3,714)		
Change in net position	(63,866)	245,022	9,295	467	(54,571)	245,489
Net position at beginning of year	2,639,340	2,394,318	235,868	235,401	2,875,208	2,629,719
Net position at end of year	\$ 2,575,474	2,639,340	245,163	235,868	2,820,637	2,875,208
(1) Certain 2016 balances were recast for comparability purposes to conform to the 2017 change in the process used to determine the elimination of the effect of internal service fund activity.						

Analysis of Changes in Net Position

At June 30, 2017, changes in net position before transfers equaled \$(54.6) million, a \$300.1 million or 122% decrease from the previous year. Principal revenue sources contributing to the change in net position were operating grants and contributions of \$2.41 billion and taxes of \$1.09 billion (including: property taxes and property taxes in lieu of vehicle license fees). These revenue categories accounted for 82% of total revenues. Principal expenses were in the following areas: public protection, \$1.46 billion; public assistance, \$1.18 billion; and health and sanitation, \$724 million. These expense categories accounted for 78% of total expenses.

Chart 1
Expenses and Program Revenues – Governmental Activities
(In Thousands)



Governmental activities

At the end of fiscal year 2017, total revenues for the governmental activities were \$4.22 billion, while total expenses were \$4.29 billion. Governmental activities decreased the County's net position by \$63.9 million, while the business-type activities' change in net position equaled \$9.3 million.

Expenses:

Total expenses for governmental activities were \$4.29 billion, an increase of \$269 million or 7% (\$272 million increase in functional expenses and \$3 million decrease in interest expense). Public protection (34%) and public assistance (27%) were the largest functional expenses, followed by health and sanitation (17%).

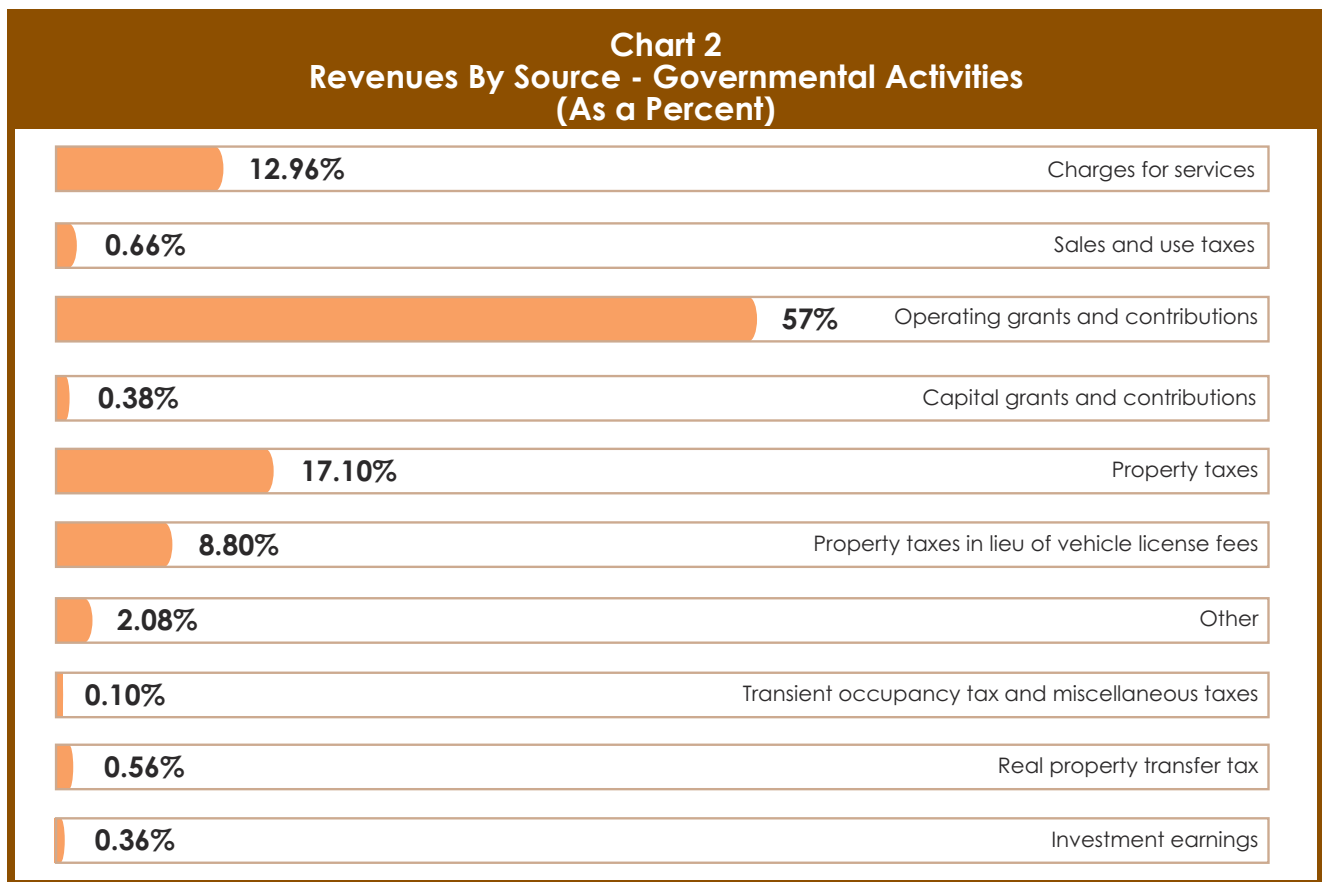
The \$272 million net increase in functional expenses consisted of the following:

- \$325 million net increase in pension related expenses;
- \$213 million net decrease in contracted services, including: \$194 million decrease, primarily associated with the transfer of collective bargaining responsibilities to the State for In-Home Supportive Services providers as part of the Coordinated Care Initiative; \$13 million decrease due to lower caseload levels in California Work Opportunity and Responsibility to Kids (CalWORKs) benefits; \$4 million decrease in costs for the Integrated Property Tax System project; \$4 million decrease in road

related contracts, an increase of \$1 million in multi-year license agreements, a \$600 thousand increase in park land dedication related contracted services, and a \$400 thousand increase in county service district related contracted services;

- \$81 million increase in overall salaries and benefit costs;
- \$31 million increase in repairs and maintenance; and,

- \$48 million increases attributable to: tenant assistance - \$11 million; actuarial claim payments - \$6 million; depreciation - \$6 million; compensated absences - \$5 million; printing - \$5 million; insurance premiums - \$4 million; institutional services - \$3 million; equipment rental - \$3 million; settlement payments - \$2 million; utilities - \$2 million; and, a \$1 million loss on disposal of capital assets.



Revenues:

Total revenues for governmental activities were \$4.22 billion, a net decrease of 1% or \$40 million from the previous year. This net decrease consisted of a net decrease in program revenue of \$98 million; offset by an increase in general revenues of \$58 million as follows:

The \$98 million net decrease in program revenue was primarily due to increases of \$87.2 million and decreases of \$185.2 million noted below:

Increases in program revenues of \$87.2 million were principally composed of the following:

- \$51.9 million in various State aid realignment;
- \$8.1 million in foster care, non-assisted food stamps and aid to families with dependent children related administrative revenues is due to increase in allocations;
- \$8 million increase in state aid community corrections related to Assembly Bill 109;
- \$7 million in MediCal revenue associated with the increased spending due to Affordable Care Act

- implementation and increase in allocation;
- \$3.4 million in service for fire fighters mainly due to new revenue agreements the Office of Emergency Services entered into for fire prevention services and fire protection and emergency services for certain unincorporated areas in the County;
- \$2.5 million in Probation Department state aid juvenile justice;
- \$2 million in Short Doyle Medi-Cal Units of Services, Medi-Cal reimbursable cost per unit rate, and in Federal Financial Participation in Medi-Cal coverage;
- \$1.6 million in Federal Department of Justice Crime Victim assistance;
- \$1.5 million in recording fees; and,
- \$1.2 million in services to property owners.

Decreases in program revenue of \$185.2 million were principally attributable to:

- \$165.4 million in federal aid associated with the transfer of collective bargaining responsibilities to the State for In-Home Supportive Services (IHSS) providers as part of the Coordinated Care Initiative. There is no impact to services resulting from this change;
- \$11.9 million in state aid due to lower caseload levels in California Work Opportunity and Responsibility to Kids (CalWORKs) benefits;
- \$5.9 million in engineering services provided to other governments; and,
- \$2 million in rents and concessions.

General revenues increased overall by approximately \$58 million, principally due to increases of \$40 million in secured property taxes and \$19 million in property taxes in lieu of vehicle license fees, both attributable to the county-wide growth in assessed valuation; offset by a \$1 million decrease in sales and use taxes.

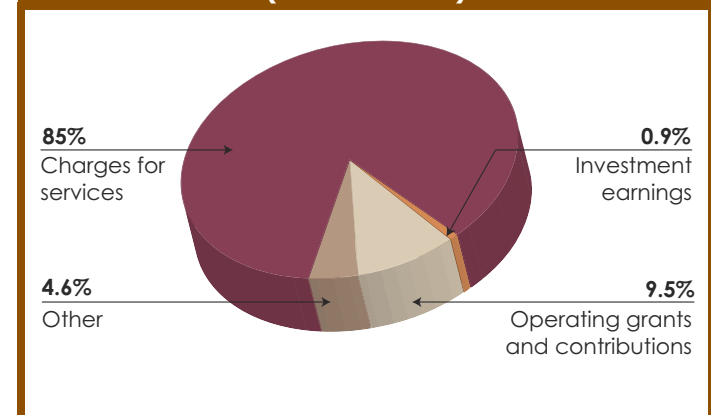
The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in Chart 2, operating grants and contributions of \$2.41 billion accounted for 57%, the largest share of this revenue. These monies are received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating

grants and contributions include State and federal revenue for public assistance programs and health and sanitation programs.

Property taxes and property taxes in lieu of vehicle license fees are not shown by program, but are effectively used to support program activities county-wide. Combined, these general revenues equaled \$1.09 billion and accounted for 25.9% of governmental activities. Additionally, charges for services were \$548 million and accounted for 12.96% of revenues applicable to governmental activities.

Other factors concerning the finances of the County's major governmental funds are discussed in the governmental funds section of the "Financial Analysis of County Funds."

Chart 3
Revenues By Source -
Business-type Activities
(As a Percent)



Business-type Activities

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in Chart 3, charges for services represent \$50.5 million or 85% of total revenues, operating grants and contributions of \$5.7 million represent 9.5% of total revenues, other revenues of \$2.7 million represent 4.6% of total revenues, and investment earnings of \$500 thousand represent .9% of total revenues.

Net position of business-type activities increased by approximately \$9.3 million (3.9%). This net increase primarily included the following:

- \$5 million decrease in sewage processing expenses in the Sanitation District Fund;
- \$2.3 million increase in charges for current services in the Airport Fund;
- \$2.2 million increase in grants in the Airport Fund;
- \$500 thousand decrease in contracted services in the Airport Fund;
- \$500 thousand decrease in repairs and maintenance in the Airport Fund;
- \$800 thousand increase in repairs and maintenance in the Sanitation District Fund;
- \$300 thousand increase in other expenses in the Sanitation District Fund; and,
- \$100 thousand increase in equipment rental in the Sanitation District Fund.

Financial Analysis of County Funds

The County uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the County include the General Fund, the Public Safety Special Revenue Fund, and the Tobacco Endowment Special Revenue Fund. Nonmajor governmental funds include special revenue funds, debt service funds, and capital projects funds.

At June 30, 2017, the County's governmental funds had combined ending fund balances of \$2.92 billion, an increase of \$141 million in comparison to the prior fiscal year. Of the total June 30, 2017 amount, \$697.3 million constituted unassigned fund balance, which is available for spending at the County's discretion. \$484.9 million of fund balance is assigned, \$1.05 billion

is committed, \$663 million is restricted, and \$26 million is nonspendable. (Please refer to Note 1 in the notes to the financial statements for more details regarding fund balance classifications.)

Governmental revenues overall totaled \$4.16 billion representing a 2.1% decrease. Governmental expenditures totaled \$4.03 billion, a 3.5% decrease from the fiscal year ended June 30, 2016.

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2017, its unassigned fund balance was \$697.3 million, while total fund balance was \$2.145 billion, an increase of \$138 million from fiscal year 2016.

This \$138 million increase in fund balance was composed of \$397.7 million in increases and \$259.7 million in decreases as follows:

Increases to fund balance of \$397.7 million were composed of:

- \$210 million net decrease in contracted services, including: \$194 million decrease - primarily associated with the transfer of collective bargaining responsibilities to the State for In-Home Supportive Services providers as part of the Coordinated Care Initiative; \$13 million decrease due to lower caseload levels in California Work Opportunity and Responsibility to Kids (CalWORKs) benefits; \$4 million decrease in costs for the Integrated Property Tax System project; and an increase of \$1 million increase in multi-year license agreements;
- \$51.9 million in various State aid realignment;
- \$50 million in secured property taxes and property taxes in lieu of vehicle license fees attributable to the county-wide growth in assessed valuation;
- \$18.4 million decrease in capital outlay expenditures;
- \$8.9 million in real property transfer tax;
- \$8.1 million in foster care, non-assisted food stamps and aid to families with dependent children related administrative revenues is due to increase in allocations;
- \$8 million in state aid community corrections related to Assembly Bill 109;
- \$7 million in MediCal revenue associated with the

increased spending due to Affordable Care Act implementation and increase in allocation;

- \$6.8 million in institutional care hospital monies due in part to the Intergovernmental Transfer tied to Whole Person Wellness pilot project;
- \$6.1 million of election services other governmental agencies due to the historical 81 percent voter turnout and 2-card ballot scenario in the November 2016 Presidential General election which resulted in higher overall election cost and therefore higher billable costs to the participating jurisdictions;
- \$5.4 million in Probation community corrections;
- \$3.4 million in service for fire fighters mainly due to new revenue agreements the Office of Emergency Services entered into for fire prevention services and fire protection and emergency services for certain unincorporated areas in the County;
- \$3 million in aid payment revenue for Foster Care and Adoptions due to the implementation of State's Continuum of Care Reform legislation;
- \$2.5 million in Probation Department state aid juvenile justice;
- \$2 million in Short Doyle Medi-Cal Units of Services, Medi-Cal reimbursable cost per unit rate, and in Federal Financial Participation in Medi-Cal coverage;
- \$1.6 million in Federal Department of Justice Crime Victim assistance;
- \$1.5 million in recording fees;
- \$1.2 million in services to property owners;
- \$800 thousand in transient occupancy taxes;
- \$700 thousand in current unsecured property taxes; and
- \$400 thousand in marriage licenses.

Decreases to fund balance of \$259.7 million were composed of:

- \$165.4 million in federal aid associated with the transfer of collective bargaining responsibilities to the State for In-Home Supportive Services (IHSS) providers as part of the Coordinated Care Initiative. There is no impact to services resulting from this change;
- \$76.4 million net increase in salaries and benefit

costs primarily attributable to negotiated labor agreements, increase in staffing, increase in retirement costs, and overtime incurred in various departments;

- \$11.9 million in state aid due to lower caseload levels in California Work Opportunity and Responsibility to Kids (CalWORKs) benefits;
- \$2.2 million in penalty assessments;
- \$2 million in rents and concessions; and,
- \$1.8 million due to a one time revenue received in fiscal year 2015-16 related to a Joint Powers Agreement with the State of California, Department of Transportation for the Next Generation Regional Communications System.

Public Safety Special Revenue Fund:

This fund was established to account for Proposition 172 half-cent sales taxes collected and apportioned to the County by the State Board of Equalization to fund public safety activities. Per Government Code Section 30052, a "maintenance of effort" (pre-Proposition (Prop) 172 public safety funding level) must be maintained by the County to comply with the statute's spending requirements. In accordance with the Code, 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.

As of June 30, 2017, the total (restricted) fund balance in the Public Safety Special Revenue Fund was \$61.8 million, a \$3.5 million increase from the previous fiscal year; chiefly due to a \$9.9 million increase in Prop 172 revenues due to continued improvements in the local economy.

Tobacco Endowment Special Revenue Fund:

This special revenue fund is used to account for the \$411 million the County received from the Tobacco Asset Securitization Corporation (Corporation) related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002; and an additional \$123 million the County received from the Corporation resulting from the issuance of the San Diego County Tobacco Asset

Securitization Corporation refunding bonds in fiscal year 2006. At the end of fiscal year 2017, fund balance was \$303.5 million, a decrease of approximately \$5.1 million from fiscal year 2016, principally due to investment income of \$975 thousand offset by \$6 million in transfers out to the General Fund for the support of health related program expenditures, coupled with \$117 thousand of administrative costs.

Other Governmental Funds:

Other governmental funds consist of nonmajor funds, which include special revenue funds, debt service funds, and capital projects funds. Individual fund data for each of these nonmajor governmental funds is provided in the combining and individual fund information and other supplementary information section in this report.

As of the end of fiscal year 2017, the fund balances of the other governmental funds totaled \$414.5 million, a net increase of \$4.5 million from the prior year. This \$4.5 million net increase consisted of \$26.9 million in increases, offset by decreases of \$22.4 million as follows.

\$26.9 million increase to Other Governmental Funds' fund balance:

- \$16 million increase in Inactive Wastesites Special Revenue Fund's fund balance is mainly due to a \$21 million transfer of general purpose revenue to fund ongoing operational and maintenance costs at County landfills, offset by \$5 million in inactive wastesites maintenance costs;
- \$2.3 million increase in Air Pollution Special Revenue Fund's fund balance is attributable to a \$3.7 million increase in revenue related to the Carl Moyer Program, offset by a \$100 thousand decrease in revenue grants related to the Clean Air Act, a \$400 thousand decrease in air pollution control fees; coupled with a \$250 thousand increase in mobile incentives expenditures, \$150 thousand in air quality power generator mitigation expenditures and \$100 thousand in administration expenditures; and a \$400 thousand increase in capital outlay;
- \$2 million increase in the County Service Districts Special Revenue Fund's fund balance is mainly due to a \$1 million increase in property tax revenue, a

\$600 thousand increase in revenue related to the County's annexation of the Rural Fire Protection District, and a \$100 thousand increase in assistance program revenue, coupled with \$300 thousand decrease in repairs and maintenance expenditures;

- \$2 million increase in Parkland Dedication Special Revenue Fund's fund balance principally resulted from an increase in fees from developers for dwelling permits;
- \$1.6 million increase in the County Library Special Revenue Fund's fund balance is primarily due to a \$1.7 million increase in property tax revenue, coupled with a \$700 thousand increase in aid from redevelopment successor agency, offset by an \$800 thousand decrease in donations from private parties;
- \$1 million increase in the Asset Forfeiture Program Special Revenue Fund's fund balance is due to an increase in Federal Aid revenue from the Department of Justice Equitable Sharing Program and asset forfeiture monies received from the U.S. Treasury;
- \$1 million increase in Edgemoor Development Special Revenue Fund's fund balance consists of a \$3 million increase in transfers in from the General Fund, a \$1 million transfer from the Capital Outlay Fund related to the transfer of three acres from the Assessor, offset by a \$2 million decrease in the sale of capital assets, and a \$1 million decrease in MediCal Assistance Program revenue; and,
- \$1 million increase in Lighting Maintenance District Special Revenue Fund's fund balance is primarily related to an increase in services to property owners revenue attributable to a rate increase in fiscal year 2016-17 for benefit assessments.

\$22.4 million decrease to Other Governmental Funds' fund balance:

- \$10.8 million decrease in the Road Special Revenue Fund's fund balance is mainly due to an \$18.3 million decrease in TransNet one-half percent sales and use tax, a \$6.1 million decrease in engineering services other governments revenues, a \$4.4 million decrease in State highway users tax, a \$2 million decrease in transportation impact fee recovery revenues, a \$1 million decrease in federal aid for

construction and a \$1 million decrease in franchise fees; offset by a \$22 million decrease in capital outlay expenditures;

- \$6.6 million decrease in the Capital Outlay Fund's fund balance is chiefly due to an increase in operating transfers out to the General Fund to return monies no longer needed for various completed capital projects; and,
- \$5 million decrease in the Housing Authority-Other Special Revenue Fund's fund balance is attributable to a \$10 million increase in Section 8 choice vouchers; offset by a \$11 million increase in tenant assistance expenditures, coupled with a \$4 million increase in repairs and maintenance expenditures.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The nonmajor enterprise funds and the internal service funds are combined into single, aggregated presentations in the proprietary fund financial statements. Individual proprietary fund data is presented in the combining financial statements/schedules and supplemental information section of this report.

Enterprise Funds:

See previous discussion above regarding business-type activities.

Internal Service Funds:

Net position of the internal services funds (ISF) totaled \$47.9 million, a net increase of \$3 million or 7% from the prior year. This \$3 million increase primarily consisted of the following:

- \$14 million increase in the Employee Benefits Fund principally due to \$47.4 million in charges for current services provided to the General Fund - \$44 million, Road Fund - \$1.2, County Library Fund - \$500 thousand, and \$1.7 million in services provided to other funds, coupled with an approximately \$1 million in investment earnings and \$300 thousand of transfers in from the General Fund and \$300 thousand in third party recoveries; offset by \$21.8 million and \$1.4 million of workers compensation payments and other claim payments, respectively, coupled with \$11.8 million in contracted services;
- \$1.8 million increase in the Fleet Services Fund primarily due to a \$700 thousand increase in charges for current services provided to the General Fund, coupled with a \$600 thousand decrease in fuel costs and a \$500 thousand increase in capital contributions;
- \$1.6 million increase in the Road and Communication Equipment Fund chiefly due to approximately \$1.4 million in total transfers from the General Fund - \$400 thousand, Road Fund - \$500 thousand and Sanitation District Fund - \$500 thousand, coupled with investment earnings of \$100 thousand and a \$100 thousand gain on disposal of assets;
- \$10.4 million decrease in the Public Liability Insurance Fund chiefly due to \$4.9 million increase in charges for current services provided to the General Fund; offset by a \$14.2 million increase in actuarial claim payments, coupled with a \$1.1 million increase in contracted services;
- \$2.4 million decrease in the Facilities Management Fund mainly due to a \$13.3 million increase in charges for current services provided to the General Fund; offset by decreases of \$700 thousand and \$400 thousand in charges for services provided to the County Library Fund and Inmate Welfare Fund, respectively, coupled with a \$1 million decrease in other revenue, a \$12 million increase in repairs and maintenance, a \$1 million increase in utilities and a \$600 thousand increase in household expenses;
- \$1.0 million decrease in the Information Technology Fund principally due to \$141 million in charges for current services provided to the General Fund - \$130.3 million, Road Fund - \$2.1 million, County Library Fund - \$2.1 million, Air Pollution Fund - \$1.7 million, and \$4.8 million in services provided to other funds, coupled with a \$5 million transfer in from the General Fund; offset by a \$147 million increase in contracted services; and,
- \$600 thousand decrease in the Purchasing Fund principally due to a \$500 thousand decrease in charges for current services provided to the General Fund - \$100 thousand, Road Fund - \$100 thousand and Capital Outlay Fund - \$300 thousand, coupled with a \$100 thousand increase in

contracted services.

Fiduciary Funds

The County maintains fiduciary funds for the assets of the *Pooled Investments-Investment Trust Funds*, *Private Purpose Trust Fund* and the *Agency Funds*.

Pooled Investments - Investment Trust Funds:

These funds were established for the purpose of reporting pooled investments. The Pooled Investments - Investment Trust Funds' net position totaled \$5.50 billion, an increase of \$118 million, from the previous year. This increase was substantially due to contributions to investments of \$9.897 billion coupled with investments earnings of \$28 million, offset by distributions from investments of \$9.807 billion.

Private Purpose Trust Fund:

The private purpose trust fund reports the assets, liabilities, and activities of the County of San Diego Successor Agency formed pursuant to California Assembly Bill x1 26 on February 1, 2012 upon dissolution of the San Diego County Redevelopment Agency (SDCRA). The County of San Diego Successor Agency Private Purpose Trust Fund's net position had a deficit balance of approximately \$13.7 million at June 30, 2017, an increase of \$900 thousand. This increase was mainly due to \$2.2 million of property taxes - Successor Agency Redevelopment Property Tax Trust Fund distribution, offset by contributions to other agencies and interest charges of approximately \$1.3 million.

Agency Funds:

Agency funds maintain assets held in an agent capacity for other governments, organizations, and individuals. These assets do not support the County's programs or services. Any portion of the agency funds' assets held at fiscal year end for other County funds are reported in those funds rather than in the agency funds.

General Fund Budgetary Highlights

The County's final budget differs from the original budget (see Notes to required supplementary information) in that it contains supplemental appropriations approved during the fiscal year for

various programs and projects, as well as transfers of appropriations, budget corrections, rebudgets, and account reclassifications. For the fiscal year ended

June 30, 2017, net expenditure appropriations increased by \$67.1 million and appropriations for transfers out increased by \$6.6 million for a net increase of \$73.7 million.

Significant appropriation increases of note to the original budget were the following:

- \$28.0 million advance to the Road Fund for road resurfacing and rehabilitation.
- \$13.6 million for Chollas Creek stormwater management costs associated with an agreement with the City of San Diego for annexation of an unincorporated island.
- \$12.2 million for consolidation of the County's data center and new technology and projects associated with the Information Technology and Telecommunications Agreement with HP Enterprise Services, LLC.
- \$7.8 million for design and construction of the Pine Valley Fire Station.
- \$3.7 million in payments from the California Department of Transportation associated with the Next Generation Regional Communications System for law enforcement.
- \$3.4 million for firefighters, fire services, emergency medical services and facility improvements at various fire stations.

Actual revenues underperformed final budgeted amounts by \$47.4 million, while actual expenditures were less than the final budgeted amount by \$585.5 million. The combination of revenue and expenditure shortfalls resulted in a revenue/expenditure operating variance of \$538.1 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of \$259.5 million. These combined amounts resulted in a variance in the net change in fund balance of \$797.6 million.

Highlights of actual expenditures compared to final budgeted amounts are as follows:

Salaries and Benefits:

The final budget over expenditure variance across all functions in this category was \$67.9 million. Savings were realized in the Public Safety Group, Health and Human Services Agency, Land Use and Environment Group, Finance and General Government Group and Community Services Group from lower than budgeted salaries and employee benefits costs due to staff turnover and departments management of vacancies.

Services and Supplies:

The final budget over expenditure variance across all County groups in this category was \$378.6 million. Overall, this expenditure variance primarily resulted from a lower demand for services than budgeted levels and lower costs than anticipated for various projects.

Delayed Expenditures:

Many County projects, such as maintenance and information technology, take place over more than one fiscal year. At inception they are budgeted at full expected cost, resulting in budgeted over expenditure variances that are rebudgeted in the new fiscal year. For example, a positive expenditure variance of approximately \$1.1 million for a Zoning Ordinance Update in Planning & Development Services and \$0.5 million for a Warehouse Asset Tracking System in the Registrar of Voters.

Management and Contingency Appropriations:

The County annually sets up management and contingency appropriations for a variety of one-time capital and operating expenditures as well as potential emergencies, based on both ongoing general purpose revenues and available prior years' fund balance. Unexpended management and contingency reserves appropriations resulted in budget over actual variances of \$27.2 million and \$22.7 million, respectively. Note that the Management Reserves are included within various functional activities.

Capital Assets and Commitments

Capital Assets

At June 30, 2017, the County's capital assets for both governmental and business-type activities were \$3.43 billion and \$174 million, respectively, net of accumulated depreciation/amortization. Investment in

capital assets includes land, construction in progress, buildings and improvements, infrastructure (including roads, bridges, flood channels, and traffic signals), equipment, software and easements. Significant increases to capital assets in fiscal year 2017 included:

Governmental Activities:

- \$30 million towards construction and improvements of County maintained roads, bridges, and other road related infrastructure.
- \$25.3 million towards construction of Crime Lab. Total project costs are estimated at \$83.9 million.
- \$22.9 million towards acquisition of equipment.
- \$17.2 million towards development of various software applications.
- \$10.1 million towards improvement of various capital projects.
- \$7.9 million towards various land acquisitions for the Multiple Species Conservation Program (MSCP).
- \$6.8 million in infrastructure donated by developers.
- \$5 million in structures from donation.
- \$4.4 million towards construction of Imperial Beach Library. Total project costs are estimated at \$9.1 million.
- \$3.3 million towards construction of Regional Communication System. Total project costs are estimated at \$35.9 million.
- \$2.4 million towards construction of County Operation Center Fleet and Parking Structure. Total project costs are estimated at \$23.6 million.
- \$2.4 million towards construction of the Las Colinas Detention and Reentry Facility in Santee. Total project costs are estimated at \$230.2 million.
- \$2.2 million towards construction of North Inland Coastal Health and Human Services Agency Facility. Total project costs are estimated at \$24 million.
- \$1.4 million from land donations.
- \$1.2 million from equipment donations.
- \$1.1 million towards construction of the Borrego Springs Community Library. Total project costs are estimated at \$11.7 million.

Business-type Activities:

- \$5.4 million towards construction of the Gillespie Field Cajon Air Center.
- \$0.8 million towards improvements at various Airports.
- \$1.5 million towards sewer improvements at Flinn Springs.
- \$1.4 million towards sewer improvements at Industry Road.
- \$1.4 million towards sewer improvements at Rancho San Diego.

For the government-wide governmental activities financial statement presentation, depreciable capital assets are depreciated from the acquisition date to the end of the current fiscal year. Governmental funds financial statements record capital asset purchases as expenditures.

Capital Commitments

As of June 30, 2017, capital commitments included the following:

Governmental Activities:

- \$163.1 million for: the construction of Crime Lab, Regional Communications System, North Coastal HHSA Facility, Borrego Springs Library and Sheriff Station, Pine Valley Fire Station, and Alpine Boulevard; development of Integrated Property Tax System and Telephone System for Emergency Communications; vehicle acquisitions; improvements at the East County Regional Center and Borrego Springs Park; and, improvements of County roads.

Business-type Activities:

- \$10 million for construction of Sewer Monitoring System and Gillespie Field Cajon Air Center and improvements at Rancho San Diego Pump Station and Sanitation District sewers.

(Please refer to Note 7 in the notes to the financial statements for more details concerning capital assets and capital commitments.)

Long-Term Liabilities**Governmental Activities:**

At June 30, 2017, the County's governmental activities had outstanding long-term liabilities (without regard to the net pension liability) of \$1.855 billion.

Of this amount, approximately \$1.491 billion pertained to long-term debt outstanding. Principal debt issuances included: \$606 million in taxable pension obligation bonds; \$559 million in Tobacco Settlement Asset-Backed Bonds; \$294 million in certificates of participation (COPs) and lease revenue bonds (LRBs); \$5 million in loans; and, \$27 million in unamortized issuance premiums and discounts.

Other long-term liabilities included: \$228 million in claims and judgments; \$107 million in compensated absences; \$19 million for landfill postclosure costs; \$6 million in capital leases; and \$4 million for pollution remediation.

During fiscal year 2017, the County's total principal amount of COPs, LRBs, other bonds, and loans for governmental activities decreased by \$62.612 million.

The \$62.612 million net decrease was due to the following increases and decreases:

Increases to debt were \$6.996 million and included:

- \$6.402 million of principal was accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal; and
- \$594 thousand of principal was added to the San Diego Gas and Electric On-bill Financing loans.

Decreases to debt were \$69.608 million and included:

- \$67.360 million in principal debt service payments; and,
- \$2.248 million due to the effects of unamortized issuance premiums and unamortized issuance discounts.

Business-type Activities:

Long-term liabilities (without regard to the net pension liability) for business-type activities consisted of \$443 thousand for compensated absences.

During fiscal year 2017, long-term liabilities for business-type activities decreased by \$144 thousand. This was due to a combination of \$171 thousand in debt service payments on capital loans and a net increase of \$27 thousand in compensated absences.

(Please refer to Notes 13 through 18 in the notes to the financial statements for more details concerning long-term debt; changes in long-term liabilities; and funds used to liquidate liabilities.)

Credit Ratings

The County's issuer and credit ratings on its bonded program are as follows:

Table 3

Credit Ratings			
	Moody's	Standard & Poor's	Fitch
Issuer Rating	Aaa	AAA	AAA
Certificates of Participation San Diego County Capital Asset Leasing Corporation (SANCAL)	Aa1	AA+	AA+
Certificates of Participation San Diego Regional Building Authority (SDRBA) Metropolitan Transit System Towers	Aa1	AA+	AA+
Lease Revenue Refunding Bonds SDRBA (County Operations Center) Series 2016A	Aa1	AA+	AA+
Refunding Lease Revenue Bonds SDRBA San Miguel	A1	AA+	not rated
Pension Obligation Bonds	Aa2	AA+	AA+
Tobacco Settlement Asset- Backed Bonds - Series 2006A1 (Senior)	Baa1	BBB	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2006A2 (Senior)	B2	BB+	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2006A3 (Senior)	B2	B+	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2006B (First Subordinate)	not rated	CCC+	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2006C (Second Subordinate)	not rated	CCC	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2006D (Third Subordinate)	not rated	CCC	not rated
San Diego County Redevelopment Agency Bonds	not rated	not rated	not rated

The County's ratings are assigned by three of the major rating agencies: Moody's Investors Service (Moody's), S&P Global Ratings (Standard & Poor's), and Fitch Ratings (Fitch). The County's existing triple A Issuer Ratings were affirmed by Moody's in February 2016, and by Standard & Poor's and Fitch in March 2017.

The County's outstanding lease-backed obligation rating was upgraded to Aa1 from Aa2 by Moody's in October 2016. The one notch difference between the County's issuer and lease-backed rating reflects the standard legal structure for these abatement lease financings and leased assets.

All three rating agencies noted the County's strong financial management, which effects a very strong fiscal position, and a large and diverse tax base, which bolsters the County's strong economy.

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2018 General Fund adopted budget contains total appropriations of \$4.36 billion. This is an increase of \$242.7 million, or 5.9 percent, from the fiscal year 2017 General Fund adopted budget. Some economic indicators suggest that the economy is continuing to improve at a modest pace following recovery from the great recession. A number of risk factors are continuously monitored: employment growth, recovery in the housing market, and the national economy as a whole.
- The U.S. economy's Gross Domestic Product (GDP) for 2016 increased by 1.5 percent over the previous year, compared to an increase of 2.9 percent seen in 2015, according to the U.S. Department of Commerce Bureau of Economic Analysis (BEA). According to the University of California, Los Angeles Anderson Forecast, real GDP is projected to grow 2.2 percent in 2017, 2.6 percent in 2018 and 2.2 percent in 2019. The seasonally unadjusted national unemployment rate fell to 4.9 percent in 2016 and is projected to continue dropping to 4.5 percent and 4.2 percent in 2017 and 2018, respectively.
- California accounts for nearly 14 percent of the nation's GDP, which is by far the largest of any state according to the Bureau of Economic Analysis. The State's economy is growing and gaining momentum. According to the Institute for Applied

Economics, Los Angeles County Economic Development Corporation (LAEDC), in 2016, California's economy grew an estimated 2.5 percent, outperforming the nation's real GDP growth rate. State GDP is expected to grow by 2.4 percent in 2017 and 2.6 percent in 2018. UCLA Anderson projects real taxable sales will decline by 0.3 percent in 2017 and increase thereafter by 1.9 percent in both 2018 and 2019.

- San Diego's economic outlook continues to be moderately positive with growth anticipated in 2017, albeit at a slower pace than 2016. In 2016 the San Diego region accounted for 8.9 percent of California's gross State product and 8.4 percent of the State's population. According to the LAEDC, in 2016 San Diego's economy grew at an estimated 2.4 percent, and is expected to expand at a lower rate in 2017, by 2.1 percent, and by 2.3 percent in 2018.
- The San Diego region includes the largest concentration of military in the world, making the military presence an important driver of the region's economy. In addition, San Diego is a thriving hub for the life sciences/biomedical and technology-oriented industries and a popular travel destination. The region's quality of life attracts a well-educated, talented workforce and well-off retirees which contribute to local consumer spending.
- The state of the economy plays a significant role in the County's ability to provide core services and the mix of other services sought by the public. General purpose revenue (GPR) funds local discretionary services, as well as the County's share of costs for services that are provided in partnership with the State and federal governments.

In the 2017-18 adopted budget, the County's GPR is projected to increase by 5.8 percent, with budgeted GPR of \$1,199.2 million in fiscal year 2018 compared to \$1,133.7 million budgeted in fiscal year 2017.

The largest source of GPR is current secured property taxes with \$633.2 million budgeted in fiscal year 2018, representing 52.8 percent of the total GPR. In fiscal year 2018, total property tax revenue is expected to increase by \$38.3 million, or 6.2 percent, from fiscal year 2017. The budgeted property tax revenue takes into account current commercial and residential real

estate conditions as evidenced by the improving level of building permits; growing median price of homes; the relatively low level of foreclosures; and improvement in the number of total deeds recorded. Current property tax revenue consists of four components: current secured property taxes, current supplemental property taxes, current unsecured property taxes, and current unsecured supplemental property taxes.

- Current secured property tax revenue (\$633.2 million budgeted in fiscal year 2018) assumes an increase of 4.0% in the local secured assessed value compared to the actual current local secured assessed value increase for fiscal year 2017 of 5.6%, and makes certain assumptions regarding the County's share of countywide property tax revenues, the delinquency rate, and the amount of tax roll corrections and refunds on prior year assessments. In fiscal year 2019, the projected amount of revenues from current secured property taxes assumes a 3.0% increase in local secured assessed property values.
- Current supplemental property tax revenue (\$4.7 million budgeted in fiscal year 2018) is derived from net increases to the tax roll from either new construction or changes in ownership that occur subsequent to the January 1 lien date and are, therefore, more difficult to predict. Any slowdown in new construction and/or decline in real estate prices are acutely felt in supplemental property tax revenues. In many change of ownership transactions, a refund is due to the owner since the value of the property is lower than it was on the lien date, instead of a bill to the owner for an additional amount of property tax because the property value is higher than the value as of the lien date.
- Current unsecured property tax revenue (\$17.94 million budgeted in fiscal year 2018), declined by less than one percent from the \$17.95 million budgeted in fiscal year 2017. The unsecured tax roll is that part of the assessment roll consisting largely of business personal property owned by tenants. Based on trends and the most up-to-date information, there is no significant change in projection for the next two fiscal years.

- Current unsecured supplemental property tax revenue (\$0.05 million budgeted in fiscal year 2018) remains largely unchanged from fiscal year 2017. It is derived from supplemental bills that are transferred to the unsecured roll when a change of ownership occurs and a tax payment is due from the prior owner. Or, there may be a subsequent change in ownership following the initial change in ownership which occurs prior to the mailing of the initial supplemental tax bill.
- Property tax in lieu of vehicle license fees (VLF) comprises 32.2 percent, or \$385.6 million, of budgeted GPR in fiscal year 2018. This revenue source was established by the State in fiscal year 2005 to replace the previous distribution of VLF to local governments. The annual change in this revenue source is statutorily based on the growth/decline in the net taxable unsecured and local secured assessed value. With a projected 4.0 percent increase in the combined taxable unsecured and local secured assessed value in fiscal year 2018, revenues are anticipated to be \$23.4 million higher than budgeted for fiscal year 2017.
- Teeter revenue represents approximately 1.1 percent, or \$13.3 million, of budgeted GPR in fiscal year 2018. In fiscal year 1994, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the California Revenue and Taxation Code (also known as the "Teeter Plan.") Under this plan, the County advances funds to participating taxing entities to cover unpaid (delinquent) taxes (the "Teetered Taxes.") The County's General Fund benefits from this plan by being entitled to future collections of penalties and interest that are due once the delinquent taxes are paid. A legal requirement of the Teeter Plan requires the County to maintain a tax loss reserve fund to cover losses that may occur if delinquent taxes are not paid and the property goes into default and is sold for less than the outstanding taxes and assessments. Throughout the year, all interest and penalties collected on Teetered secured and supplemental property taxes are first deposited into the Teeter Tax Loss Reserve Fund. Any excess amounts above 25 percent of the total delinquent secured taxes and assessments may be transferred to the General Fund pursuant to Revenue and Taxation Code Section 4703.2(c). For fiscal year 2018, collections from previous years' receivables are budgeted to decrease by \$3.3 million from fiscal year 2017. Excess amounts from the Teeter Tax Loss Reserve Fund are projected at \$9.6 million in fiscal year 2017 and \$10.2 million in fiscal year 2018.
- Sales and use tax revenue and in lieu local sales and use tax is budgeted at \$28.9 million in fiscal year 2018 and represents about 2.4 percent of budgeted GPR. These revenues are derived from taxable sales by retailers who sell or rent tangible personal property in the unincorporated areas of the county or from use taxes from consumers who purchase tangible personal property from out of state. Use taxes are also imposed on the storage, use, lease or other consumption of tangible personal property at any time a sales tax has not been paid by the retailer. The growth in this funding source is generally impacted by population growth, new retail business formation and consumer spending trends.
- The effect of the recession on the housing market and unemployment negatively impacted taxable sales at the Statewide, Southern California and San Diego regional levels. Post-recession improvements in taxable sales began in calendar year 2010. Fiscal year 2017 sales and use tax revenue is projected to be flat compared to budget. This is mainly due to fluctuating fuel prices and a lack of new auto dealers or large allocations for used autos and leasing, which is a large contributor of growth in sales and use tax in California. Sales and use tax revenue in fiscal year 2018 is estimated to be \$1.3 million or 4.9 percent higher than budgeted for fiscal year 2017 and is estimated to be unchanged in fiscal year 2018.
- Intergovernmental revenue is budgeted at \$50.9 million in fiscal year 2018 and is approximately 4.2 percent of total GPR. This revenue source represents funding the County receives from various intergovernmental sources, including redevelopment successor agencies, the City of San Diego (pursuant to a memorandum of understanding related to the County's Central Jail), the federal

government (Payments in Lieu of Taxes for tax-exempt federal lands administered by the Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service), and the State of California (reimbursement to the County for the Homeowner's Property Tax Relief program). The largest portion of this funding is from redevelopment property tax revenues. In 2011 pursuant to ABX1 26, redevelopment agencies were dissolved by the California legislature. The California Supreme Court upheld the constitutionality of the dissolution on December 29, 2011. The Court extended the date of dissolution from October 1, 2011 to February 1, 2012. Based on Health and Safety Code Section 34183 (a)(1), the County auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each affected local taxing agency property tax revenues in an amount equal to that which would have been received under Health and Safety Code Sections 33401, 33492.140, 33607, 33607.5, 33607.7 or 33676. The residual balance (Health and Safety Code Section 34183(a)(4)), not allocated for specific purposes, will be distributed to local taxing agencies in accordance with Section 34188. The County General Fund and Library Fund, as affected taxing entities, receive a share of this tax distribution, but this has

not been included in the fiscal year 2018 budget. For fiscal year 2018, the amount budgeted in inter-governmental revenue is \$2.1 million or 4.3 percent higher than what was budgeted for fiscal year 2017.

- Other revenues are budgeted at \$64.5 million in fiscal year 2018 and are approximately 4.3 percent of the total GPR. Various revenue sources make up this category including: Real Property Transfer Tax (RPTT), interest on deposits, fees, fines, forfeitures, prior year property taxes, penalties and cost on delinquency taxes, franchise fees, media licenses and other miscellaneous revenues.

The County's Operational Plans for fiscal years 2017 and 2018 can be found on the internet at www.sdcounty.ca.gov/auditor/budinfo.html.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's *accountability* for the money it receives. If you have questions about this report or need additional financial information, please contact the Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, San Diego, California 92101.





Basic Financial Statements

STATEMENT OF NET POSITIONJune 30, 2017
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
ASSETS				
Pooled cash and investments	\$ 2,984,346	78,185	3,062,531	46,373
Cash with fiscal agents	7		7	
Investments with fiscal agents	289,379		289,379	24,837
Receivables, net	456,789	7,125	463,914	4,054
Property taxes receivables, net	94,580		94,580	
Internal balances	501	(501)		
Due from component unit	69		69	
Inventories	16,934	217	17,151	
Deposits with others	15		15	
Prepaid items	4,761		4,761	2
Restricted assets:				
Cash with fiscal agents	522		522	
Investments with fiscal agents	63,943		63,943	
Lease receivable	4,530		4,530	
Capital assets:				
Land, easements and construction in progress	512,644	30,580	543,224	
Other capital assets, net of accumulated depreciation/ amortization	2,913,867	143,464	3,057,331	
Total assets	7,342,887	259,070	7,601,957	75,266
DEFERRED OUTFLOWS OF RESOURCES				
Non-Pension:				
Unamortized loss on refunding of long-term debt	16,785		16,785	
Pension:				
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	12,750	57	12,807	
Contributions to the pension plan subsequent to the measurement date	385,268	1,703	386,971	
Changes of assumptions or other inputs	757,271	3,345	760,616	
Net difference between projected and actual earnings on pension plan investments	629,487	2,790	632,277	
Difference between expected and actual experience in the total pension liability	4,738	22	4,760	
Total deferred outflows of resources	1,806,299	7,917	1,814,216	

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STATEMENT OF NET POSITION

June 30, 2017

(In Thousands)

(Continued)	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
LIABILITIES				
Accounts payable	184,749	2,794	187,543	9,916
Accrued payroll	33,341	155	33,496	
Accrued interest	18,802		18,802	
Due to primary government				69
Unearned revenue	336,260	165	336,425	
Noncurrent liabilities:				
Due within one year	165,851	184	166,035	42
Due in more than one year - other	1,689,084	259	1,689,343	6
Due in more than one year - net pension liability	3,975,182	17,566	3,992,748	
Total liabilities	6,403,269	21,123	6,424,392	10,033
DEFERRED INFLOWS OF RESOURCES				
Non-pension:				
Property taxes received in advance	10,367		10,367	
Deferred housing loans	1,148		1,148	
Gain on refunding of long-term debt	73		73	
Air Quality State Moyer Program	935		935	
Affordable Housing Project	4		4	
Housing Administrative Cost Allowance	407		407	
Pension:				
Differences between expected and actual experience in the total pension liability	152,933	680	153,613	
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	4,576	21	4,597	
Total deferred inflows of resources	170,443	701	171,144	

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STATEMENT OF NET POSITION

June 30, 2017
(In Thousands)

(Continued)	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
NET POSITION				
Net investment in capital assets	3,130,429	174,044	3,304,473	
Restricted for:				
Grantors - Housing assistance	81,116		81,116	
Donations	3,652		3,652	
Laws or regulations of other governments:				
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	44,683		44,683	
Future road improvements	123,659		123,659	
Construction, maintenance and other costs for justice, health, and social facilities and programs	38,681		38,681	
Road, park lighting maintenance, fire protection and ambulance service	26,379		26,379	
Air pollution activities	22,471		22,471	
Defray administrative costs, other general restrictions	21,940		21,940	
Teeter tax loss	7,939		7,939	
Mental health	5,436		5,436	
Vector control	8,922		8,922	
Improvement and maintenance of recorded document systems	25,503		25,503	
Flood Control future drainage improvements	13,708		13,708	
Public safety activities	62,094		62,094	
Other purposes	110,679		110,679	
First 5 Commission of San Diego				65,233
Unrestricted	(1,151,817)	71,119	(1,080,698)	
Total net position	\$ 2,575,474	245,163	2,820,637	65,233

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
Functions/ Programs:	Expenses							
Governmental Activities:								
General government	\$ 637,532	111,389	82,858	7,595	(435,690)		(435,690)	
Public protection	1,455,462	270,345	521,067	2,131	(661,919)		(661,919)	
Public ways and facilities	140,366	19,612	68,658	6,570	(45,526)		(45,526)	
Health and sanitation	723,508	112,784	627,331		16,607		16,607	
Public assistance	1,179,180	21,286	1,100,697		(57,197)		(57,197)	
Education	38,477	870	5,434		(32,173)		(32,173)	
Recreation and cultural	37,727	11,294	1,477		(24,956)		(24,956)	
Interest	79,152				(79,152)		(79,152)	
Total governmental activities	4,291,404	547,580	2,407,522	16,296	(1,320,006)		(1,320,006)	
Business-type activities:								
Airport	14,518	14,302	5,659			5,443	5,443	
Jail Stores Commissary	6,007	7,141				1,134	1,134	
Sanitation District	25,185	29,063				3,878	3,878	
Total business-type activities	45,710	50,506	5,659			10,455	10,455	
Total primary government	4,337,114	598,086	2,413,181	16,296	(1,320,006)	10,455	(1,309,551)	
Component Unit:								
First 5 commission of San Diego	\$ 41,053		32,193					(8,860)

Continued on next page ►►►

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STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2017
(In Thousands)

(Continued)	Net (Expense) Revenue & Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
Changes in net position:				
Net (expense) revenue	\$ (1,320,006)	10,455	(1,309,551)	(8,860)
Revenues:				
General Revenues				
Taxes:				
Property taxes	720,645		720,645	
Transient occupancy tax	4,889		4,889	
Real property transfer tax	23,960		23,960	
Miscellaneous taxes	10		10	
Property taxes in lieu of vehicle license fees	371,105		371,105	
Sales and use taxes	27,779		27,779	
Total general tax revenues	1,148,388		1,148,388	
Investment earnings	15,315	523	15,838	854
Other	88,038	2,716	90,754	
Total general revenues	1,251,741	3,239	1,254,980	854
Transfers	4,399	(4,399)		
Total general revenues and transfers	1,256,140	(1,160)	1,254,980	854
Change in net position	(63,866)	9,295	(54,571)	(8,006)
Net position at beginning of year	2,639,340	235,868	2,875,208	73,239
Net position at end of year	\$ 2,575,474	245,163	2,820,637	65,233

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2017
(In Thousands)

	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled cash and investments	\$ 2,294,855	32,580	12,533	357,692	2,697,660
Cash with fiscal agents	7				7
Investments with fiscal agents	2		289,377		289,379
Receivables, net	321,468	49,750	4,402	77,336	452,956
Property taxes receivables, net	93,998			582	94,580
Due from other funds	37,173	895		15,813	53,881
Inventories	14,336			1,824	16,160
Deposits with others				15	15
Prepaid items	4,517			244	4,761
Restricted assets:					
Cash with fiscal agents	212			310	522
Investments with fiscal agents				63,943	63,943
Lease receivable	1,859			2,671	4,530
Total assets	2,768,427	83,225	306,312	520,430	3,678,394
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	126,491			17,172	143,663
Accrued payroll	31,035			1,519	32,554
Due to other funds	32,959	21,404	2,849	17,911	75,123
Unearned revenue	326,950			9,125	336,075
Total liabilities	517,435	21,404	2,849	45,727	587,415
DEFERRED INFLOWS OF RESOURCES					
Non-pension:					
Property taxes received in advance	9,812			555	10,367
Deferred housing loans	1,148				1,148
Air Quality State Moyer Program				935	935
Affordable Housing Project	4				4
Housing Administrative Cost Allowance				407	407
Unavailable Revenue	95,415			58,308	153,723
Total deferred inflows of resources	106,379			60,205	166,584

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County of San Diego / Comprehensive Annual Financial Report / For the year ended June 30, 2017

**BALANCE SHEET
GOVERNMENTAL FUNDS**

 June 30, 2017
(In Thousands)

(Continued)	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids	5,558			4,223	9,781
Inventories and deposits with others	14,336			1,839	16,175
Restricted for:					
Creditors - Debt service				66,105	66,105
Grantors - Housing assistance	63,229			17,887	81,116
Donations	3,652				3,652
Laws or regulations of other governments:					
Public safety activities	273	61,821			62,094
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	44,683				44,683
Improvement and maintenance of recorded document systems	25,503				25,503
Defray administrative costs, other general restrictions	21,940				21,940
Future road improvements				123,659	123,659
Construction, maintenance and other costs for justice, health, and social facilities and programs	38,681				38,681
Fund purpose				112,816	112,816
Other purposes	68,943			13,775	82,718
Committed to:					
Realignment health, mental health and social services	65,297				65,297
Landfill closure, postclosure and landfill maintenance				72,716	72,716
Unforeseen catastrophic events	59,959				59,959
Capital projects' funding	305,160				305,160
Health			303,463		303,463
Pension obligation bonds	198,231				198,231
Other purposes	48,411				48,411
Assigned to:					
Subsequent one-time expenditures	298,182				298,182
Legislative and administrative services	80,437			1,478	81,915
Other purposes	104,845				104,845
Unassigned	697,293				697,293
Total fund balances	2,144,613	61,821	303,463	414,498	2,924,395
Total liabilities, deferred inflows of resources and fund balances	\$ 2,768,427	83,225	306,312	520,430	3,678,394

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION
June 30, 2017
(In Thousands)**

Total fund balances - governmental funds	\$ 2,924,395
Capital assets used in governmental activities (excluding internal service funds) are not current financial resources and, therefore, are not reported in the balance sheet. This amount represents capital assets net of accumulated depreciation/amortization.	3,366,007
Unamortized gain on refundings (to be amortized as interest expense).	(73)
Unamortized loss on refundings (to be amortized as interest expense).	16,785
Accrued interest on long-term debt.	(18,801)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds and recognized as revenue in the statement of activities.	153,723
Deferred outflows of resources - Contributions to the pension plan subsequent to the measurement date.	376,714
Deferred outflows of resources - Changes in proportionate share and differences between employer's contributions and proportionate share of contributions.	12,469
Deferred outflows of resources - Changes of Assumptions or other inputs.	740,420
Deferred outflows of resources - Net difference between projected and actual earnings on pension plan investments.	615,445
Deferred outflows of resources - Differences between expected and actual experience in the total pension liability.	4,633
Deferred inflows of resources - Changes in proportionate share contributions.	(4,474)
Deferred inflows of resources - Differences between expected and actual experience in the total pension liability.	(149,562)
Long-term liabilities, including bonds, notes, loans payable, capital leases, and net pension liability are not due and payable in the current period and, therefore, are not reported in the balance sheet. (See Note 2 to the financial statements; Table 3.)	(5,509,251)
Internal service funds are used by management to charge the costs of information technology, vehicle operations and maintenance, employee benefits, public liability, road and communications services, materials and supplies (purchasing), and facilities services to individual funds; and, to make loans for start-up services for new and existing county service districts. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. (See Note 2 to the financial statements; Table 3.)	47,044
Net position of governmental activities	\$ 2,575,474

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

(In Thousands)

	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,102,090			46,565	1,148,655
Licenses, permits and franchise fees	41,557			15,509	57,066
Fines, forfeitures and penalties	42,268			1,878	44,146
Revenue from use of money and property	13,904		975	8,200	23,079
Aid from other governmental agencies:					
State	1,141,518	271,159		69,859	1,482,536
Federal	660,513			136,081	796,594
Other	101,315			21,452	122,767
Charges for current services	380,948			30,540	411,488
Other	39,076			38,353	77,429
Total revenues	3,523,189	271,159	975	368,437	4,163,760
Expenditures:					
Current:					
General government	258,675		117	1,213	260,005
Public protection	1,424,638			9,685	1,434,323
Public ways and facilities	4,545			71,356	75,901
Health and sanitation	687,702			43,332	731,034
Public assistance	1,033,532			151,165	1,184,697
Education	1,027			38,660	39,687
Recreation and cultural	36,538			2,787	39,325
Capital outlay	31,598			88,911	120,509
Debt service:					
Principal	16,654			49,630	66,284
Interest	14,414			60,739	75,153
Total expenditures	3,509,323		117	517,478	4,026,918
Excess (deficiency) of revenues over (under) expenditures	13,866	271,159	858	(149,041)	136,842
Other financing sources (uses):					
Sale of capital assets	218			22	240
Issuance of capital lease:					
Face value of capital lease	6,122				6,122
Transfers in	294,788			179,498	474,286
Transfers out	(178,754)	(267,666)	(6,000)	(26,120)	(478,540)
Total other financing sources (uses)	122,374	(267,666)	(6,000)	153,400	2,108
Net change in fund balances	136,240	3,493	(5,142)	4,359	138,950
Fund balance at beginning of year	2,006,409	58,328	308,605	409,972	2,783,314
Increase (decrease) in nonspendable inventories	1,964			167	2,131
Fund balances at end of year	\$ 2,144,613	61,821	303,463	414,498	2,924,395

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2017
(In Thousands)

Net change in fund balances - total governmental funds	\$ 138,950
Governmental funds accrue property tax revenue which is deemed collectible within 60 days. However, for the statement of activities the total amount estimated to ultimately be collected is accrued.	(267)
Revenues that do not provide current financial resources are not reported as revenues in the funds (deferred inflows) but are recognized as revenue in the statement of activities.	24,004
Adjustment to nonspendable inventories.	2,131
Change in accounting estimate for postclosure costs - (public protection function) - San Marcos landfill.	5,679
Change in accounting estimate for pollution remediation - (general function).	(333)
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. (See Note 2 to the financial statements; Table 4.)	(23,843)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (See Note 2 to the financial statements; Table 4.)	13,229
Contributions to the pension plan subsequent to the measurement date.	376,714
The issuance of long-term debt (e.g. bonds, notes, loans, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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. (See Note 2 to the financial statements; Table 4.)	60,213
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. (See Note 2 to the financial statements; Table 4.)	(662,761)
Internal service funds are used by management to charge the costs of centralized services to individual funds. The net revenue (expense) of internal service funds is reported within governmental activities. (See Note 2 to the financial statements; Table 4.)	2,418
Change in net position - governmental activities	\$ (63,866)

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2017

(In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Pooled cash and investments	\$ 78,185	286,686
Receivables, net	3,451	2,299
Due from other funds	31	29,558
Inventories	217	774
Total current assets	81,884	319,317
Noncurrent assets:		
Due from other funds	3,674	
Capital assets:		
Land	11,593	
Construction in progress	18,987	110
Buildings and improvements	132,056	2,963
Equipment	2,372	149,659
Software	101	1,050
Road infrastructure	9,789	
Sewer infrastructure	99,093	
Accumulated depreciation/amortization	(99,947)	(93,278)
Total noncurrent assets	177,718	60,504
Total assets	259,602	379,821
DEFERRED OUTFLOWS OF RESOURCES		
Pension:		
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	57	281
Contributions to the pension plan subsequent to the measurement date	1,703	8,554
Changes of assumptions or other inputs	3,345	16,851
Net difference between projected and actual earnings on pension plan investments	2,790	14,042
Difference between expected and actual experience in the total pension liability	22	105
Total deferred outflows of resources	7,917	39,833

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STATEMENT OF NET POSITION PROPRIETARY FUNDS June 30, 2017 (In Thousands)		
(Continued)	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable	2,794	41,086
Accrued payroll	155	787
Accrued interest		1
Due to other funds	1,374	5,370
Unearned revenue	165	185
Loans payable		986
Capital lease payable		13
Compensated absences	184	963
Claims and judgments		48,790
Total current liabilities	4,672	98,181
Noncurrent liabilities:		
Loans payable		1,247
Compensated absences	259	1,354
Claims and judgments		179,360
Net pension liability	17,566	88,153
Total noncurrent liabilities	17,825	270,114
Total liabilities	22,497	368,295
DEFERRED INFLOWS OF RESOURCES		
Pension:		
Difference between expected and actual experience in the total pension liability	680	3,371
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	21	102
Total deferred inflows of resources	701	3,473
NET POSITION		
Net investment in capital assets	174,044	60,491
Unrestricted net position	70,277	(12,605)
Total net position	\$ 244,321	47,886

Reconciliation between net position - enterprise funds and net position of business-type activities as reported in the government-wide statement of net position		
Total net position	\$	244,321
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		842
Net position of business-type activities	\$	245,163

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2017

(In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Operating revenues:		
Charges for current services	\$ 50,506	404,084
Other	2,705	3,326
Total operating revenues	53,211	407,410
Operating expenses:		
Salaries and employee benefits	9,614	50,216
Repairs and maintenance	6,393	60,844
Equipment rental	1,543	217
Sewage processing	8,767	
Contracted services	8,329	197,389
Depreciation/amortization	6,218	14,728
Utilities	306	26,025
Cost of material	2,637	4,550
Claims and judgments		49,719
Fuel	92	8,514
Other	2,367	7,254
Total operating expenses	46,266	419,456
Operating income (loss)	6,945	(12,046)
Nonoperating revenues (expenses):		
Grants	5,659	3,763
Investment earnings	523	1,351
Interest expense	(10)	(31)
Gain (loss) on disposal of assets	11	403
Other nonoperating expenses		(3)
Total nonoperating revenues (expenses)	6,183	5,483
Income (loss) before capital contributions and transfers	13,128	(6,563)
Capital contributions		894
Transfers in	394	10,381
Transfers out	(4,793)	(1,728)
Change in net position	8,729	2,984
Net position at beginning of year	235,592	44,902
Net position at end of year	\$ 244,321	47,886

Reconciliation between change in net position - enterprise funds and change in net position of business-type activities as reported in the government-wide statement of activities

Change in net position	\$ 8,729
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	566
Change in net position of business-type activities	\$ 9,295

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017
(In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 46,482	6,049
Cash received from other funds	8,536	402,977
Cash payments to suppliers	(27,869)	(269,998)
Cash payments to employees	(8,544)	(45,102)
Cash payment to other funds	(4,215)	(35,638)
Cash paid for claims and judgments		(35,064)
Net cash provided (used) by operating activities	14,390	23,224
Cash flows from noncapital financing activities:		
Operating grants	4,835	3,512
Transfers from other funds	394	10,381
Transfers to other funds	(4,793)	(1,728)
Principal paid on long-term debt		(1,075)
Interest paid on long-term debt		(29)
Proceeds from loans		594
Other noncapital increases	116	
Other noncapital (decreases)		(3)
Net cash provided (used) by noncapital financing activities	552	11,652
Cash flows from capital and related financing activities:		
Capital contributions		808
Acquisition of capital assets	(10,309)	(10,917)
Proceeds from sale of assets	19	1,409
Principal paid on long-term debt	(171)	
Principal paid on capital lease		(38)
Interest paid on long-term debt	(10)	(2)
Net cash provided (used) by capital and related financing activities	(10,471)	(8,740)
Cash flows from investing activities:		
Investment earnings	406	919
Net increase (decrease) in cash and cash equivalents	4,877	27,055
Cash and cash equivalents - beginning of year	73,308	259,631
Cash and cash equivalents - end of year	78,185	286,686

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017
(In Thousands)

(Continued)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	6,945	(12,046)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Decrease (increase) in accounts receivables	824	(380)
Decrease (increase) in due from other funds	192	2,299
Decrease (increase) in inventory	56	127
Increase (decrease) in accounts payable	(1,642)	451
Increase (decrease) in accrued payroll	(205)	(1,100)
Increase (decrease) in due to other funds	795	(1,425)
Increase (decrease) in unearned revenue	(69)	(351)
Increase (decrease) in compensated absences	27	(58)
Increase (decrease) in claims and judgments		14,655
Pension expense	1,249	6,324
Depreciation/amortization	6,218	14,728
Total adjustments	7,445	35,270
Net cash provided (used) by operating activities	14,390	23,224
Non-cash investing and capital financing activities:		
Capital acquisitions included in accounts payable	\$ 2,508	2,316
Governmental contributions of capital assets		86

STATEMENT OF FIDUCIARY NET POSITION				
FIDUCIARY FUNDS				
June 30, 2017				
(In Thousands)				
	Pooled Investments - Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund	Agency Funds	
ASSETS				
Pooled cash and investments	\$ 5,427,997	1,961	428,093	
Cash with fiscal agents			707	
Investments with fiscal agents		1,155		
Receivables:				
Accounts receivable			962	
Investment earnings receivable	17,243	3	20,966	
Taxes receivable	43,049		66,462	
Other receivables	11,410			
Total assets	5,499,699	3,119	517,190	
LIABILITIES				
Accounts payable	1,960	5	74,670	
Warrants outstanding			176,971	
Accrued interest		53		
Noncurrent liabilities:				
Due within one year		498		
Due in more than one year		10,951		
Due to other funds		5,277		
Due to other governments			265,549	
Total liabilities	1,960	16,784	517,190	
NET POSITION				
Held in trust for pool participants	5,497,739			
Held in trust for private purpose		(13,665)		
Total net position (deficit) held in trust	\$ 5,497,739	(13,665)		

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended June 30, 2017

(In Thousands)

	Pooled Investments- Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund
ADDITIONS		
Contributions:		
Contributions to investments	\$ 9,896,500	
Total contributions	9,896,500	
Investment earnings:		
Net increase (decrease) in fair value of investments	(24,951)	
Investment earnings	53,761	3
Total investment earnings	28,810	3
Property taxes- Successor Agency Redevelopment Property Tax Trust Fund Distribution		2,197
Total additions	9,925,310	2,200
DEDUCTIONS		
Administrative expenses		21
Distributions from investments	9,806,819	
Contributions to other agencies		550
Interest		733
Total deductions	9,806,819	1,304
Change in net position	118,491	896
Net position at beginning of year	5,379,248	(14,561)
Net position (deficit) at end of year	\$ 5,497,739	(13,665)

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NOTE 1**Summary of Significant Accounting Policies****The Reporting Entity**

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

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

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

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

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

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

Blended Component Units

The blended component units listed below are agencies and special districts whose governing board is the County Board of Supervisors. The County Board

of Supervisors therefore has the ability to impose its will. These component units have a direct financial benefit/burden relationship with the County, are fiscally dependent on the County, and as such financial actions including the setting of rates, issuance of debt and the adoption of the annual budget remain with the County.

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

Community Facilities Districts - Other (CFD) - The CFDs were established to provide services such as fire protection and suppression, emergency response, and the operation and maintenance of the facilities needed to provide those services for citizens residing within that specific district. CFDs are funded by special taxes levied on citizens residing within the district. The CFDs are reported as *special revenue funds*.

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*.

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, 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 cash balance in proportion to the total pooled cash and investments based on amortized cost. \$2.048 million of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2017, the General Fund was assigned \$2.040 million and the Other Governmental Funds were assigned \$8 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 per share (amortized cost).

The following investments that have a remaining maturity at the time of purchase of one year or less and are held by fiscal agents outside of the County's investment Pool are to be measured at amortized cost: Money market investments, including commercial paper; and participating interest-earning investment contracts, such as negotiable certificates of deposit.

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. None of the County's investments are valued 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 (\$11.962 million and \$6.834 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.

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 fund balance 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	4-30 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 and differences between employer's contributions and proportionate share of 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

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 and differences between employer's contributions and

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, losses and gains on refunding of debt, 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.

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, 2017	
Long-term liabilities, including bonds, notes, loans payable, capital leases, 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 \$(5,509,251) difference are as follows:	
Bonds, notes and loans payable	
Certificates of participation and lease revenue bonds	\$ (293,620)
Taxable pension obligation bonds	(605,520)
Tobacco settlement asset-backed bonds	(559,374)
Loans - non-internal service funds	(3,016)
Unamortized issuance premiums (to be amortized as interest expense)	(37,482)
Unamortized issuance discounts (to be amortized as interest expense)	10,688
Capital lease - non-internal service funds	(6,071)
Compensated absences (excluding Internal Service Funds)	(104,908)
Landfill postclosure - San Marcos landfill	(19,021)
Pollution remediation	(3,898)
Subtotal	(1,622,222)
Net pension liability	(3,887,029)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	\$ (5,509,251)
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 \$47,044 difference are as follows:	
Net position of the internal service funds	\$ 47,886
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(276)
Less: Internal payable representing costs in excess of charges to business-type activities - current year	(566)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$ 47,044

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, 2017

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 \$(23,843) difference are as follows:

Capital outlay	\$ 120,509
Depreciation/amortization expense	(144,352)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ (23,843)</u>

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 \$13,229 difference are as follows:

The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	\$ (240)
The gain on the disposal of capital assets does not affect current financial resources but increases net position	3
The loss on the disposal of capital assets does not affect current financial resources but decreases net position	(812)
Donations of assets to the County do not provide current financial resources but increase net position	14,278
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ 13,229</u>

The issuance of long-term debt (e.g., bonds, notes, loans, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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 \$60,213 difference are as follows:

Face value of capital lease	\$ (6,122)
Principal repayments	66,284
Capital lease payment	51
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ 60,213</u>

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 \$(662,761) difference are as follows:

Change in net pension liability - pension expense	\$ (653,774)
Compensated absences	(5,018)
Accrued interest	1,381
Accretion of capital appreciation bonds	(6,402)
Amortization of premiums	2,839
Amortization of discounts	(591)
Amortization of gain on refundings	56
Amortization of loss on refundings	(1,252)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ (662,761)</u>

Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this \$2,418 difference are as follows:

Change in net position of the internal service funds	\$ 2,984
Less: Loss from charges to business activities	(566)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ 2,418</u>

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.sdttc.com>.

Total pooled cash and investments totaled \$8,966,955 consisting of: \$8,904,574 investments in the County pool; \$53.496 million in deposits; \$8.374 million of collections in transit; and, \$511 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 insured depository institution in the State for up to a maximum of \$250,000 for demand deposits and up to a maximum of \$250,000 for 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 utilizes national or state chartered banks where amounts exceeding the FDIC insurance level are 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, 2017, 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 \$53.496 million, and the bank balance at June 30, 2017 was \$52.887 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 outstanding checks and deposits in transit. Of the bank balance, \$1.10 million was covered by federal deposit insurance and \$51.787 million was collateralized with securities held by a depository agent on behalf of the Investment Pool as required by California Government Code Section 53656. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Also, a financial institution may, in accordance with the California Government Code, secure local agency deposits using first trust deed mortgages; however, the fair value of the first trust deed mortgages collateral must be at least 150% of the total amount deposited.

b. The carrying amount of demand deposits with Fiscal Agents (outside of the Pool) was \$1.236 million and the bank balance per various financial institutions was \$1.846 million. Of the total bank balance, \$499 thousand was covered by federal deposit insurance; \$1.242 million was collateralized by a named agent depository; and \$105 thousand 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, local agency obligations, banker's acceptances, commercial paper, corporate medium-

term notes, negotiable certificates of deposit, repurchase and reverse repurchase agreements, pass-through securities, supranationals, money market mutual funds, local agency investment funds, bond funds, and asset-backed securities.

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. Institutional money market mutual funds are carried at portfolio book value (carrying cost). All purchases of investments are accounted for on a trade-date basis.

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

The Investment Pool is allowed to have leverage exposure up to 20% of the portfolio value through the use of Reverse Repurchase Agreements (RRP) and securities lending. There were no RRP's or securities lending transactions during fiscal year 2017.

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.

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. In addition, the Investment Pool limits the maximum effective duration of the portfolio to 18 months. As of June 30, 2017, the Investment Pool was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with the 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 "F1" for short-term. Non-rated securities include sweep accounts and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by California Government Code Section 53601, having a fair value of at least 102% of the amount of the repurchase agreement. The Investment Pool did not have any repurchase agreements in its portfolio as of June 30, 2017.

Credit quality based on Fitch's Fund Credit Quality Rating is noted below and on **Table 7**.

Table 5		
Fitch Investment Rating		
	Investment Pool Rating at June 30, 2017	Minimum Pool Investment Policy Ratings at Time of Purchase
Overall credit rating	AAAf/S1	
Short-term		F1
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, 2017, all Pool investments were in compliance with State law and with the Investment Policy.

The Investment Pool's holdings of the securities of the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) are issued by agencies that remain under conservatorship by the Director of the Federal Housing Agency. The U.S. government does not guarantee, directly or indirectly, the securities of the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB),

FNMA, or FHLMC. The Investment Pool's investments in FHLB, FFCB, FNMA and FHLMC securities as of June 30, 2017 comprised 5.05%, 3.15%, 8.83% and 10.29% of the total County Investment Pool's investments, respectively.

In addition, the following investment holdings/issuers also exceeded the 5 percent threshold: International Bank for Reconstruction and Development (5.67%), JP Morgan (5.11%), Toyota Motor Credit Corporation (5.67%), and Fortis/BNP Paribas (5.28%).

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, 2017 are shown in **Table 6**. Any investments explicitly 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	\$ 15,490	5%		
State of Maryland	15,029	5%		
State of Tennessee	17,950	6%		
State of Washington	24,549	8%		
Toronto Dominion Bank NY			\$ 17,501	27%
JP Morgan Securities LLC			31,101	52%

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 that securities purchased from any bank or dealer including appropriate collateral (as defined by California State Law), not insured by FDIC, shall 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.

Notes to the Financial Statements

(Amounts expressed in thousands unless otherwise noted)

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Table 7								
Pooled Investments At June 30, 2017								
	Fair Value	Book Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	Fitch Rating	% of Portfolio	
U.S. Government Agencies:								
Federal Farm Credit Bank	\$ 280,893	282,855	0.65% - 1.71%	9/17 - 11/20	703	AAA	3.15%	
Federal Home Loan Bank	449,953	451,969	0.73% - 5.00%	8/17 - 3/22	824	AAA	5.05%	
Federal Home Loan Mortgage Corporation	916,593	922,586	0.875% - 4.875%	7/17 - 6/22	987	AAA	10.29%	
Federal National Mortgage Association	785,885	790,914	0.875% - 2.30%	10/17 - 2/22	834	A-/AAA	8.83%	
U.S. Treasury Notes	768,213	771,185	0.50% - 2.625%	7/17 - 11/21	647	AAA	8.63%	
Supranational	631,434	634,753	0.875% - 2.10%	11/17 - 12/21	716	AAA	7.09%	
Commercial Paper Discount	2,355,747	2,364,734	1.08% - 1.45%	7/17 - 3/18	94	A/A+/AA-	26.46%	
Money Market Mutual Funds	365,300	365,300	0.022% - 0.69%	N/A	31	AAA	4.10%	
Negotiable Certificates of Deposit	2,168,500	2,168,505	1.06% - 1.58%	7/17 - 6/18	125	A/A+/A-/AA-	24.35%	
Asset Backed Securities	182,056	182,210	1.00% - 1.50%	9/18 - 12/20	811	AAA	2.05%	
Total investments	\$ 8,904,574	8,935,011			419		100%	

Table 8							
Investments with Fiscal Agents At June 30, 2017							
	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	\$ 14,389	5.13% - 5.63%	7/21 - 7/39	6662	A-	4.07%	
Fixed income tax exempt bonds	35,435	0% - 6.25%	7/17 - 1/40	3771	AA	10.03%	
Fixed income tax exempt bonds	12,213	5.00%	11/19 - 8/22	1587	AA-	3.46%	
Fixed income tax exempt bonds	63,863	0% - 5.25%	7/17 - 12/48	2384	AA+	18.08%	
Fixed income tax exempt bonds	95,615	3% - 5%	2/18 - 4/30	1425	AAA	27.06%	
Fixed income tax exempt bonds	24,120	5% - 8.25%	11/17 - 9/39	5671	NR	6.83%	
Fixed income tax exempt bonds	38,744	2% - 6%	8/17 - 8/40	1826	NR	10.97%	
Money market mutual fund	5,000	0.67%	7/17 - 8/17	36	AAAm	1.41%	
Subtotal	289,379						
Restricted:							
Commercial paper	33,101	1.29%	10/17	123	A-1	9.37%	
Negotiable Certificates of Deposit	17,501	1.3%	7/17	21	A-1+	4.95%	
Negotiable Certificates of Deposit	180	1.25%	5/18 - 6/18	326	NA	0.05%	
Money market mutual funds	13,161	0.36% - 0.74%	7/17 - 8/17	26-50	AAAm	3.72%	
Subtotal	63,943						
Total County investments with fiscal agents	353,322					100.00%	
Private Purpose investments:							
Money market mutual funds	1,155	0.58%	7/17	31	AAAm	100.00%	
Total Private Purpose investments	1,155					100.00%	
Total investments with fiscal agents	\$ 354,477						

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.

None of the County's investments are valued using Level 1 and Level 3 inputs.

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.

Total pooled investments as of June 30, 2017, were valued at \$8.904 billion. The fair value of pooled investments categorized according to the GASB Statement No. 72 fair value hierarchy totaled \$8.539 billion, and are all classified as Level 2. Money market mutual funds totaling \$365 million, are valued at net asset value - \$1 per share (amortized cost) and are therefore not subject to the fair value hierarchy.

Total investments with fiscal agents as of June 30, 2017, were valued at \$354.5 million. The fair value of investments with fiscal agents according to the GASB 72 fair value hierarchy totaled \$284.6 million, and are all classified as Level 2. Fixed income tax exempt bonds 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. Negotiable certificates of deposit with a remaining maturity at the time of purchase of more than one year were valued based on a spread or the discount rate. A spread is the difference between the bid and ask price of a security or asset whereas a discount rate may be employed in the present value technique to link future amounts (cash flows or values) to a present value amount. The following investments have a remaining maturity at the time of purchase of one year or less, are held by fiscal agents outside of the County's investment Pool, and are measured at amortized cost: Money market mutual funds, \$19.3 million, commercial paper, \$33.1 million, and negotiable certificates of deposit, \$17.5 million.

Table 9 summarizes pooled investments' and investments with fiscal agents' recurring fair value measurements and the fair value hierarchy as of June 30, 2017.

Notes to the Financial Statements

(Amounts expressed in thousands unless otherwise noted)

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Table 9
Pooled Investments and Investments With Fiscal Agents By Fair Value Level

	June 30, 2017	Fair Value Measurements Using		
		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	\$ 182,056		182,056	
U.S. government agencies	2,433,324		2,433,324	
U.S. treasury notes	768,213		768,213	
Supranational	631,434		631,434	
Commercial paper	2,355,747		2,355,747	
Negotiable certificates of deposit	2,168,500		2,168,500	
Total pooled investments and cash equivalents by fair value level	8,539,274		\$ 8,539,274	
Pooled investments not subject to the fair value hierarchy				
Money market mutual funds	365,300			
Total pooled investments not subject to the fair value hierarchy	365,300			
Total pooled investments	\$ 8,904,574			
Investments with fiscal agents by fair value level				
Fixed income tax exempt bonds	\$ 284,379		284,379	
Negotiable certificates of deposit	180		180	
Total investments with fiscal agents by fair value level	284,559		\$ 284,559	
Investments with fiscal agents not subject to the fair value hierarchy				
Money market mutual funds	19,316			
Commercial paper	33,101			
Negotiable certificates of deposit	17,501			
Total investments with fiscal agents not subject to the fair value hierarchy	69,918			
Total investments with fiscal agents	\$ 354,477			

Table 10 Investment Pool Policy Restrictions versus California Government (Gov) Code Section 53601 Requirements								
Investment Type	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	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	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	10%	None	5% (4)	None	A-
Money Market Mutual Funds	N/A	N/A	20%	5%	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%	30%	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 when the dollar weighted average maturity is greater than 5 days, and 15% of the portfolio for RPs when the dollar weighted average maturity is 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 the security.

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

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

NOTE 4**Restricted Assets**

Restricted assets include monies or other resources required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements. For fiscal year 2017 restricted assets were as follows:

Table 11		
Restricted Assets		
Fund	Legal or Contractual Requirements	Debt Covenants
General Fund	\$ 212	1,859
Nonmajor Governmental Funds		
Housing Authority - Other Special Revenue Fund	385	
Tobacco Securitization Joint Special Revenue Fund		45,289
San Diego Regional Building Authority Debt Service Fund		8,639
Pension Obligation Bonds Debt Service Fund		6
SANCAL Debt Service Fund		12,500
Capital Outlay - Capital Projects Fund	105	

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 - \$27.640 million:

This amount represents Senate Bill (SB) 90 cost reimbursements due to the County for the provision of State mandated programs 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 - \$89.518 million:

This amount includes: \$44.408 million in housing rehabilitation loan programs for low-income or special needs residents, and loans for low income housing down payments; \$26.080 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; \$1.041 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 \$562 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 \$179 thousand.

Loans- Business-type activities- \$4.890 million:

This amount includes \$1.216 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 \$3.674 million owed to the AEF from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to fund airport projects. In the Airport Enterprise Fund, this loan is presented as "Due From Other Funds". See Note 8 to the financial statements, "Interfund Balances".

Table 12

Receivables
Primary Government and Discretely Presented Component Unit
At June 30, 2017

	Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:								
General Fund	\$ 5,156	7,048	244,643	63,737	884	321,468		321,468
Public Safety Special Revenue Fund			49,750			49,750		49,750
Tobacco Endowment Fund		4,402				4,402		4,402
Other Governmental Funds	21,387	5,563	31,376	24,178	1,665	84,169	(6,833)	77,336
Internal Service Funds	421	761	1,091		26	2,299		2,299
Total governmental activities - fund level	\$ 26,964	17,774	326,860	87,915	2,575	462,088	(6,833)	455,255
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				1,603		1,603		1,603
Less: Due from Component Unit					(69)	(69)		(69)
Total governmental activities - Statement of Net Position	\$ 26,964	17,774	326,860	89,518	2,506	463,622	(6,833)	456,789
Business-type activities:								
Enterprise Funds	\$ 265	223	1,743	1,216	4	3,451		3,451
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				3,674		3,674		3,674
Total business-type activities - Statement of Net Position	\$ 265	223	1,743	4,890	4	7,125		7,125
Component Unit:								
First 5 Commission of San Diego	\$ 2,754	138	1,017		145	4,054		4,054

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 \$7.17 million at June 30, 2017. The lease revenue received by the County and the SDRBA for the year ended June 30, 2017 was approximately \$740 thousand and \$887 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 \$2.76 million in land at June 30, 2017.

Lease revenue from noncancelable operating leases for the year ended June 30, 2017 was approximately \$10.01 million. Future minimum lease payments to be received under the direct financing and noncancelable operating leases are noted in **Table 13**.

Table 13 Lease Revenue County Property Leased To Others			
Fiscal Year	Direct Financing Leases	Operating Leases	
2018	\$ 1,632	\$ 9,396	
2019	1,633	8,248	
2020	1,265	7,733	
2021		7,241	
2022		6,877	
2023-2027		31,910	
2028-2032		28,886	
2033-2037		23,541	
2038-2042		18,799	
2043-2047		14,962	
2048-2052		12,294	
2053-2057		7,925	
2058-2062		4,763	
2063-2067		3,891	
2068-2072		267	
Total	\$ 4,530	\$ 186,733	

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, 2016	Increases	Decreases	Ending Balance at June 30, 2017
Capital assets, not being depreciated/amortized:				
Land	\$ 410,550	10,018	(430)	420,138
Easements	8,373	317		8,690
Construction in progress	64,475	69,146	(49,805)	83,816
Total capital assets, not being depreciated/amortized	483,398	79,481	(50,235)	512,644
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,943,256	35,312	(2,128)	1,976,440
Equipment	311,204	24,174	(18,992)	316,386
Software	70,037	22,145	(4,473)	87,709
Road infrastructure	2,674,314	34,794		2,709,108
Bridge infrastructure	74,638	1,950		76,588
Total capital assets, being depreciated/amortized	5,073,449	118,375	(25,593)	5,166,231
Less accumulated depreciation/amortization for:				
Buildings and improvements	(462,037)	(43,450)	1,922	(503,565)
Equipment	(178,016)	(26,291)	17,769	(186,538)
Software	(45,181)	(13,641)	4,332	(54,490)
Road infrastructure	(1,409,123)	(74,223)		(1,483,346)
Bridge infrastructure	(22,950)	(1,475)		(24,425)
Total accumulated depreciation/amortization	(2,117,307)	(159,080)	24,023	(2,252,364)
Total capital assets, being depreciated/amortized, net	2,956,142	(40,705)	(1,570)	2,913,867
Governmental activities capital assets, net	\$ 3,439,540	38,776	(51,805)	3,426,511

Table 15
Capital Assets - Business-type Activities

	Beginning Balance at July 1, 2016	Increases	Decreases	Ending Balance at June 30, 2017
Capital assets, not being depreciated/amortized:				
Land	\$ 11,593			11,593
Construction in progress	9,248	10,567	(828)	18,987
Total capital assets, not being depreciated/amortized	20,841	10,567	(828)	30,580
Capital assets, being depreciated/amortized:				
Buildings and improvements	129,638	2,418		132,056
Equipment	2,012	550	(190)	2,372
Software	101			101
Road infrastructure	9,679	110		9,789
Sewer infrastructure	99,093			99,093
Total capital assets, being depreciated/amortized	240,523	3,078	(190)	243,411
Less accumulated depreciation/amortization for:				
Buildings and improvements	(47,013)	(3,790)		(50,803)
Equipment	(1,023)	(118)	182	(959)
Software	(3)	(20)		(23)
Road infrastructure	(1,379)	(349)		(1,728)
Sewer infrastructure	(44,493)	(1,941)		(46,434)
Total accumulated depreciation/amortization	(93,911)	(6,218)	182	(99,947)
Total capital assets, being depreciated/amortized, net	146,612	(3,140)	(8)	143,464
Business-type activities capital assets, net	\$ 167,453	7,427	(836)	174,044

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	\$ 14,934
Public protection	32,573
Public ways and facilities	75,444
Health and sanitation	7,648
Public assistance	3,566
Education	2,093
Recreation and cultural	8,094
Internal Service Funds	14,728
Total	\$ 159,080

Table 17
Depreciation Expense - Business-type Activities

Airport Fund	\$ 4,033
Jail Store Commissary Fund	3
Sanitation District Fund	2,182
Total	\$ 6,218

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, 2017, the County General Fund's outstanding encumbrances totaled \$368.909 million; the Public Safety Fund's outstanding encumbrances totaled \$7.119 million; and, Nonmajor governmental funds' outstanding encumbrances totaled \$44.741 million.

At June 30, 2017, 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, 2017	
	Remaining Commitments
Governmental Activities	
General Fund:	
Construction of Crime Lab	\$ 54,426
Construction of Regional Communications System	19,514
Construction of North Coastal HHSA Facility	19,482
Development of Integrated Property Tax System	14,179
Construction of Borrego Springs Library and Sheriff Station	8,494
Construction of Pine Valley Fire station	8,200
Improvements at East County Regional Center	5,510
Development of Telephone System for Emergency Communications	2,655
Improvements at Borrego Springs Park	1,505
Subtotal	133,965
Nonmajor Governmental Funds:	
Improvements of County Roads	7,561
Construction of Alpine Boulevard	1,959
Subtotal	9,520
Internal Service Funds:	
Vehicle Acquisitions	19,649
Subtotal	19,649
Governmental Activities Subtotal	163,134
Business-type Activities	
Enterprise Funds:	
Improvements at Rancho San Diego Pump Station	4,684
Sanitation District Sewer Improvements	2,049
Construction of Sewer Monitoring System	1,991
Construction of Gillespie Field Cajon Air Center	1,247
Business-Type Activities Subtotal	9,971
Total	\$ 173,105

NOTE 8 Interfund Balances

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

Table 19									
Interfund Balances At June 30, 2017									
DUE TO	DUE FROM								Total
	General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Private Purpose Trust Fund		
	General Fund	\$	21,383	2,849	8,801	207	2,892	1,041	
	Public Safety		895						
	Nonmajor Governmental		7,400	21	6,726	1,081	23	562	
	Nonmajor Enterprise		31					3,674	
	Internal Service		24,633		2,384	86	2,455		
	Total	\$	32,959	21,404	2,849	17,911	1,374	5,370	
								5,277	

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

- \$1.041 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.
- \$3.674 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.
- \$562 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 \$1.041 million Upper San Diego River Project loan and the "Due from other funds" for the County Low and Moderate Income Housing Asset fund's \$562 thousand are included in the governmental activities' "Receivables, net". The "Due from other funds" for the \$3.674 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.

Notes to the Financial Statements

(Amounts expressed in thousands unless otherwise noted)

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NOTE 9 Interfund Transfers

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

Table 20							
Transfers In/Transfers Out At June 30, 2017							
	TRANSFERS OUT						Total
	General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
TRANSFERS IN							
General Fund	\$	267,393	6,000	20,615	780		294,788
Nonmajor Governmental	168,974	273		4,955	3,568	1,728	179,498
Nonmajor Enterprise	344			50			394
Internal Service	9,436			500	445		10,381
Total	\$	178,754	267,666	6,000	26,120	4,793	485,061

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, 2017				
	Vendors	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:				
General Fund	\$ 110,654	10,155	5,682	126,491
Other Governmental Funds	14,392	1,289	1,491	17,172
Internal Service Funds	39,573	561	952	41,086
Total governmental activities	\$ 164,619	12,005	8,125	184,749
Business-type activities:				
Enterprise Funds	\$ 2,219	11	564	2,794
Component Unit:				
First 5 Commission of San Diego	\$ 3,796	6,051	69	9,916

NOTE 11 Deferred Inflows of Resources: Unavailable Revenue

Table 22			
Deferred Inflows of Resources - Non-pension At June 30, 2017			
Unavailable Revenue	General Fund	Other Governmental Funds	Total
Property and miscellaneous local taxes	\$ 40,095	467	40,562
Aid from other governmental agencies	32,185	23,063	55,248
Charges for services	1,991	2,671	4,662
Other	21,144	32,107	53,251
Total	\$ 95,415	58,308	153,723

A large portion of the Unavailable revenue - aid from other governmental agencies consists primarily of \$23.1 million of TransNet one-half cent sales tax revenue to be used for projects in the Road Fund, and \$27.6 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 \$4.5 million represents various other unavailable aid from other governmental agencies revenues.

Of the \$53.3 million of Unavailable revenue - other, approximately \$13.6 million are tobacco settlement receivables, \$17.3 million are low and moderate income housing assistance receivables, \$20.6 million is for the Sheriff Regional Communication System upgrade project, approximately \$842 thousand is for interest receivable and \$958 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 2037 (**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, 2017 was approximately \$40 million, including \$31.32 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	
2018	\$	31,275
2019		28,461
2020		25,011
2021		22,227
2022		19,804
2023-2027		40,022
2028-2032		150
2033-2037		142
Total		167,092

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, 2017, was approximately \$4.8 million.

Capital Leases

Minimum Lease Payments

On October 21, 2016, the County entered into a capital lease agreement for a building with Robert Bienenfeld, Trustee of the Trust for the benefit of Robert Bienenfeld under the will of Jonas Bienenfeld and Robert Premiere, a California limited partnership. This building was placed in service in June 2017 and has been capitalized in the Government-wide Statement of Net Position at its fair value of \$6.122 million, and the lease obligation is reflected as a liability in that statement. The term of the lease is 10 years, with an implicit interest rate of 6.13%, maturing in June 2027. Future minimum lease payments under the capital lease are shown in **Table 24**.

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 (ISF) 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	Building - non-ISF	Equipment - ISF	
2018	\$	735	13
2019		757	
2020		779	
2021		803	
2022		827	
2023-2027		4,521	
Total minimum lease payments		8,422	13
Less: Amount representing interest		(2,351)	
Net lease payments	\$	6,071	13

Book Value

The book values of the building and equipment capital leases are as follows:

Table 25			
Capital Lease - Book Value			
At June 30, 2017			
Capital Lease Property	Original Cost	Accumulated Amortization	Net Book Value
Building - non - ISF	\$ 6,122		6,122
Equipment - ISF	\$ 310	297	13

The accumulated amortization of the equipment capital lease was \$297 thousand as of June 30, 2017. The current year's portion is included in the Internal Service Funds' depreciation/amortization of \$14.728 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.

Details of the COPs and LRBs outstanding at June 30, 2017 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, 2017
2003 San Miguel Consolidated Fire Protection District Refunding LRB	\$ 10,005	2.00 - 5.00%	2020	2,440
2009 Justice Facilities Refunding of 1997 Central Jail COP	48,300	2.00 - 5.00%	2026	29,560
2009 Justice Facilities Refunding of 1998 Courthouse COP	32,640	2.00 - 5.00%	2023	12,455
2011 Metropolitan Transit System Towers Refunding COP	19,260	1.00 - 5.00%	2020	6,330
2011 CAC Waterfront Park Project COP	32,665	3.00 - 5.125%	2042	29,620
2012 Cedar-Kettner Development Project COP	29,335	2.00 - 5.00%	2042	26,910
2014 Edgemoor and RCS Refunding COP Series 2014A (Edgemoor)	91,675	2.00 - 5.00%	2030	82,650
2014 Edgemoor and RCS Refunding COP Series 2014B (RCS) Taxable	2,075	0.415 - 1.920%	2019	1,040
2016 County Operations Center Refunding LRB	105,330	3.00 - 5.00%	2036	102,615
Total	\$ 371,285			293,620

Annual debt service requirements to maturity for COPs and LRBs are as follows:

Table 27 Certificates of Participation and Lease Revenue Bonds - Debt Service Requirements to Maturity			
Fiscal Year	Principal	Interest	Total
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	16,780	10,176	26,956
2023-2027	80,975	38,783	119,758
2028-2032	64,870	20,583	85,453
2033-2037	43,535	8,084	51,619
2038-2042	16,485	1,985	18,470
Subtotal	293,620	\$ 127,767	\$ 421,387
Add:			
Unamortized issuance premium	37,482		
Less:			
Unamortized discount	(146)		
Total	\$ 330,956		

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, 2017 are as follows:

Table 28				
Taxable Pension Obligation Bonds				
Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2017
2004 Series A	\$ 241,360	3.28 - 5.86%	2023	177,245
2004 Series B1-2	147,825	5.91%	2025	147,825
2008 Series A	343,515	3.33 - 6.03%	2027	280,450
Total	\$ 732,700			605,520

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
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	59,300	20,798	80,098
2023-2027	340,825	44,234	385,059
Total	\$ 605,520	180,820	786,340

Tobacco Settlement Asset-Backed Bonds (TSAB)

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

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

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

In May 2006, the Authority issued Series 2006 TSAB (2006 Bonds) in the amount of \$583.631 million to refund the outstanding principal of the original 2001 Bonds noted above and to loan an additional \$123.515 million to the Corporation. The proceeds were placed

into the endowment fund for the aforementioned purposes. The 2006 Bonds are limited obligations of the Authority.

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

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, 2017 are as follows:

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2017
Series 2006A Senior Current Interest Bonds	\$ 534,610	4.75 - 5.125%	2025-2046	458,230
Series 2006B CABs	19,770	6.25%	2046	231,820
2006B unaccreted appreciation CABs				(192,709)
Series 2006C CABs	8,686	6.40%	2046	107,950
2006C unaccreted appreciation CABs				(90,487)
Series 2006D CABs	20,565	7.10%	2046	335,105
2006D unaccreted appreciation CABs				(290,535)
Total	\$ 583,631			559,374

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	Unaccrued Appreciation	Interest	Total
2018	\$ -	6,842	23,118	29,960
2019		7,302	23,118	30,420
2020		7,800	23,118	30,918
2021		8,328	23,118	31,446
2022	3,775	8,894	23,103	35,772
2023-2027	55,555	54,399	109,418	219,372
2028-2032	71,185	75,593	94,143	240,921
2033-2037	91,405	105,088	74,341	270,834
2038-2042	117,770	146,144	48,598	312,512
2043-2046	167,561	153,341	15,071	335,973
Subtotal	507,251	\$ 573,731	\$ 457,146	\$ 1,538,128
Add:				
Accrued appreciation through June 30, 2017	52,123			
Subtotal	559,374			
Less:				
Unamortized issuance discount	(10,542)			
Total	\$ 548,832			

As shown in **Table 31**, the unpaid accreted appreciation of the 2006 Bonds as of June 30, 2017 was \$52,123, which will be paid in 2046.

Pledged revenue related to the 2006 Bonds for the year ended June 30, 2017 was as follows:

Table 32 Tobacco Settlement Asset-Backed Bonds - Pledged Revenues				
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Fiscal Year 2017	
			Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 Tobacco Settlement Asset-Backed Bonds	2046	\$ 1,590,251	\$ 27,586	\$ 27,320

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 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 2017 the County received \$594 thousand in proceeds from new OBF loans. As of June 30, 2017, nineteen OBF loans were outstanding, with remaining balances totaling \$1.85 million.

Details of loans outstanding at June 30, 2017 for governmental activities are as follows:

Table 33					
Loans - Governmental Activities					
Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2017	
Loans - non internal service funds (ISF)					
Firebird Manor	\$ 4,486	1.00%	2028	1,681	
California Energy Comm Loan (Street Light & Maint Dist)	1,422	1.00%	2025	1,283	
Sheriff RCS Land Purchase	68	6.78%	2026	52	
Total loans - non-ISF	5,976			3,016	
Loans - ISF					
California Energy Comm Loan 3 (Facilities ISF)	2,565	4.50%	2018	381	
San Diego Gas and Electric On Bill Financing (Facilities ISF)	3,387	0.00%	2029	1,852	
Total loans - ISF	5,952			2,233	
Total	\$ 11,928			5,249	

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
2018	\$ 1,293	42	1,335
2019	651	26	677
2020	567	23	590
2021	546	20	566
2022	436	17	453
2023 - 2027	1,591	39	1,630
2028 - 2029	165	2	167
Total	\$ 5,249	169	5,418

Prior Year Defeasance of Long-Term Debt

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, 2017, \$116.505 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, 2017, the probable arbitrage rebate was zero.

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NOTE 14 Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2017 were as follows:

Table 35						
Changes in Long-Term Liabilities						
	Beginning Balance at July 1, 2016	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2017	Amounts Due Within One Year
Governmental Activities:						
COPs, bonds & loans						
Certificates of participation and lease revenue bonds	\$ 311,010		(17,390)		293,620	18,735
Taxable pension obligation bonds	649,860		(44,340)		605,520	46,995
Tobacco settlement asset-backed bonds	557,237		(4,265)	6,402	559,374	
Loans - non-internal service funds (ISF)	3,306		(290)		3,016	307
Loans - internal service funds	2,714	594	(1,075)		2,233	986
Unamortized issuance premiums	40,321		(2,839)		37,482	2,839
Unamortized issuance discounts	(11,279)		591		(10,688)	(590)
Total COPs, bonds & loans	\$ 1,553,169	594	(69,608)	6,402	1,490,557	69,272
Other long-term liabilities:						
Capital Lease - non-ISF	\$	6,122	(51)		6,071	362
Capital Lease - ISF	51		(38)		13	13
Claims and judgments - ISF	213,495	49,719	(35,064)		228,150	48,790
Compensated absences - non-ISF	99,890	71,935	(66,917)		104,908	45,285
Compensated absences - ISF	2,375	1,799	(1,857)		2,317	963
Landfill postclosure	24,700		(5,679)		19,021	634
Pollution remediation	3,565	1,048	(715)		3,898	532
Total Other long-term liabilities	\$ 344,076	130,623	(110,321)		364,378	96,579
Total Governmental Activities	\$ 1,897,245	131,217	(179,929)	6,402	1,854,935	165,851
Business-type activities:						
Loans	\$ 171		(171)			
Compensated absences	416	409	(382)		443	184
Total Business-type Activities	\$ 587	409	(553)		443	184

NOTE 15**Funds Used to Liquidate Liabilities**

The following funds presented in **Table 36** below have typically been used to liquidate other long-term obligations in prior years:

Table 36	
Liquidated Liabilities	
Liability	Fund(s) Used to Liquidate in Prior Years
Claims & Judgments	Internal Service Funds - Employee Benefits and Public Liability Insurance
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 and Special Revenue Funds - Inactive Wastesites
Net Pension Liability	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

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) five 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, 2017, the aggregate conduit debt principal amount outstanding was \$108.094 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, 2017 for the San Marcos Landfill was \$19.021 million. This estimated amount is based on what it would cost to perform all postclosure care in calendar year 2017 dollars and is subject to change as a result of such factors including but not limited to: inflation; deflation; advancements in technology; and amendments to laws and regulations.

In addition to the above, state regulations require that landfill closure and postclosure maintenance costs be fully funded at the time of closure, unless a landfill owner/operator can demonstrate financial responsibility towards these activities by using other approved financial assurance alternatives. A pledge of revenue is one of various alternatives allowed to fund estimated postclosure costs. Under this alternative, the Board of Supervisors, on February 3, 1998, approved Minute Order No. 5 "Postclosure Maintenance Funding for the San Marcos Landfill", wherein the County entered into a pledge of revenue agreement with the California Integrated Waste Management Board (CIWMB). Pursuant to Resolution No. 98-24, adopted under Minute Order No. 5, the Board directed that the amount of pledged revenue shall be equal to \$790

thousand per year for the 30 year period of postclosure maintenance commencing upon completion of the final closure of the San Marcos Landfill. The amount of pledged revenue was reduced to \$626 thousand on December 20, 2016 when the California Department of Resources Recycling and Recovery (CalRecycle) reviewed and approved a revised postclosure maintenance plan for the San Marcos Landfill submitted by the County. 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.

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 \$1.165 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 \$1.180 million in fiscal year 2017). 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, 2017, the County's estimated pollution remediation obligations totaled \$3.898 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, and a temporary asphalt parking lot. The small plant preserve that was formerly attached to the parcel was removed and translocated to Mission Trails Regional Park. Organochlorine pesticide chlordane, metals, hydrocarbons, and toluene were detected at various concentrations in the soil samples collected. Phase one of this project was completed consisting of dewatering and removing contaminated soils caused by stormwater combined with contaminated groundwater as a result of an offsite spill on private property which has been conveyed through groundwater to County owned land. The County is not liable for the spill/contamination, but has assumed responsibility for remediation during construction. The remediation costs for dewatering and removing contaminated soils was \$93 thousand. Engineering design of redevelopment and infrastructure of the site is in still 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. As of the end of fiscal year 2017, \$119.9 million of the General Fund's fund balance has been set aside 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

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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.

NOTE 20

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

At June 30, 2017, the fund balances restricted for laws or regulations of other governments: fund purpose are presented in **Table 37** as follows:

Table 37		
Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose		
At June 30, 2017		
Fund Type:	Purpose	Amount
Nonmajor Funds		
Special Revenue Funds		
Air Pollution Fund	Air pollution activities	\$ 22,471
Asset Forfeiture Program Fund	Law enforcement	9,972
Community Facilities District Funds - Other	Fire protection and suppression, emergency response, and the operation and maintenance of facilities	649
County Library Fund	Library services	12,029
County Low and Moderate Income Housing Asset Fund	County housing activities	123
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services	26,379
Edgemoor Development Fund	Edgemoor development	5,132
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	138
In Home Supportive Services Public Authority Fund	In home supportive services	96
Inmate Welfare Fund	Benefit, education, and welfare of jail inmates	15,237
Lighting Maintenance District Fund	Street and road lighting maintenance	2,141
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	1,630
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities	16,819
Total Nonmajor Funds (Special Revenue Funds)		\$ 112,816

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

At June 30, 2017, the fund balances restricted for laws or regulations of other governments: other purposes are presented in **Table 38** as follows:

Table 38	
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	
At June 30, 2017	
Major Fund	
General Fund	
Vector control	\$ 8,922
Teeter tax loss	7,939
Fingerprinting equipment purchase and operation	7,541
Parole revocation hearings	6,052
Mental health	5,436
Emergency medical services, various construction costs	4,786
Probation Department activities	4,476
Real estate fraud prosecution	4,438
Public Defender defense of indigent cases	3,703
Sheriff automated warrant system	3,179
Parks and Recreation land acquisition, improvements, stewardship and other activities	2,450
Sheriff law enforcement	1,791
Sheriff vehicle maintenance and replacement	1,770
Probation community transition unit activities	1,745
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region	1,466
Domestic violence and child abuse prevention	1,396
Improvement, maintenance and operation of the Waterfront Park	880
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles	544
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities	129
Equipment replacement/system enhancement Caller ID Remote Access Network	110
Lease or purchase of California state approved voting systems, or components of voting systems	108
Social services child safety education	82
Total General Fund	\$ 68,943
Nonmajor Funds	
Special Revenue Funds	
Flood Control District Fund	
Flood control future drainage improvements	\$ 13,708
Housing Authority - Other Fund	
Disaster related administration	44
Housing repairs and improvements	23
Total Nonmajor Special Revenue Funds	\$ 13,775
Total Nonmajor Funds	\$ 13,775
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	\$ 82,718

NOTE 22

Fund Balances Committed to Other Purposes

At June 30, 2017, the fund balances committed to other purposes are presented in **Table 39** as follows:

Table 39 Fund Balances Committed To Other Purposes At June 30, 2017	
Major Fund	
General Fund	
Regional communication system infrastructure enhancements	\$ 14,731
Parks expansion and improvements	13,000
Health based programs reducing adult/youth smoking	8,291
San Diego Fire Authority equipment replacement	2,433
Parks and Recreation land acquisition	2,346
Department of Planning and Development Services activities	1,922
Sheriff's Department future capital expenditures	1,669
Registrar of Voter services	1,000
Department of Environmental Health services	898
Sheriff's Department helicopter replacement	664
Management of conduit financing programs	629
Registrar of Voters equipment acquisition	445
South County Shelter capital improvements	121
Assessor/Recorder/County Clerk services	111
Capital projects or major maintenance projects	65
Parks and Recreation turf replacement Sweetwater Valley	39
Future purchase of agricultural conservation easements	21
Capital Improvement	12
Senior Volunteer Patrols Program in the unincorporated communities	9
Clerk of the Board services	5
Total General Fund	\$ 48,411

NOTE 23

Fund Balances Assigned to Other Purposes

At June 30, 2017, the fund balances assigned to other purposes are presented in **Table 40** as follows:

Table 40 Fund Balances Assigned to Other Purposes At June 30, 2017	
Major Fund	
General Fund	
Health, mental health and social services	\$ 34,799
Law enforcement, detention, legal and other protection services	30,413
Planning, land use, agriculture, watershed and other public services	12,740
Information technology transition costs	12,173
Park and recreation services	4,886
Hall of Justice future lease payments	4,000
Fire protection	2,637
Assessor/Recorder/County Clerk services	1,455
Maintenance	992
Treasurer-Tax Collector services	479
Animal Services	181
Registrar of Voters services	90
Total General Fund	\$ 104,845

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

At June 30, 2017, the net position restricted for laws or regulations of other governments: other purposes is presented in **Table 41** as follows:

Table 41	
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	
At June 30, 2017	
Developing new or rehabilitating existing neighborhood or community park or recreational facilities	\$ 16,819
Benefit, education, and welfare of jail inmates	15,237
Library services	12,029
Law enforcement	9,972
Fingerprinting equipment purchase and operation	7,541
Parole revocation hearings	6,052
Edgemoor development	5,132
Emergency medical services, various construction costs	4,786
Probation Department activities	4,476
Real estate fraud prosecution	4,438
Public Defender defense of indigent cases	3,703
Sheriff automated warrant system	3,179
Parks and Recreation land acquisition, improvements, stewardship and other activities	2,450
Street and road lighting maintenance	2,141
Sheriff law enforcement	1,791
Sheriff vehicle maintenance and replacement	1,770
Probation community transition unit activities	1,745
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	1,630
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region	1,466
Domestic violence and child abuse prevention	1,396
Improvement, maintenance and operation of the Waterfront Park	880
Fire protection and suppression, emergency response, and the operation and maintenance facilities	649
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles	544
Maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control services	138
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities	129
Housing activities	123
Equipment replacement/system enhancement Caller ID Remote Access Network	110
Lease or purchase of California state approved voting systems, or components of voting systems	108
In home supportive services	96
Social services child safety education	82
Disaster related administration	44
Housing repairs and improvements	23
Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	\$ 110,679

NOTE 25

Risk Management

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

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

At June 30, 2017, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled \$228.2 million, including \$52.7 million in public liability and \$175.5 million in workers' compensation. Changes in the balances of claim liabilities for fiscal years 2017 and 2016 are shown in **Table 42**.

Table 42		
Risk Management - Changes in Claim Liabilities		
	2017	2016
Employee Benefits Fund		
Unpaid claims, July 1	\$ 175,332	166,876
Incurred claims	23,201	31,942
Claim payments	(23,045)	(23,486)
Unpaid claims, June 30	\$ 175,488	175,332
Public Liability Insurance Fund		
Unpaid claims, July 1	\$ 38,163	37,907
Incurred claims	26,518	10,764
Claim payments	(12,019)	(10,508)
Unpaid claims, June 30	\$ 52,662	38,163

NOTE 26

Contingencies

Litigation

As of June 30, 2017, 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 \$207 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 \$1.4 million contributed primarily by the City and the County to supplement its operating revenues. In its latest report, SanGIS reported an increase in net position of \$89 thousand and ending net position of \$326 thousand for the fiscal year ended June 30, 2016. 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 \$55 thousand and ending net position of \$83 thousand for the fiscal year ended June 30, 2016. 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, 2016, the Partnership reported a decrease in net position of \$122 thousand and ending net position of

\$301 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. The annual budget is derived from fees paid by participating agencies along with revenue generated from class offerings. In its latest report, Heartland Fire Training Authority reported an increase in net position of \$215 thousand and ending net position of \$930 thousand for the fiscal year ended June 30, 2016. 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, 2016 SDCERA-PP membership totaled 40,915, consisting of the following: Retired members or beneficiaries currently receiving benefits - 17,734, Vested terminated members entitled to, but not yet receiving benefits - 5,413; and Active members - 17,768.

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.

Benefits Provided

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

Table 43 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 2% COLA	Highest 3 - year
Safety Tier A	§31664.1	Before August 28, 2009	3% at 50; maximum 3% 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.

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, 2017 for 2016-2017 was 9.36% 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, 2017 for 2016-2017 was 35.45% (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 \$386,971 for the year ended June 30, 2017.

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

Table 44 Employer/Employee Contribution Rates and Active Members by Tier			
	Employer Contribution Rates	Employee Contribution Rates	Active Members
General Tier I	35.07%	7.53 - 14.74%	25
General Tier A	35.07%	9.11 - 16.35%	9,004
General Tier B	35.07%	6.41 - 12.94%	1,620
General Tier C	28.96%	8.03%	3,558
Safety Tier A	45.72%	12.91 - 19.08%	2,416
Safety Tier B	45.72%	10.15 - 15.25%	486
Safety Tier C	38.02%	13.81%	659

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, 2017, the County reported a liability of \$3,992,748 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2016 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2015 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.

For the County's General membership class, actual or statutorily required contributions for the fiscal year ended June 30, 2016 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, 2016, the County's proportionate share of employer contributions was approximately 92.898%, (General 89.792%, Safety 100%), which was an increase of approximately 0.109% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$657,651.

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Table 45		
Pension Deferred Outflows/Inflows		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	\$ 12,807	\$ 4,597
Changes of assumptions or other inputs	760,616	
Contributions to the pension plan subsequent to the measurement date	386,971	
Differences between expected and actual experience in the total pension liability	4,760	153,613
Net difference between projected and actual earnings on pension plan investments	632,277	
	<u>\$ 1,797,431</u>	<u>158,210</u>

Deferred outflows of resources and deferred inflows of resources noted above represent the unamortized portion of changes to net pension 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 and differences between employer's contributions and 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.

\$386,971 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, 2018.

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 46	
Pension Expense	
Year Ending June 30	Amount
2018	\$ 286,900
2019	293,383
2020	412,814
2021	259,153
Total	\$ 1,252,250

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, 2016 are shown in the following table:

Table 47	
Actuarial Assumptions	
Inflation	3.00%
Salary increases	General: 4.25% to 10.25% and Safety: 4.50% to 12.00% vary by service, including inflation.
Discount rate	7.25%, 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, 2012 through June 30, 2015

Changes in assumptions from the prior measurement period were made as a result of an updated actuarial experience study. Previously, the assumptions were based on the July 1, 2009 through June 30, 2012 experience study. The changes in assumptions included: a decrease in the discount rate from 7.5 percent, changes to the projected salary increases, and the use of RP-2014 mortality rates rather than RP-2000 mortality rates.

Mortality rates for General members and all beneficiaries are based on the Headcount-Weighted RP-2014 Health Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward one year for females. For Safety members, the same mortality table is used with a two-year setback. For General members with a disability retirement, there is a five-year age set forward for males and four-year set forward for females on post-retirement mortality. For Safety members with a disability retirement, there is a one-year age set forward.

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 (7.25 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 and a risk margin. 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 48
Target Allocation and Projected Arithmetic Real Rates of Return for each Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	17.685%	5.80%
Small Cap U.S. Equity	1.965%	6.47%
Developed International Equity	16.200%	6.97%
Emerging Markets Equity	9.150%	8.93%
U.S. Core Bonds	10.000%	0.84%
High Yield Bonds	5.000%	3.47%
Global Bonds	2.000%	0.49%
Bank Loan	5.000%	2.34%
Cash and Cash Equivalents	2.000%	(0.46%)
Real Estate	4.500%	4.45%
Value Added Real Estate	4.500%	7.10%
Hedge Fund (Funds to Funds)	8.000%	4.40%
Private Real Asset	6.000%	9.00%
Private Equity	8.000%	9.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2016. 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 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, 2016.

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, 2016, calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Table 49
County's Share of Net Pension Liability Discount Rate Sensitivity

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension plan liability	\$ 5,868,691	\$ 3,992,748	\$ 2,452,882

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 with at least 10 years of SDCERA service credit. The allowance increases for each year of service credit, with a maximum allowance of \$400 per month available 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, 2017, were the following:

Table 50
CoSD Employer Contributions - SDCERA-RHP

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Contributions Made	Percentage of ARC Contributed
2017	\$ 18,794	\$ 18,794	100.0%
2016	18,125	18,125	100.0%
2015	19,444	19,444	100.0%

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 51

Fund Deficit At June 30, 2017

Internal Service Fund:

Employee Benefits Fund	\$ (24,580)
Facilities Management Fund	(23,134)
Public Liability Insurance Fund	(10,015)
Purchasing Fund	(628)

The Employee Benefits Fund deficit of \$24.6 million, (a decrease of \$13.8 million from the 2015-2016 fund deficit of \$38.4 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, 2017. The liability increased to \$175.5 million from the prior year's estimate of \$175.3 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 that began in fiscal year 2015-2016 for a 10 year period.

The Public Liability Insurance Fund deficit of \$10 million, (a decrease of \$10.3 million from the 2015-2016 fund net position of \$290 thousand) resulted mainly from the accrual of the estimated liability based on an actuarial determination that overall losses had developed significantly higher than expected. The liability increased to \$52.7 million from the prior year's estimate of \$38.2 million. The County intends to reduce the deficit through increased rate charges to County Departments in fiscal year 2017-18, primarily based on the 5 year history of actual expenditures by department.

The Facilities Management Fund and Purchasing Fund deficits of approximately \$23.1 million and \$628 thousand, respectively, resulted from adjustments attributed to reporting the County's proportionate share of the SDCERA-PP net pension liability.

NOTE 30 Subsequent Events

On July 15, 2017 the County entered into an equipment lease-purchase agreement with Motorola Solutions, Inc. The lease obligation, totaling \$23 million, will be reflected as a liability in the Government-Wide Statement of Net Position. The term of the lease is 10 years, with a fixed interest rate of 2.79%, maturing in July, 2026.

NOTE 31**County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency**

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

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

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

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

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

After the date of dissolution, as allowed in the Bill, the County elected to retain the housing assets and functions previously performed by the former SDCRA. These assets and activities are accounted for in the County Low and Moderate Income Housing Asset Fund and are reported in the County's governmental fund financial statements. The remaining assets,

liabilities, and activities of the dissolved SDCRA are reported in the County of San Diego Successor Agency Private Purpose Trust Fund (fiduciary fund) financial statements of the County.

Due To Other Funds

The County of San Diego Successor Agency Private Purpose Trust Fund's "Due To Other Funds" consists of outstanding loans owed to the General Fund for the Upper San Diego River Project (\$1.041 million), to the Airport Enterprise Fund (AEF) for the Airport Projects (\$3.674 million) and to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) (\$562 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, 2017, 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 32**San Diego County Redevelopment Agency (SDCRA) Revenue Refunding Bonds**

In December 2005, the San Diego County Redevelopment Agency (SDCRA) issued \$16 million Revenue Refunding Bonds Series 2005A that mature in fiscal year 2033. The SDCRA has pledged property tax increment revenues generated within the Gillespie Field Project Area to pay for the bonds. Gillespie Field Airport revenues may also be used to fund debt service payments if there are insufficient property tax increment revenues to cover a particular fiscal year's

debt service requirement. Bonds are also payable from funds held under the indenture, including earnings on such funds. Pursuant to California Assembly Bill ABx1 26, the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund.

SDCRA revenue refunding bonds outstanding at June 30, 2017 were the following:

Table 52 SDCRA Revenue Refunding Bonds				
Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2017
Revenue Refunding Bonds Series 2005A	\$ 16,000	3.65 - 5.75%	2033	11,475
Total	\$ 16,000			11,475

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

Table 53 SDCRA Revenue Refunding Bonds - Debt Service Requirements to Maturity			
Fiscal Year	Principal	Interest	Total
2018	\$ 500	622	1,122
2019	525	596	1,121
2020	555	568	1,123
2021	580	538	1,118
2022	610	506	1,116
2023-2027	3,590	1,979	5,569
2028-2032	4,505	805	5,310
2033	610	15	625
Total	11,475	\$ 5,629	\$ 17,104
Less:			
Unamortized issuance discount	(26)		
Total	\$ 11,449		

SDCRA pledged revenue for the year ended June 30, 2017 was as follows:

Table 54 SDCRA Revenue Refunding Bonds - Pledged Revenues				
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Fiscal Year 2017	
			Debt Principal & Interest Paid	Pledged Revenue Received
Revenue Refunding Bonds Series 2005A	2033	\$ 17,104	\$ 1,392	\$ 1,404

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2017 were as follows:

Table 55					
SDCRA Changes in Long-Term Liabilities					
	Beginning Balance at July 1, 2016	Additions	Reductions	Ending Balance at June 30, 2017	Amounts Due Within One Year
Revenue Refunding Bonds Series 2005A	\$ 12,210		(735)	11,475	500
Unamortized issuance discounts	(27)		1	(26)	(2)
Total	\$ 12,183		(734)	11,449	498

NOTE 33

New Governmental Accounting Standards Implementation Status

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*. 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 County has no defined benefit pensions that are not already within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions; has no accumulated ending balances for assets accumulated for purposes of providing those pensions; 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 Statement is not currently applicable.

In June 2015, the GASB issued *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement 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.

This Statement does not apply to the basic financial statements of the County.

In August 2015, the GASB issued *Statement No. 77, Tax Abatement Disclosures*. 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.

In Fiscal Year 2017, the County determined that these requirements do not affect the financial reporting for the County, consequently this Statement is not currently applicable.

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.

In Fiscal Year 2017, the County determined that these requirements do not currently impact the County, consequently this Statement is not currently applicable.

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.

In Fiscal Year 2017 the County decided not to elect to measure all of its investments at amortized cost for financial reporting purposes, consequently this Statement is not currently applicable.

In January 2016, the GASB issued *Statement No. 80, Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. 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 County has implemented this Statement for the current fiscal year, without a material impact.

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. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires cost-sharing employers, in financial statements prepared using the accrual basis of accounting, 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.

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

In March 2016, the GASB issued *Statement No. 81, Irrevocable Split-Interest Agreements*. 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 November 2016, the GASB issued *Statement No. 83, Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued *Statement No. 84, Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued *Statement No. 85, Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

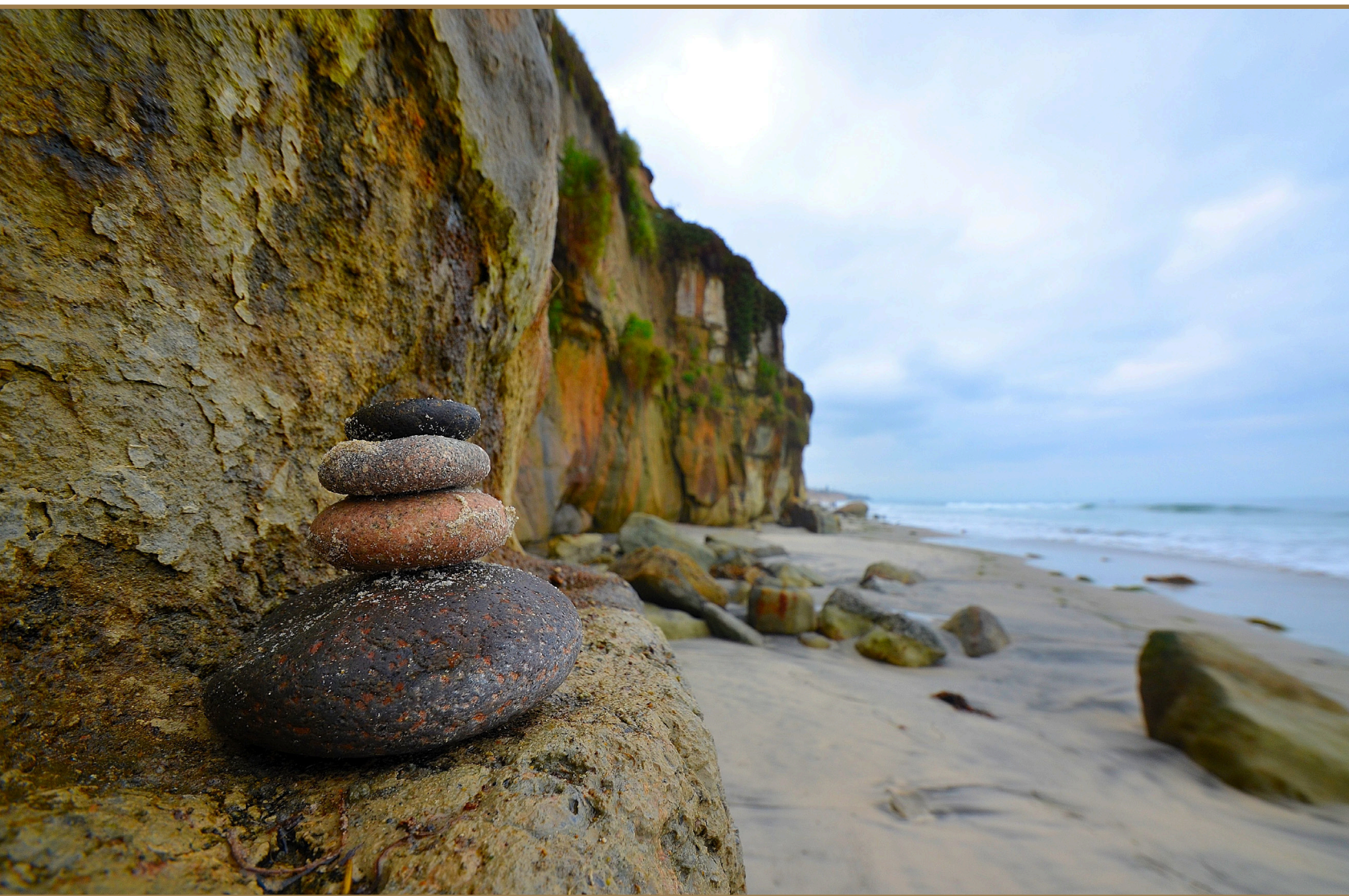
In May 2017, the GASB issued *Statement No. 86, Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources; that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid

insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued *Statement No. 87, Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.



*Required Supplementary
Information*

Pension Plan

The schedule (in thousands) of the County's proportionate share of the San Diego County Employees Retirement Association pension plan collective Net Pension Liability is shown in the table below:

Table 1 Schedule of County's Proportionate Share of the Net Pension Liability			
	Fiscal Year 2017*	Fiscal Year 2016*	Fiscal Year 2015*
County's proportion of the net pension liability	92.898%	92.827%	92.292%
County's proportionate share of the net pension liability	\$ 3,992,748	\$ 2,593,395	\$ 1,958,456
County's covered payroll	\$ 1,058,895	\$ 1,036,987	\$ 988,858
County's proportionate share of the net pension liability as a percentage of its covered payroll	377.067%	250.089%	198.052%
Plan fiduciary net position as a percentage of the total pension liability	70.48%	78.63%	82.65%

*Amounts presented above were based on the measurement periods ending June 30, 2016, June 30, 2015, and June 30, 2014, respectively.

Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

The schedule (in thousands) of County contributions to the San Diego County Employees Retirement Association pension plan is shown in the table below:

Table 2 Schedule of the County Contributions			
	Fiscal Year 2017*	Fiscal Year 2016*	Fiscal Year 2015*
Actuarial determined contributions	\$ 386,971	\$ 354,524	\$ 356,732
Contributions in relation to the actuarially determined contribution	386,971	354,524	356,732
Contribution deficiency (excess)	\$ -	\$ -	\$ -
County's covered payroll	\$ 1,091,617	\$ 1,058,595	\$ 1,036,987
Contributions as a percentage of covered payroll	35.45%	33.49%	34.40%

*Amounts presented above were based on the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, respectively.

Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 1,061,445	1,061,445	1,102,090
Licenses, permits and franchise fees	39,982	39,980	41,557
Fines, forfeitures and penalties	44,376	44,374	42,268
Revenue from use of money and property	7,485	7,484	13,904
Aid from other governmental agencies:			
State	1,192,757	1,190,880	1,141,518
Federal	721,488	729,398	660,513
Other	73,755	73,663	101,315
Charges for current services	365,789	378,208	380,948
Other	41,081	45,114	39,076
Total revenues	3,548,158	3,570,546	3,523,189
Expenditures:			
Current:			
General government:			
Assessor/recorder/county clerk - finance	44,991	45,221	40,718
Auditor and controller	26,363	25,369	24,448
Auditor and controller - information technology management services	12,754	14,648	8,261
Board of supervisors district #1	1,488	1,688	1,442
Board of supervisors district #2	1,664	1,683	1,606
Board of supervisors district #3	1,427	1,627	1,222
Board of supervisors district #4	1,467	1,667	1,258
Board of supervisors district #5	1,461	1,661	1,278
Board of supervisors general office	1,127	1,127	1,017
Chief administrative office - legislative and administrative	4,917	4,918	4,542
Civil service commission	511	511	451
Clerk of the board of supervisors - legislative and administrative	4,138	4,196	3,935
Community enhancement	4,893	4,893	4,884
Community projects	11,632	10,568	8,622
Community services	17,735	17,485	6,943
Contributions to capital outlay		6,633	
County communications office	3,192	3,192	2,905
County counsel	25,510	25,151	24,430
County technology office	16,801	16,801	8,383
Countywide general expense	72,091	85,660	17,834
Finance and general government - legislative and administrative	5,383	5,384	1,613
Finance and general government - other general	22,837	35,010	4,212
Finance and general government group - CAC major maintenance	8,920	8,919	6,251
Finance and general government group - finance	3,126	3,126	2,701
Health and human services - legislative and administrative	170	170	139
Human resources - other general government	6,060	6,061	4,891
Human resources - personnel	22,579	22,555	17,614
Land use and environment - legislative and administrative	6,402	6,403	3,448
Lease payments - bonds	68	68	
Public safety - legislative and administrative	15,275	21,444	10,793
Registrar of voters	21,228	26,060	24,008
Treasurer - tax collector	23,513	23,513	18,826
Total general government	389,723	433,412	258,675

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL
GENERAL FUNDFor the Year Ended June 30, 2017
(In Thousands)

(Continued)

	Original Budget	Final Budget	Actual
Public protection:			
Agriculture, weights and measures	15,973	16,224	14,714
Agriculture, weights and measures - sealer	4,277	4,025	4,375
Assessor/recorder/county clerk - other protection	22,865	22,636	15,445
Child support	52,141	52,142	46,132
Citizens law enforcement review board	661	661	579
Contributions for trial courts	67,736	70,236	66,681
Department of animal services	17,558	17,475	16,670
District attorney-judicial	179,614	174,614	162,257
Fire protection, Office of emergency services	41,698	45,328	40,549
Grand jury	805	805	640
Local agency formation commission administration	426	426	426
Medical examiner	9,757	9,757	9,748
Office of emergency services	8,309	10,863	6,462
Planning and development services	42,041	43,913	30,814
Probation - detention and correction	164,270	165,626	150,380
Probation - juvenile detention	50,062	48,661	45,871
Public defender	81,430	81,430	75,735
Public works, flood control, soil and water, general	20,981	21,056	14,969
Sheriff - adult detention	269,394	270,754	265,071
Sheriff - detention and correction	5,111	4,821	3,754
Sheriff - other protection	2,935	2,935	2,391
Sheriff - police protection	501,900	512,619	450,975
Total public protection	1,559,944	1,577,007	1,424,638
Public ways and facilities:			
Public works, dept of gen	2,117	1,143	491
Public works, general - public ways	5,308	5,205	4,054
Total public ways and facilities	7,425	6,348	4,545
Health and sanitation:			
Environmental health	44,232	44,239	39,202
Health and human services agency - drug and alcohol abuse services	67,317	67,317	58,056
Health and human services agency - health	192,466	205,367	167,852
Health and human services agency - health administration	1,007	1,008	614
Health and human services agency - medical care	49,218	49,144	45,503
Health and human services agency - mental health	396,678	403,190	376,475
Total health and sanitation	750,918	770,265	687,702
Public assistance:			
Health and human services agency - medical services	8,289	8,289	7,639
Health and human services agency - other assistance	263,979	285,589	225,383
Health and human services agency - social administration	860,139	818,026	784,222
Health and human services agency - veterans' services	2,543	2,542	2,729
Probation - care of court wards	13,949	13,949	13,559
Total public assistance	1,148,899	1,128,395	1,033,532

Continued on next page ►►►

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL GENERAL FUND

For the Year Ended June 30, 2017
(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
Education:			
Agriculture, weights and measures	1,130	1,129	1,027
Total education	1,130	1,129	1,027
Recreation and cultural:			
Parks and recreation	41,136	43,754	36,538
Total recreation and cultural	41,136	43,754	36,538
Contingency reserve	22,675	22,675	
Capital outlay	72,048	78,058	31,598
Debt service:			
Principal	16,659	16,659	16,654
Interest	17,114	17,114	14,414
Total expenditures	4,027,671	4,094,816	3,509,323
Excess (deficiency) of revenues over (under) expenditures	(479,513)	(524,270)	13,866
Other financing sources (uses):			
Sale of capital assets			218
Issuance of capital lease:			
Face value of capital lease			6,122
Transfers in	305,791	307,630	294,788
Transfers out	(438,157)	(444,767)	(178,754)
Total other financing sources (uses)	(132,366)	(137,137)	122,374
Net change in fund balances	(611,879)	(661,407)	136,240
Fund balances at the beginning of year	2,006,409	2,006,409	2,006,409
Increase (decrease) in nonspendable inventories		1,964	1,964
Fund balances at end of year	\$ 1,394,530	1,346,966	2,144,613

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**BUDGET AND ACTUAL****PUBLIC SAFETY FUND**

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Aid from other governmental agencies:			
State	\$ 272,812	272,812	271,159
Total revenues	272,812	272,812	271,159
Expenditures:			
Current:			
Public protection:			
Public safety (Prop 172)	5,299	5,299	
Total public protection	5,299	5,299	
Total expenditures	5,299	5,299	
Excess (deficiency) of revenues over (under) expenditures	267,513	267,513	271,159
Other financing sources (uses):			
Transfers out	(278,725)	(278,725)	(267,666)
Total other financing sources (uses)	(278,725)	(278,725)	(267,666)
Net change in fund balances	(11,212)	(11,212)	3,493
Fund balances at beginning of year	58,328	58,328	58,328
Fund balances at end of year	\$ 47,116	47,116	61,821

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

TOBACCO ENDOWMENT FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 1,900	1,900	975
Total revenues	1,900	1,900	975
Expenditures:			
Current:			
General government:			
Tobacco settlement	200	200	117
Total general government	200	200	117
Total expenditures	200	200	117
Excess (deficiency) of revenues over (under) expenditures	1,700	1,700	858
Other financing sources (uses):			
Transfers out	(6,000)	(6,000)	(6,000)
Total other financing sources (uses)	(6,000)	(6,000)	(6,000)
Net change in fund balances	(4,300)	(4,300)	(5,142)
Fund balances at beginning of year	308,605	308,605	308,605
Fund balances at end of year	\$ 304,305	304,305	303,463

Budgetary Information

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). Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year with the approval of the Board of Supervisors.

Appropriations may also be adjusted during the year with the approval of the Board of Supervisors. Additionally, the County Budget Act authorizes the Chief Administrative Officer (CAO) and/or Deputy CAO/Auditor and Controller to approve transfers within a department as long as overall appropriations of the department are not increased. Such adjustments are reflected in the final budgetary data. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

The schedule of revenues, expenditures, and changes in fund balance - budget and actual for the General Fund, Public Safety Fund and the Tobacco Endowment Fund that is presented as Required Supplementary Information was prepared in accordance with generally accepted accounting principles (GAAP).

The Original Budget consists of the adopted budget plus the budget carried forward from the prior fiscal year. Accordingly, encumbrances that are subject to automatic re-appropriation are included as part of the original budget. The County adopts its budget subsequent to the start of the each new fiscal year by mid-August. The final budget includes the original budget plus amended budget changes occurring during the fiscal year.

The Actual column represents the actual amounts of revenue and expenditures reported on a GAAP basis which is the same basis that is used to present the aforementioned original and final budget.



*Combining & Individual Fund
Information and Other
Supplementary Information*

NONMAJOR GOVERNMENTAL FUNDS**SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Air Pollution Fund

This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees. This fund is restricted for air pollution activities.

Asset Forfeiture Program Fund

This fund was established to account for the proceeds of assets that were seized and forfeited by federal and state agencies participating in asset forfeiture programs. These programs are law enforcement initiatives that recover assets used in criminal activities and redirects such assets and the investment income derived therefrom to the support of crime victims and local law enforcement initiatives.

Community Facilities District Funds - Other

These funds were established to provide services such as fire protection and suppression, emergency response, and the operation and maintenance of the facilities needed to provide those services for citizens residing within that specific district. CFDs are funded by special taxes levied on citizens residing within the district. These funds are restricted for fire protection and suppression, emergency response, and the operation and maintenance of facilities.

County Library Fund

This fund was established to provide library services for the unincorporated area as well as 11 of the incorporated cities within the county. Property taxes provide most of the fund's revenues; aid from other

governmental agencies, grants and revenues from library services provide the remaining principal revenues. This fund is restricted for library services.

County Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code 34176, the County elected to assume the housing functions of the housing assets of the former San Diego County Redevelopment Agency, along with the related rights, powers, liabilities, duties and obligations. As a result, this fund was created on February 1, 2012, and the use of this fund is restricted for housing activities.

County Service District Funds

These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service 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. They also derive revenue from cities and from services provided to property owners. This fund is restricted for road, park lighting maintenance, fire protection and ambulance services.

Edgemoor Development Fund

This fund was established pursuant to Board Policy F-38, which provides guidelines for the use, development and disposition of the County's 326 acres of property located in the City of Santee, known as the Edgemoor Property. Revenues are derived from the sale or lease of land within the Edgemoor property, and these revenues are to be used for the reconstruction of the Edgemoor Skilled Nursing Facility. A portion of these reconstruction costs include an annual transfer to reimburse the General Fund for annual lease payments associated with the 2014 Edgemoor Refunding COPs which refunded the 2005 and 2006 Edgemoor COPs. Those COPs were used to fund the redevelopment of the Edgemoor Skilled Nursing Facility, which was completed in 2009. The federal reimbursements with the SB 1128 program are also deposited into this fund. This fund is restricted for Edgemoor development.

Flood Control District Fund

This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes. This fund is restricted for flood control future drainage improvements.

Harmony Grove Community Facilities District Fund

This fund was established to account for services provided 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. This fund is restricted for the maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control service.

Housing Authority - Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code (HSC) 34176 (b) and (b)(2), the City of Santee elected to transfer the housing functions of the Successor Agency to the Community Development Commission of the City of Santee, 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 assets contingent on two items. To date, one item has been satisfied and the other is still in progress. This fund was created in fiscal year 2013-14 and the use of this fund is restricted for housing activities.

Housing Authority - Other Fund

This fund was established to account for revenues and expenditures of programs administered by the Housing Authority. These programs assist individuals and families to reside in decent, safe, and sanitary housing. The U.S. Department of Housing and Urban

Development (HUD) provides the majority of the funding for the Housing Authority's program expenditures.

In Home Supportive Services Public Authority Fund (IHSSPA)

This authority was established for the administration of the IHSSPA registry, investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSSPA recipients and the provision for training of providers and recipients. The authority is funded by the State's social services realignment fund, federal and state programs. The monies are initially deposited into the County's General Fund, and transferred to the IHSSPA fund. This fund is restricted for in home supportive services.

Inactive Wastesites Fund

This fund was established to receive one-time homeowner association deposits and residual funds from the sale of the County's Solid Waste System. Expenditures include repairs, maintenance and care for the County's inactive landfill sites in accordance with all applicable governmental regulations, laws and guidelines. This fund is committed to landfill postclosure and inactive landfill maintenance.

Inmate Welfare Program Fund

This fund was established to receive telephone and other vending commissions and profits from stores operated in connection with the county jails. Fund expenditures, by law, must be solely for the benefit, education and welfare of confined inmates. This fund is restricted for the benefit, education, and welfare of jail inmates.

Lighting Maintenance District Fund

This fund 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. This fund is restricted for street and road lighting maintenance.

Other Special Revenue Funds

These funds were established to receive user fees, land lease revenues and fines. The activities (expenditures) of this fund are restricted for 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.

Park Land Dedication Fund

This fund was established to receive and expend special park land dedication fees from developers of land as a condition for approval of any development. The fees may be used for the purchase of land and the development of land for active park or recreational facilities. These facilities serve the future residents of such developments and the greater county at large. In lieu of the payment of these fees, the developer may dedicate land for active park or recreational facilities. This fund is restricted, as per the Park Land Dedication Ordinance, to developing new or rehabilitating existing neighborhood or community park or recreational facilities.

Road Fund

This fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway user taxes and are supplemented by federal funds, vehicle code fines, and fees and reimbursements for engineering services provided. This fund is restricted for future road improvements.

Tobacco Securitization Joint Special Revenue Fund

The Tobacco Securitization Joint Special Revenue Fund accounts for the transactions of the San Diego County Tobacco Asset Securitization Corporation and Tobacco Securitization Authority of Southern California, two component units, that are blended into the County's financial statements. This fund is funded by restricted tobacco settlement revenues.

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated.

Pension Obligation Bonds Fund

This fund receives payments from the County and other agencies for payment of principal and interest due on taxable pension obligation bonds. The debt issue was used to satisfy the County's requirement to amortize the unfunded actuarial accrued liability with respect to retirement benefits accruing to members of the San Diego County Employees Retirement Association. This fund is restricted for debt service.

San Diego Regional Building Authority Fund

This fund receives rental payments based on the lease purchase agreement from the San Miguel Consolidated Fire Protection District (SMCFPD) for payment of principal and interest due on lease revenue bonds issued for the SMCFPD; secured by the lease purchase payments. This fund also receives interest on monies invested in permissible investments as directed by each San Diego Regional Building Authority (SDRBA) financing's Trust indenture. Debt service payments made in this fund also include payments not accounted for in the County's General Fund related to SDRBA debt issuances; and are secured by interest earnings on the aforementioned permissible investments. This fund is restricted for debt service.

SANCAL Fund

This fund receives interest on monies invested in permissible investments as directed by each San Diego County Capital Asset Leasing Corporation (SANCAL) financing's Trust indenture. Debt service payments made in this fund are secured by the aforementioned interest earnings and represent payments not accounted for in the County's General Fund related to SANCAL debt issuances. This fund is restricted for debt service.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Capital Outlay Fund

This fund is used exclusively to finance the acquisition, construction and completion of permanent public improvements, including public buildings; and for the costs of acquiring land and permanent improvements. Revenues are obtained from grants; and contributions from other funds when approved by the Board of Supervisors. This fund is committed to capital projects.

SANCAL Fund

This fund is used to account for the expenditures of the proceeds from the sale of certificates of participation of the San Diego Capital Asset Leasing Corporation used to pay construction costs for the County Administration Center Waterfront Park and the Cedar Kettner Parking Structure. This fund is restricted for capital projects per various debt covenants.

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2017 (In Thousands)					
	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds	
ASSETS					
Pooled cash and investments	\$ 349,571	1,646	6,475	357,692	
Receivables, net	76,702	7	627	77,336	
Property taxes receivables, net	582			582	
Due from other funds	9,010	522	6,281	15,813	
Inventories	1,824			1,824	
Deposits with others	15			15	
Prepaid items	244			244	
Restricted assets:					
Cash with fiscal agents	205		105	310	
Investments with fiscal agents	45,469	18,474		63,943	
Lease receivable		2,671		2,671	
Total assets	483,622	23,320	13,488	520,430	

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Combining Financial Statements/Schedules - Nonmajor Governmental Funds

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County of San Diego / Comprehensive Annual Financial Report / For the year ended June 30, 2017

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2017 (In Thousands)				
(Continued)	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	9,735	8	7,429	17,172
Accrued payroll	1,519			1,519
Due to other funds	11,777	75	6,059	17,911
Unearned revenue	9,125			9,125
Total liabilities	32,156	83	13,488	45,727
DEFERRED INFLOW OF RESOURCES				
Non-pension:				
Property taxes received in advance	555			555
Air Quality State Moyer Program	935			935
Housing Administrative Cost Allowance	407			407
Unavailable revenue	55,637	2,671		58,308
Total deferred inflows of resources	57,534	2,671		60,205
FUND BALANCES				
Nonspendable:				
Not in spendable form:				
Loans, due from other funds and prepaids	4,223			4,223
Inventories and deposits with others	1,839			1,839
Restricted for:				
Creditors - Debt service	45,539	20,566		66,105
Grantors - Housing assistance	17,887			17,887
Laws or regulations of other governments:				
Future road improvements	123,659			123,659
Fund purpose	112,816			112,816
Other purposes	13,775			13,775
Committed to:				
Landfill closure, postclosure and landfill maintenance	72,716			72,716
Assigned to:				
Legislative and administrative services	1,478			1,478
Total fund balances	393,932	20,566		414,498
Total liabilities, deferred inflows of resources and fund balances	\$ 483,622	23,320	13,488	520,430

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

June 30, 2017

(In Thousands)

	Air Pollution Fund	Asset Forfeiture Program Fund	Community Facilities District Funds - Other	County Library Fund	County Low and Moderate Income Housing Asset Fund	County Service District Funds
ASSETS						
Pooled cash and investments	\$ 26,832	10,081	625	15,342	163	28,202
Receivables, net	2,585	30	2	97	4,258	357
Property taxes receivables, net			22	438		54
Due from other funds	5	2		607	562	17
Inventories	198	98		39		74
Deposits with others						
Prepaid items					2	
Restricted assets:						
Cash with fiscal agents						
Investments with fiscal agents						
Total assets	29,620	10,211	649	16,523	4,985	28,704

Continued on next page ►►►

Combining Financial Statements/Schedules - Nonmajor Governmental Funds

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County of San Diego / Comprehensive Annual Financial Report / For the year ended June 30, 2017

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS June 30, 2017 (In Thousands)						
(Continued)	Air Pollution Fund	Asset Forfeiture Program Fund	Community Facilities District Funds -Other	County Library Fund	County Low and Moderate Income Housing Asset Fund	County Service District Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	970	105		1,026		1,804
Accrued payroll	275			419		
Due to other funds	355	32		726		345
Unearned revenue	4,416	4		11	39	
Total liabilities	6,016	141		2,182	39	2,149
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance				420		62
Air Quality State Moyer Program	935					
Housing Administrative Cost Allowance						
Unavailable revenue				375	842	40
Total deferred inflows of resources	935			795	842	102
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids					3,981	
Inventories and deposits with others	198	98		39		74
Restricted for:						
Creditors - Debt service						
Grantors - Housing assistance						
Laws or regulations of other governments:						
Future road improvements						
Fund purpose	22,471	9,972	649	12,029	123	26,379
Other purposes						
Committed to:						
Landfill postclosure and landfill maintenance						
Assigned to:						
Legislative and administrative services				1,478		
Total fund balances	22,669	10,070	649	13,546	4,104	26,453
Total liabilities, deferred inflows of resources and fund balances	\$ 29,620	10,211	649	16,523	4,985	28,704

Continued on next page ►►►

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDSJune 30, 2017
(In Thousands)

(Continued)	Edgemoor Development Fund	Flood Control District Fund	Harmony Grove Community Facilities District Fund	Housing Authority - Low and Moderate Income Housing Asset Fund	Housing Authority - Other Fund	In Home Supportive Services Public Authority Fund
ASSETS						
Pooled cash and investments	\$ 2,271	13,332	138	407	13,980	73
Receivables, net	2,872	672		17,504	7,973	1
Property taxes receivables, net		54				
Due from other funds		57			91	346
Inventories						
Deposits with others					15	
Prepaid items					1	
Restricted assets:						
Cash with fiscal agents					205	
Investments with fiscal agents					180	
Total assets	5,143	14,115	138	17,911	22,445	420

Continued on next page ►►►

Combining Financial Statements/Schedules - Nonmajor Governmental Funds

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County of San Diego / Comprehensive Annual Financial Report / For the year ended June 30, 2017

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS June 30, 2017 (In Thousands)						
(Continued)	Edgemoor Development Fund	Flood Control District Fund	Harmony Grove Community Facilities District Fund	Housing Authority - Low and Moderate Income Housing Asset Fund	Housing Authority - Other Fund	In Home Supportive Services Public Authority Fund
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	6	174			415	42
Accrued payroll						83
Due to other funds	5	133			2,711	199
Unearned revenue					1,099	
Total liabilities	11	307			4,225	324
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance		59				
Air Quality State Moyer Program						
Housing Administrative Cost Allowance				407		
Unavailable revenue		41		17,504		
Total deferred inflows of resources		100		17,911		
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids					1	
Inventories and deposits with others					15	
Restricted for:						
Creditors - Debt service					250	
Grantors - Housing assistance					17,887	
Laws or regulations of other governments:						
Future road improvements						
Fund purpose	5,132		138			96
Other purposes		13,708			67	
Committed to:						
Landfill postclosure and landfill maintenance						
Assigned to:						
Legislative and administrative services						
Total fund balances	5,132	13,708	138		18,220	96
Total liabilities, deferred inflows of resources and fund balances	\$ 5,143	14,115	138	17,911	22,445	420

Continued on next page ►►►

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDSJune 30, 2017
(In Thousands)

(Continued)	Inactive Wastesites Fund	Inmate Welfare Program Fund	Lighting Maintenance District Fund	Other Special Revenue Funds	Park Land Dedication Fund
ASSETS					
Pooled cash and investments	\$ 72,921	14,665	2,276	1,686	16,778
Receivables, net	284	262	7	102	49
Property taxes receivables, net			14		
Due from other funds	5	1,031		1	
Inventories		91	8		
Deposits with others					
Prepaid items					
Restricted assets:					
Cash with fiscal agents					
Investments with fiscal agents					
Total assets	73,210	16,049	2,305	1,789	16,827

Continued on next page ►►►

Combining Financial Statements/Schedules - Nonmajor Governmental Funds

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County of San Diego / Comprehensive Annual Financial Report / For the year ended June 30, 2017

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

June 30, 2017
(In Thousands)

(Continued)

	Inactive Wastesites Fund	Inmate Welfare Program Fund	Lighting Maintenance District Fund	Other Special Revenue Funds	Park Land Dedication Fund
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	409	360	122	38	5
Accrued payroll	32			9	
Due to other funds	53	361	9	13	3
Unearned revenue				99	
Total liabilities	494	721	131	159	8
DEFERRED INFLOWS OF RESOURCES					
Non-pension:					
Property taxes received in advance			14		
Air Quality State Moyer Program					
Housing Administrative Cost Allowance					
Unavailable revenue			11		
Total deferred inflows of resources			25		
FUND BALANCES					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids					
Inventories and deposits with others		91	8		
Restricted for:					
Creditors - Debt service					
Grantors - Housing assistance					
Laws or regulations of other governments:					
Future road improvements					
Fund purpose		15,237	2,141	1,630	16,819
Other purposes					
Committed to:					
Landfill postclosure and landfill maintenance	72,716				
Assigned to:					
Legislative and administrative services					
Total fund balances	72,716	15,328	2,149	1,630	16,819
Total liabilities, deferred inflows of resources and fund balances \$	73,210	16,049	2,305	1,789	16,827

Continued on next page ►►►

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDSJune 30, 2017
(In Thousands)

(Continued)		Road Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
ASSETS				
Pooled cash and investments	\$	129,799		349,571
Receivables, net		26,064	13,583	76,702
Property taxes receivables, net				582
Due from other funds		6,286		9,010
Inventories		1,316		1,824
Deposits with others				15
Prepaid items		241		244
Restricted assets:				
Cash with fiscal agents				205
Investments with fiscal agents			45,289	45,469
Total assets		163,706	58,872	483,622

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Combining Financial Statements/Schedules - Nonmajor Governmental Funds

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County of San Diego / Comprehensive Annual Financial Report / For the year ended June 30, 2017

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

June 30, 2017
(In Thousands)

(Continued)

Road Fund Tobacco
Securitization
Joint Special
Revenue Fund Total Special
Revenue
Funds

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES

Accounts payable	4,259		9,735
Accrued payroll	701		1,519
Due to other funds	6,832		11,777
Unearned revenue	3,457		9,125
Total liabilities	15,249		32,156

DEFERRED INFLOWS OF RESOURCES

Non-pension:			
Property taxes received in advance			555
Air Quality State Moyer Program			935
Housing Administrative Cost Allowance			407
Unavailable revenue	23,241	13,583	55,637
Total deferred inflows of resources	23,241	13,583	57,534

FUND BALANCES

Nonspendable:			
Not in spendable form:			
Loans, due from other funds and prepaids	241		4,223
Inventories and deposits with others	1,316		1,839
Restricted for:			
Creditors - Debt service		45,289	45,539
Grantors - Housing assistance			17,887
Laws or regulations of other governments:			
Future road improvements	123,659		123,659
Fund purpose			112,816
Other purposes			13,775
Committed to:			
Landfill postclosure and landfill maintenance			72,716
Assigned to:			
Legislative and administrative services			1,478
Total fund balances	125,216	45,289	393,932
Total liabilities, deferred inflows of resources and fund balances	\$ 163,706	58,872	483,622

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DEBT SERVICE FUNDS June 30, 2017 (In Thousands)					
	Pension Obligation Bonds Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds	
ASSETS					
Pooled cash and investments	\$ 126	649	871	1,646	
Receivables, net		3	4	7	
Due from other funds	522			522	
Restricted assets:					
Investments with fiscal agents	6	5,968	12,500	18,474	
Lease receivable		2,671		2,671	
Total assets	654	9,291	13,375	23,320	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	5	3		8	
Due to other funds	75			75	
Total liabilities	80	3		83	
DEFERRED INFLOWS OF RESOURCES					
Non-pension:					
Unavailable revenue		2,671		2,671	
Total deferred inflows of resources		2,671		2,671	
FUND BALANCES					
Restricted for:					
Creditors - Debt service	574	6,617	13,375	20,566	
Total Fund Balance	574	6,617	13,375	20,566	
Total liabilities, deferred inflows of resources and fund balances	\$ 654	9,291	13,375	23,320	

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS FUNDS June 30, 2017 (In Thousands)				
			Capital Outlay Fund	Total Capital Projects Funds
ASSETS				
Pooled cash and investments	\$		6,475	6,475
Receivables, net			627	627
Due from other funds			6,281	6,281
Restricted Assets:				
Cash with fiscal agents			105	105
Total assets			13,488	13,488
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable			7,429	7,429
Due to other funds			6,059	6,059
Total liabilities			13,488	13,488
Total liabilities, deferred inflows of resources and fund balances	\$		13,488	13,488

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 46,565			46,565
Licenses, permits and franchise fees	15,509			15,509
Fines, forfeitures and penalties	1,878			1,878
Revenue from use of money and property	6,330	1,567	303	8,200
Aid from other governmental agencies:				
State	69,576		283	69,859
Federal	135,240		841	136,081
Other	21,452			21,452
Charges for current services	30,502		38	30,540
Other	31,792	6,002	559	38,353
Total revenues	358,844	7,569	2,024	368,437
Expenditures:				
Current:				
General government	521	502	190	1,213
Public protection	9,685			9,685
Public ways and facilities	71,356			71,356
Health and sanitation	43,332			43,332
Public assistance	151,165			151,165
Education	38,660			38,660
Recreation and cultural	2,787			2,787
Capital outlay	31,849		57,062	88,911
Debt service:				
Principal	4,550	45,080		49,630
Interest	23,365	37,374		60,739
Total expenditures	377,270	82,956	57,252	517,478
Excess (deficiency) of revenues over (under) expenditures	(18,426)	(75,387)	(55,228)	(149,041)
Other financing sources (uses):				
Sale of capital assets	22			22
Transfers in	47,510	75,471	56,517	179,498
Transfers out	(18,157)		(7,963)	(26,120)
Total other financing sources (uses)	29,375	75,471	48,554	153,400
Net change in fund balances	10,949	84	(6,674)	4,359
Fund balances at beginning of year	382,816	20,482	6,674	409,972
Increase (decrease) in nonspendable inventories	167			167
Fund balances at end of year	\$ 393,932	20,566		414,498

Combining Financial Statements/Schedules - Nonmajor Governmental Funds

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County of San Diego / Comprehensive Annual Financial Report / For the year ended June 30, 2017

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES						
NONMAJOR GOVERNMENTAL FUNDS						
SPECIAL REVENUE FUNDS						
For the Year Ended June 30, 2017						
(In Thousands)						
	Air Pollution Fund	Asset Forfeiture Program Fund	Community Facilities District Funds - Other	County Library Fund	County Low and Moderate Income Housing Asset Fund	County Service District Funds
Revenues:						
Taxes	\$		649	34,138		5,658
Licenses, permits and franchise fees	7,237					
Fines, forfeitures and penalties	1,321	421				1
Revenue from use of money and property	153	55		64	11	213
Aid from other governmental agencies:						
State	6,849			346		27
Federal	2,332	855		2		161
Other	11,371			5,086		4,276
Charges for current services	658			865		8,479
Other	60	198		255	6	846
Total revenues	29,981	1,529	649	40,756	17	19,661
Expenditures:						
Current:						
General government						198
Public protection		565				2,785
Public ways and facilities						1,073
Health and sanitation	26,508					10,283
Public assistance					32	
Education				38,660		
Recreation and cultural						1,926
Capital outlay	782	120		277		44
Debt service:						
Principal						
Interest						
Total expenditures	27,290	685		38,937	32	16,309
Excess (deficiency) of revenues over (under) expenditures	2,691	844	649	1,819	(15)	3,352
Other financing sources (uses):						
Sale of capital assets	22					
Transfers in	150			597		400
Transfers out	(617)	(80)		(873)		(1,968)
Total other financing sources (uses)	(445)	(80)		(276)		(1,568)
Net change in fund balances	2,246	764	649	1,543	(15)	1,784
Fund balances at beginning of year	20,423	9,324		12,002	4,119	24,648
Increase (decrease) in nonspendable inventories		(18)		1		21
Fund balances at end of year	\$ 22,669	10,070	649	13,546	4,104	26,453

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)	Edgemoor Development Fund	Flood Control District Fund	Harmony Grove Community Facilities District Fund	Housing Authority - Low and Moderate Income Housing Asset Fund	Housing Authority - Other Fund
Revenues:					
Taxes	\$	4,716	257		
Licenses, permits and franchise fees					
Fines, forfeitures and penalties					
Revenue from use of money and property	254		2		1,104
Aid from other governmental agencies:					
State		34			
Federal	3,138				126,193
Other		332		19	86
Charges for current services		857			1,918
Other					1,773
Total revenues	3,392	5,939	259	19	131,074
Expenditures:					
Current:					
General government	203				
Public protection		3,736			
Public ways and facilities			171		
Health and sanitation					
Public assistance				19	136,205
Education					
Recreation and cultural					
Capital outlay		2,753			
Debt service:					
Principal					146
Interest					16
Total expenditures	203	6,489	171	19	136,367
Excess (deficiency) of revenues over (under) expenditures	3,189	(550)	88		(5,293)
Other financing sources (uses):					
Sale of capital assets					
Transfers in	6,307				
Transfers out	(8,520)				
Total other financing sources (uses)	(2,213)				
Net change in fund balances	976	(550)	88		(5,293)
Fund balances at beginning of year	4,156	14,262	50		23,513
Increase (decrease) in nonspendable inventories		(4)			
Fund balances at end of year	\$ 5,132	13,708	138		18,220

Continued on next page ►►►

Combining Financial Statements/Schedules - Nonmajor Governmental Funds

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES					
NONMAJOR GOVERNMENTAL FUNDS					
SPECIAL REVENUE FUNDS					
For the Year Ended June 30, 2017					
(In Thousands)					
(Continued)	In Home Supportive Services Public Authority Fund	Inactive Wastesites Fund	Inmate Welfare Program Fund	Lighting Maintenance District Fund	Other Special Revenue Funds
Revenues:					
Taxes	\$			1,147	
Licenses, permits and franchise fees					
Fines, forfeitures and penalties					135
Revenue from use of money and property	16	588	2,838	8	
Aid from other governmental agencies:					
State				8	359
Federal					
Other				2	
Charges for current services	1,180	202	3	1,515	1,019
Other			294		
Total revenues	1,196	790	3,135	2,680	1,513
Expenditures:					
Current:					
General government					
Public protection			2,480		119
Public ways and facilities				364	
Health and sanitation		5,397			1,144
Public assistance	14,909				
Education					
Recreation and cultural					
Capital outlay		119		1,391	
Debt service:					
Principal				139	
Interest				28	
Total expenditures	14,909	5,516	2,480	1,922	1,263
Excess (deficiency) of revenues over (under) expenditures	(13,713)	(4,726)	655	758	250
Other financing sources (uses):					
Sale of capital assets					
Transfers in	13,719	21,145	3,233		
Transfers out		(69)	(3,414)		(67)
Total other financing sources (uses)	13,719	21,076	(181)		(67)
Net change in fund balances	6	16,350	474	758	183
Fund balances at beginning of year	90	56,366	14,917	1,383	1,447
Increase (decrease) in nonspendable inventories			(63)	8	
Fund balances at end of year	\$ 96	72,716	15,328	2,149	1,630

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)	Park Land Dedication Fund	Road Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
Revenues:				
Taxes	\$			46,565
Licenses, permits and franchise fees	2,843	5,429		15,509
Fines, forfeitures and penalties				1,878
Revenue from use of money and property	87	596	341	6,330
Aid from other governmental agencies:				
State		61,953		69,576
Federal		2,559		135,240
Other		280		21,452
Charges for current services		13,806		30,502
Other		920	27,440	31,792
Total revenues	2,930	85,543	27,781	358,844
Expenditures:				
Current:				
General government			120	521
Public protection				9,685
Public ways and facilities		69,748		71,356
Health and sanitation				43,332
Public assistance				151,165
Education				38,660
Recreation and cultural	861			2,787
Capital outlay		26,363		31,849
Debt service:				
Principal			4,265	4,550
Interest			23,321	23,365
Total expenditures	861	96,111	27,706	377,270
Excess (deficiency) of revenues over (under) expenditures	2,069	(10,568)	75	(18,426)
Other financing sources (uses):				
Sale of capital assets				22
Transfers in		1,959		47,510
Transfers out	(108)	(2,441)		(18,157)
Total other financing sources (uses)	(108)	(482)		29,375
Net change in fund balances	1,961	(11,050)	75	10,949
Fund balances at beginning of year	14,858	136,044	45,214	382,816
Increase (decrease) in nonspendable inventories		222		167
Fund balances at end of year	\$ 16,819	125,216	45,289	393,932

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

For the Year Ended June 30, 2017
(In Thousands)

	Pension Obligation Bonds Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds
Revenues:				
Revenue from use of money and property	\$ 144	1,357	66	1,567
Other	6,002			6,002
Total revenues	6,146	1,357	66	7,569
Expenditures:				
Current:				
General government		454	48	502
Debt service:				
Principal	44,340	740		45,080
Interest	37,045	173	156	37,374
Total expenditures	81,385	1,367	204	82,956
Excess (deficiency) of revenues over (under) expenditures	(75,239)	(10)	(138)	(75,387)
Other financing sources (uses):				
Transfers in	75,438		33	75,471
Total other financing sources (uses)	75,438		33	75,471
Net change in fund balances	199	(10)	(105)	84
Fund balances at beginning of year	375	6,627	13,480	20,482
Fund balances at end of year	\$ 574	6,617	13,375	20,566

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2017

(In Thousands)

	Capital Outlay Fund	SANCAL Fund	Total Capital Projects Funds
Revenues:			
Revenue from use of money and property	\$ 303		303
Aid from other governmental agencies:			
State	283		283
Federal	841		841
Charges for current services	38		38
Other	559		559
Total revenues	2,024		2,024
Expenditures:			
Current:			
General government	190		190
Capital outlay	57,062		57,062
Total expenditures	57,252		57,252
Excess (deficiency) of revenues over (under) expenditures	(55,228)		(55,228)
Other financing sources (uses):			
Transfers in	56,517		56,517
Transfers out	(7,940)	(23)	(7,963)
Total other financing sources (uses)	48,577	(23)	48,554
Net change in fund balances	(6,651)	(23)	(6,674)
Fund balances at beginning of year	\$ 6,651	23	6,674
Fund balances at end of year			

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

AIR POLLUTION FUND

For the Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 8,725	8,725	7,237
Fines, forfeitures and penalties	980	980	1,321
Revenue from use of money and property	30	30	153
Aid from other governmental agencies:			
State	24,656	24,677	6,849
Federal	2,996	2,996	2,332
Other	10,000	10,000	11,371
Charges for current services	530	530	658
Other			60
Total revenues	47,917	47,938	29,981
Expenditures:			
Current:			
Health and sanitation:			
Air pollution control, air quality Proposition 1B GMER program	17,386	17,452	830
Air pollution control, air quality State AQIP program	1,094	1,115	959
Air pollution control, improvement trust	1,553	1,553	809
Air pollution control, moyer program	5,441	5,441	4,391
Air pollution control, operations	23,147	23,147	19,379
Air pollution control, power general mitigation	149	149	140
Total health and sanitation	48,770	48,857	26,508
Capital outlay	1,574	1,574	782
Total expenditures	50,344	50,431	27,290
Excess (deficiency) of revenues over (under) expenditures	(2,427)	(2,493)	2,691
Other financing sources (uses):			
Sale of capital assets			22
Transfers in	10,374	3,201	150
Transfers out	(10,883)	(3,710)	(617)
Total other financing sources (uses)	(509)	(509)	(445)
Net change in fund balances	(2,936)	(3,002)	2,246
Fund balances at beginning of year	20,423	20,423	20,423
Fund balances at end of year	\$ 17,487	17,421	22,669

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

ASSET FORFEITURE PROGRAM FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$ 1,002	2	421
Revenue from use of money and property	100	100	55
Aid from other governmental agencies:			
Federal		1,000	855
Other		30	198
Total revenues	1,102	1,132	1,529
Expenditures:			
Current:			
Public protection:			
District attorney asset forfeiture program - federal	500	500	278
District attorney asset forfeiture program - state	100	100	24
District attorney asset forfeiture program - US Treasury	25	25	
Probation asset forfeiture program	154	154	82
Sheriff's asset forfeiture program	1,084	933	177
Sheriff's asset forfeiture State	2	32	4
Total public protection	1,865	1,744	565
Capital outlay	119	120	120
Total expenditures	1,984	1,864	685
Excess (deficiency) of revenues over (under) expenditures	(882)	(732)	844
Other financing sources (uses):			
Transfers out	(85)	(235)	(80)
Total other financing sources (uses)	(85)	(235)	(80)
Net change in fund balances	(967)	(967)	764
Fund balance at beginning of year	9,324	9,324	9,324
Increase (decrease) in nonspendable inventories		(18)	(18)
Fund balances at end of year	\$ 8,357	8,339	10,070

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

COMMUNITY FACILITIES DISTRICT FUNDS - OTHER

For the Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$	652	649
Total revenues		652	649
Expenditures:			
Current:			
Public protection:			
CSA 135 CFD 04-1 Special Tax A		13	
CSA 135 E Otay Mesa CFD 09-1 Special Tax A		238	
CSA 135 CFD 04-1 Special Tax B		13	
CSA 135 E Otay Mesa CFD 09-1 Special Tax B		388	
Total public protection		652	
Total expenditures		652	
Excess (deficiency) of revenues over (under) expenditures			649
Net change in fund balances			649
Fund balances at end of year	\$		649

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

COUNTY LIBRARY FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 31,608	31,608	34,138
Revenue from use of money and property	105	105	64
Aid from other governmental agencies:			
State	267	352	346
Federal			2
Other	2,782	2,783	5,086
Charges for current services	1,138	1,138	865
Other	554	554	255
Total revenues	36,454	36,540	40,756
Expenditures:			
Current:			
Education:			
County library	41,355	41,319	38,660
Total education	41,355	41,319	38,660
Capital outlay	840	1,040	277
Total expenditures	42,195	42,359	38,937
Excess (deficiency) of revenues over (under) expenditures	(5,741)	(5,819)	1,819
Other financing sources (uses):			
Transfers in	690	890	597
Transfers out	(879)	(1,821)	(873)
Total other financing sources (uses)	(189)	(931)	(276)
Net change in fund balances	(5,930)	(6,750)	1,543
Fund balances at beginning of year	12,002	12,002	12,002
Increase (decrease) in nonspendable inventories		1	1
Fund balances at end of year	\$ 6,072	5,253	13,546

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

COUNTY LOW AND MODERATE INCOME HOUSING ASSET FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		11
Aid from other governmental agencies:			
Other	50	50	6
Total revenues	50	50	17
Expenditures:			
Current:			
Public assistance:			
CSHAF Gillespie housing	74	164	29
CSHAF USDRIP housing	15	15	3
Total public assistance	89	179	32
Total expenditures	89	179	32
Excess (deficiency) of revenues over (under) expenditures	(39)	(129)	(15)
Net change in fund balances	(39)	(129)	(15)
Fund balances at beginning of year	4,119	4,119	4,119
Fund balances at end of year	\$ 4,080	3,990	4,104

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 5,899	6,365	5,658
Fines, forfeitures and penalties			1
Revenue from use of money and property	169	169	213
Aid from other governmental agencies:			
State	27	27	27
Federal	185	185	161
Other	4,293	4,293	4,276
Charges for current services	8,604	8,603	8,479
Other	265	265	846
Total revenues	19,442	19,907	19,661
Expenditures:			
Current:			
General government:			
CSA 135 Zone B Del Mar Regional Communication System	50	50	39
CSA 135 Zone F Poway Regional Communication System	160	159	132
CSA 135 Zone H Solana Beach Regional Communication System	49	49	27
Total general government	259	258	198
Public protection:			
CSA 107 Elfin Forest fire mitigation			365
CSA 107 Elfin Forest fire mitigation fee			19
CSA 107 Elfin Forest fire protection	448	448	248
CSA 115 Pepper Drive fire protection	513	513	429
CSA 135 EMS fire protection	2,506	2,506	1,375
CSA 135 Mt Laguna fire med service zone		20	17
CSA 135 Palomar Mt fire med service zone		52	52
CSA 135 San Pasqual fire med service zone		47	32
CSA 135 Descanso fire med service zone		53	37
CSA 135 Dulzura fire med service zone		12	13
CSA 135 Tecate fire med service zone		12	1
CSA 135 Potrero fire med service zone		16	14
CSA 135 Jacumba fire med service zone		17	17
CSA 135 Rural West fire med service zone		238	166
Total public protection	3,467	3,934	2,785

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)

	Original Budget	Final Budget	Actual
Public ways and facilities:			
PRD 6 Pauma Valley	108	108	53
PRD 8 Magee RD-PALA	182	182	5
PRD 9 B Santa Fe	44	44	4
PRD 10 Davis Dr	17	17	4
PRD 11 A Bernardo Rd	20	20	5
PRD 11 C Bernardo Rd	3	3	3
PRD 11 D Bernardo Rd	43	43	3
PRD 12 Lomair	166	166	2
PRD 13 A Pala Mesa	312	313	268
PRD 13 B Stewart Canyon	26	26	11
PRD 16 Wynola	131	131	69
PRD 18 Harrison Park	161	161	9
PRD 20 Daily Road	277	277	23
PRD 21 Pauma Heights	387	387	25
PRD 22 W Dougherty St	8	8	2
PRD 23 Rock Terrace Rd	33	33	25
PRD 24 Mt Whitney Rd	46	46	3
PRD 30 Royal Oaks Carroll	36	36	4
PRD 38 Gay Rio Terrace	31	31	13
PRD 39 Sunbeam Lane	2	2	1
PRD 45 Rincon Springs	23	23	3
PRD 46 Rocosco Road	42	42	3
PRD 49 Sunset Knolls Road	40	40	4
PRD 50 Knoll Park Lane	52	52	3
PRD 53 Knoll Park Lane EX	134	134	4
PRD 54 Mt Helix	93	93	4
PRD 55 Rainbow Crest	368	368	96
PRD 60 River Drive	51	51	3
PRD 61 Green Meadow Way	175	175	3
PRD 63 Hillview Road	370	370	15
PRD 70 El Camino Corto	10	10	3
PRD 75 A Gay Rio Drive	148	148	3
PRD 75 B Gay Rio Drive	217	217	6

Continued on next page ►►

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
PRD 76 Kingsford Ct	50	50	13
PRD 77 Montiel Truck Trail	94	94	24
PRD 78 Gardena Way	48	48	4
PRD 80 Harris Truck Trail	241	241	16
PRD 88 East Fifth St	16	16	3
PRD 90 South Cordoba	41	41	3
PRD 94 Roble Grande Road	376	376	12
PRD 95 Valle Del Sol	158	158	4
PRD 99 Allondra Del Corvo	32	32	3
PRD 100 Viejas Lane View	28	28	3
PRD 101 A Hi Ridge Rd	6	6	6
PRD 101 Johnson Lake Rd	45	110	21
PRD 102 Mtn Meadow	88	88	60
PRD 103 Alto Drive	161	161	6
PRD 104 Artesian Rd	78	78	7
PRD 105 A Alta Loma Dr	30	30	6
PRD 105 Alta Loma Dr	5	5	5
PRD 106 Garrison Way ET AL	22	22	5
PRD 117 Legend Rock	5	5	5
PRD 123 Mizpah Lane	33	33	3
PRD 125 Wrightwood Road	93	93	91
PRD 126 Sandhurst Way	34	34	34
PRD 127 Singing Trails Dr	28	28	4
PRD 130 Wilkes Road	143	143	7
PRD 133 Ranch Creek Road	25	25	6
PRD 134 Kenora Lane	39	39	3
PRD 1003 Alamo Way	14	14	2
PRD 1005 Eden Valley Lane	60	60	3
PRD 1008 Canter	20	20	2
PRD 1010 Alpine Highlands	204	204	9
PRD 1011 La Cuesta	54	54	2
PRD 1012 Millar	34	34	5
PRD 1013 Singing Trails	34	34	3
PRD 1014 Lavender Pt Lane	44	44	3
PRD 1015 Landavo Drive ET AL	34	34	5
PRD 1016 El Sereno Way	54	54	3
Total public ways and facilities	6,227	6,293	1,073

Continued on next page ►►►

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)

	Original Budget	Final Budget	Actual
Health and sanitation:			
CSA 17 San Dieguito Ambulance	4,596	4,596	4,135
CSA 69 Heartland Paramedic	7,448	7,448	6,138
PRD 122 Otay Mesa East	6	6	
PRD 136 Sundance Detention Basin	42	42	10
Total health and sanitation	12,092	12,092	10,283
Recreation and cultural:			
CSA 26 LMD Zone 2 Julian	52	52	38
CSA 26 Rancho San Diego	126	124	116
CSA 26 San Diego landscape maintenance	113	113	113
CSA 81 Fallbrook Local Park	276	276	258
CSA 83 San Dieguito Local Park	672	543	295
CSA 128 San Miguel Park	502	502	461
CSA 83A 4S Ranch Park	411	411	411
PRD 26 A Cottonwood Village	142	142	118
PRD 26 B Monte Vista	180	180	116
Total recreation and cultural	2,474	2,343	1,926
Capital outlay	44	93	44
Total expenditures	24,563	25,013	16,309
Excess (deficiency) of revenues over (under) expenditures	(5,121)	(5,106)	3,352
Other financing sources (uses):			
Transfers in	401	401	400
Transfers out	(2,036)	(2,116)	(1,968)
Total other financing sources (uses)	(1,635)	(1,715)	(1,568)
Net change in fund balances	(6,756)	(6,821)	1,784
Fund balances at beginning of year	24,648	24,648	24,648
Increase (decrease) in nonspendable inventories		21	21
Fund balances at end of year	\$ 17,892	17,848	26,453

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

EDGEMOOR DEVELOPMENT FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 250	250	254
Aid from other governmental agencies:			
Federal	2,508	2,508	3,138
Total revenues	2,758	2,758	3,392
Expenditures:			
Current:			
General government:			
Edgemoor development fund	678	678	203
Total general government	678	678	203
Total expenditures	678	678	203
Excess (deficiency) of revenues over (under) expenditures	2,080	2,080	3,189
Other financing sources (uses):			
Transfers in	6,395	6,395	6,307
Transfers out	(8,520)	(8,520)	(8,520)
Total other financing sources (uses)	(2,125)	(2,125)	(2,213)
Net change in fund balances	(45)	(45)	976
Fund balances at beginning of year	4,156	4,156	4,156
Fund balances at end of year	\$ 4,111	4,111	5,132

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

FLOOD CONTROL DISTRICT FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 4,358	4,358	4,716
Revenue from use of money and property	23	23	
Aid from other governmental agencies:			
State			34
Other	382	383	332
Charges for current services	3,434	3,434	857
Total revenues	8,197	8,198	5,939
Expenditures:			
Current:			
Public protection:			
Flood control district	6,017	6,017	3,486
Stormwater maintenance - Blackwolf	10	10	3
Stormwater maintenance - Lake Rancho Viejo	182	258	245
Stormwater maintenance - Ponderosa Estates	9	9	2
Total public protection	6,218	6,294	3,736
Capital outlay	2,761	2,761	2,753
Total expenditures	8,979	9,055	6,489
Excess (deficiency) of revenues over (under) expenditures	(782)	(857)	(550)
Net change in fund balances	(782)	(857)	(550)
Fund balances at beginning of year	14,262	14,262	14,262
Increase (decrease) in nonspendable inventories		(4)	(4)
Fund balances at end of year	\$ 13,480	13,401	13,708

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

HARMONY GROVE COMMUNITY FACILITIES DISTRICT FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 208	342	257
Revenue from use of money and property			2
Total revenues	208	342	259
Expenditures:			
Current:			
Public protection:			
Harmony Grove CFD 08-01 flood control spec tax B	8	8	
Total public protection	8	8	
Public ways and facilities:			
Harmony Grove CFD 08-01 oth svcs spec tax B	204	204	39
Harmony Grove CFD 08-01 fire protection		134	132
Total public ways and facilities	204	338	171
Total expenditures	212	346	171
Excess (deficiency) of revenues over (under) expenditures	(4)	(4)	88
Net change in fund balances	(4)	(4)	88
Fund balances at beginning of year	50	50	50
Increase (decrease) in nonspendable inventories			
Fund balances at end of year	\$ 46	46	138

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

HOUSING AUTHORITY - LOW AND MODERATE INCOME HOUSING ASSET FUND

For the Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Aid from other governmental agencies:			
Other	\$ 150	150	19
Total revenues	150	150	19
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	150	150	19
Total public assistance	150	150	19
Total expenditures	\$ 150	150	19

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

HOUSING AUTHORITY - OTHER FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 1,128	1,128	1,104
Aid from other governmental agencies:			
Federal	118,806	127,806	126,193
Other	1,024	1,024	86
Charges for current services	2,552	2,552	1,918
Other	1,446	1,306	1,773
Total revenues	124,956	133,816	131,074
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	131,330	140,190	136,205
Total public assistance	131,330	140,190	136,205
Debt service:			
Principal	165	165	146
Interest	18	18	16
Total expenditures	131,513	140,373	136,367
Excess (deficiency) of revenues over (under) expenditures	(6,557)	(6,557)	(5,293)
Net change in fund balances	(6,557)	(6,557)	(5,293)
Fund balances at beginning of year	23,513	23,513	23,513
Fund balances at end of year	\$ 16,956	16,956	18,220

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

IN HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$		16
Charges for current services	603	603	1,180
Total revenues	603	603	1,196
Expenditures:			
Current:			
Public assistance:			
IHSS public authority	16,237	16,237	14,909
Total public assistance	16,237	16,237	14,909
Total expenditures	16,237	16,237	14,909
Excess (deficiency) of revenues over (under) expenditures	(15,634)	(15,634)	(13,713)
Other financing sources (uses):			
Transfers in	15,634	15,634	13,719
Total other financing sources (uses)	15,634	15,634	13,719
Net change in fund balances			6
Fund balances at beginning of year	90	90	90
Fund balances at end of year	\$ 90	90	96

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

INACTIVE WASTESITES FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 249	249	588
Charges for current services	6,214	6,214	202
Total revenues	6,463	6,463	790
Expenditures:			
Current:			
Health and sanitation:			
Hillsborough maintenance	85	85	82
Duck pond landfill cleanup	14	14	12
Inactive waste site management	7,214	7,094	5,303
Total health and sanitation	7,313	7,193	5,397
Capital outlay		120	119
Total expenditures	7,313	7,313	5,516
Excess (deficiency) of revenues over (under) expenditures	(850)	(850)	(4,726)
Other financing sources (uses):			
Transfers in			21,145
Transfers out	(69)	(69)	(69)
Total other financing sources (uses)	(69)	(69)	21,076
Net change in fund balances	(919)	(919)	16,350
Fund balances at beginning of year	56,366	56,366	56,366
Fund balances at end of year	\$ 55,447	55,447	72,716

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

INMATE WELFARE PROGRAM FUND

For the Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	\$ 40	40	2,838
Charges for current services			3
Other	301	301	294
Total revenues	341	341	3,135
Expenditures:			
Current:			
Public protection:			
Probation inmate welfare	115	115	58
Sheriff's inmate welfare - adult detention	3,381	4,095	2,415
Sheriff's inmate welfare - police protection	22	22	7
Total public protection	3,518	4,232	2,480
Total expenditures	3,518	4,232	2,480
Excess (deficiency) of revenues over (under) expenditures	(3,177)	(3,891)	655
Other financing sources (uses):			
Transfers in	2,281	3,274	3,233
Transfers out	(3,222)	(3,501)	(3,414)
Total other financing sources (uses)	(941)	(227)	(181)
Net change in fund balances	(4,118)	(4,118)	474
Fund balances at beginning of year	14,917	14,917	14,917
Increase (decrease) in nonspendable inventories		(63)	(63)
Fund balances at end of year	\$ 10,799	10,736	15,328

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

LIGHTING MAINTENANCE DISTRICT FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 975	975	1,147
Revenue from use of money and property	5	5	8
Aid from other governmental agencies:			
State	8	8	8
Other			2
Charges for current services	711	711	1,515
Total revenues	1,699	1,699	2,680
Expenditures:			
Current:			
Public ways and facilities:			
San Diego lighting maintenance	556	556	364
Total public ways and facilities	556	556	364
Capital outlay	1,391	1,391	1,391
Debt service:			
Principal	139	139	139
Interest	28	28	28
Total expenditures	2,114	2,114	1,922
Excess (deficiency) of revenues over (under) expenditures	(415)	(415)	758
Net change in fund balances	(415)	(415)	758
Fund balances at beginning of year	1,383	1,383	1,383
Increase (decrease) in nonspendable inventories		8	8
Fund balances at end of year	\$ 968	976	2,149

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

OTHER SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeitures and penalties	\$ 16	16	135
Aid from other governmental agencies:			
State	451	451	359
Charges for current services	870	870	1,019
Total revenues	1,337	1,337	1,513
Expenditures:			
Current:			
Public protection:			
Agriculture, weights and measures - fish and game	18	18	14
Public works - survey	280	280	105
Total public protection	298	298	119
Health and sanitation:			
Sanitation - waste planning and recycling	1,394	1,394	1,144
Total health and sanitation	1,394	1,394	1,144
Total expenditures	1,692	1,692	1,263
Excess (deficiency) of revenues over (under) expenditures	(355)	(355)	250
Other financing sources (uses):			
Transfers out	(69)	(69)	(67)
Total other financing sources (uses)	(69)	(69)	(67)
Net change in fund balances	(424)	(424)	183
Fund balances at beginning of year	1,447	1,447	1,447
Fund balances at end of year	\$ 1,023	1,023	1,630

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

PARK LAND DEDICATION FUND

For the Year Ended June 30, 2017

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	\$ 60	60	2,843
Revenue from use of money and property	11	11	87
Total revenues	71	71	2,930
Expenditures:			
Current:			
Recreation and cultural:			
Local Park Planning Area 4 Lincoln Acres	1	1	
Local Park Planning Area 15 Sweetwater	5	5	
Local Park Planning Area 19 Jamul	2	107	106
Local Park Planning Area 20 Spring Valley	605	605	603
Local Park Planning Area 25 Lakeside	7	7	7
Local Park Planning Area 26 Crest	2	2	2
Local Park Planning Area 27 Alpine	5	5	3
Local Park Planning Area 28 Ramona	209	802	122
Local Park Planning Area 29 Escondido	2	2	1
Local Park Planning Area 30 San Marcos	1	1	
Local Park Planning Area 31 San Dieguito	6	6	2
Local Park Planning Area 35 Fallbrook	3	244	1
Local Park Planning Area 36 Bonsall	4	4	
Local Park Planning Area 37 Vista	1	1	1
Local Park Planning Area 38 Valley Center	25	150	2
Local Park Planning Area 39 Pauma	3	3	
Local Park Planning Area 40 Palomar-Julian	8	8	3
Local Park Planning Area 41 Mount Empire	4	4	3
Local Park Planning Area 42 Anza-Borrego	5	5	
Local Park Planning Area 43 Central Mountain	2	2	1
Local Park Planning Area 45 Valle de Oro	5	5	4
Total recreation and cultural	905	1,969	861
Total expenditures	905	1,969	861
Excess (deficiency) of revenues over (under) expenditures	(834)	(1,898)	2,069
Other financing sources (uses):			
Transfers out	(113)	(713)	(108)
Total other financing sources (uses)	(113)	(713)	(108)
Net change in fund balances	(947)	(2,611)	1,961
Fund balances at beginning of year	14,858	14,858	14,858
Fund balances at end of year	\$ 13,911	12,247	16,819

Combining Financial Statements/Schedules - Nonmajor Governmental Funds

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ROAD FUND For the Year Ended June 30, 2017 (In Thousands)				
		Original Budget	Final Budget	Actual
Revenues:				
Licenses, permits and franchise fees	\$	5,001	5,001	5,429
Revenue from use of money and property		434	434	596
Aid from other governmental agencies:				
State		70,513	72,099	61,953
Federal		8,958	13,264	2,559
Other		12	12	280
Charges for current services		11,251	11,901	13,806
Other		1,753	1,753	920
Total revenues		97,922	104,464	85,543
Expenditures:				
Current:				
Public ways and facilities:				
Public works - road		116,977	124,180	69,748
Total public ways and facilities		116,977	124,180	69,748
Capital outlay		26,374	26,374	26,363
Total expenditures		143,351	150,554	96,111
Excess (deficiency) of revenues over (under) expenditures		(45,429)	(46,090)	(10,568)
Other financing sources (uses):				
Transfers in		959	1,959	1,959
Transfers out		(2,153)	(2,492)	(2,441)
Total other financing sources (uses)		(1,194)	(533)	(482)
Net change in fund balances		(46,623)	(46,623)	(11,050)
Fund balances at beginning of year		136,044	136,044	136,044
Increase (decrease) in nonspendable inventories			222	222
Fund balances at end of year	\$	89,421	89,643	125,216



ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Airport Fund

This fund is used to account for the maintenance, operations and development of County airports. A major objective of the airport program is to develop airport property utilizing federal and state grants in order to enhance the value of public assets, generate new revenues and be a catalyst for aviation and business development.

Jail Stores Commissary Fund

This fund was established to provide for the financing of a Sheriff's commissary store allowing persons incarcerated at various County detention facilities to purchase a variety of goods, including food, snacks, stationery, personal care items and telephone time.

Sanitation District Fund

This fund was established to provide sewer service, maintenance, and repairs of wastewater infrastructure to customers in the unincorporated county. The County Board of Supervisors serves as the District's Board of Directors for governance matters.

**COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS**

June 30, 2017

(In Thousands)

	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
ASSETS				
Current assets:				
Pooled cash and investments	\$ 16,561	3,420	58,204	78,185
Receivables, net	3,031	236	184	3,451
Due from other funds			31	31
Inventories	1	213	3	217
Total current assets	19,593	3,869	58,422	81,884
Noncurrent assets:				
Due from other funds	3,674			3,674
Capital assets:				
Land	10,504		1,089	11,593
Construction in progress	11,630		7,357	18,987
Buildings and improvements	120,001		12,055	132,056
Equipment	1,840	233	299	2,372
Software	101			101
Road infrastructure	9,789			9,789
Sewer infrastructure			99,093	99,093
Accumulated depreciation/amortization	(50,646)	(226)	(49,075)	(99,947)
Total noncurrent assets	106,893	7	70,818	177,718
Total assets	126,486	3,876	129,240	259,602
DEFERRED OUTFLOWS OF RESOURCES				
Pension:				
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	28		29	57
Contributions to the pension plan subsequent to the measurement date	830		873	1,703
Changes of assumptions or other inputs	1,579		1,766	3,345
Net difference between projected and actual earnings on pension plan investments	1,287		1,503	2,790
Difference between expected and actual experience in the total pension liability	10		12	22
Total deferred outflows of resources	3,734		4,183	7,917

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COMBINING STATEMENT OF NET POSITION ENTERPRISE FUNDS June 30, 2017 (In Thousands)				
(Continued)	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
LIABILITIES				
Current liabilities:				
Accounts payable	1,114	421	1,259	2,794
Accrued payroll	71		84	155
Due to other funds	174	1,026	174	1,374
Unearned revenue	165			165
Compensated absences	83		101	184
Total current liabilities	1,607	1,447	1,618	4,672
Noncurrent liabilities:				
Compensated absences	117		142	259
Net pension liability	8,437		9,129	17,566
Total noncurrent liabilities	8,554		9,271	17,825
Total liabilities	10,161	1,447	10,889	22,497
DEFERRED INFLOWS OF RESOURCES				
Pension:				
Difference between expected and actual experience in the total pension liability	331		349	680
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	10		11	21
Total deferred inflows of resources	341		360	701
NET POSITION				
Net investment in capital assets	103,219	7	70,818	174,044
Unrestricted net position	16,499	2,422	51,356	70,277
Total net position	\$ 119,718	2,429	122,174	244,321

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

ENTERPRISE FUNDS

For the Year Ended June 30, 2017

(In Thousands)

	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
Operating revenues:				
Charges for current services	\$ 14,302	7,141	29,063	50,506
Other	78	2,627		2,705
Total operating revenues	14,380	9,768	29,063	53,211
Operating expenses:				
Salaries and employee benefits	4,358		5,256	9,614
Repairs and maintenance	674	18	5,701	6,393
Equipment rental	578	16	949	1,543
Sewage processing			8,767	8,767
Contracted services	4,168	3,103	1,058	8,329
Depreciation/amortization	4,033	3	2,182	6,218
Utilities	274		32	306
Cost of material		2,637		2,637
Fuel	90	2		92
Other	516	235	1,616	2,367
Total operating expenses	14,691	6,014	25,561	46,266
Operating income (loss)	(311)	3,754	3,502	6,945
Nonoperating revenues (expenses):				
Grants	5,659			5,659
Investment earnings	217	16	290	523
Interest expense	(10)			(10)
Gain (loss) on disposal of assets	11			11
Total nonoperating revenues (expenses)	5,877	16	290	6,183
Income (loss) before capital contributions and transfers	5,566	3,770	3,792	13,128
Transfers in	50		344	394
Transfers out	(156)	(4,013)	(624)	(4,793)
Change in net position	5,460	(243)	3,512	8,729
Net position (deficit) at beginning of year	114,258	2,672	118,662	235,592
Net position (deficit) at end of year	\$ 119,718	2,429	122,174	244,321

COMBINING STATEMENT OF CASH FLOWS ENTERPRISE FUNDS For the Year Ended June 30, 2017 (In Thousands)				
	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 15,355	9,541	21,586	46,482
Cash received from other funds	3	1,057	7,476	8,536
Cash payments to suppliers	(5,942)	(6,178)	(15,749)	(27,869)
Cash payments to employees	(3,862)		(4,682)	(8,544)
Cash payments to other funds	(2,268)	(28)	(1,919)	(4,215)
Net cash provided (used) by operating activities	3,286	4,392	6,712	14,390
Cash flows from noncapital financing activities:				
Operating grants	4,835			4,835
Transfers from other funds	50		344	394
Transfers to other funds	(156)	(4,013)	(624)	(4,793)
Other noncapital increases	116			116
Net cash provided (used) by noncapital financing activities	4,845	(4,013)	(280)	552
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(6,590)		(3,719)	(10,309)
Proceeds from sale of assets	19			19
Principal paid on long-term debt	(171)			(171)
Interest paid on long-term debt	(10)			(10)
Net cash provided (used) by capital and related financing activities	(6,752)		(3,719)	(10,471)
Cash flows from investing activities:				
Investment earnings	192	12	202	406
Net increase (decrease) in cash and cash equivalents	1,571	391	2,915	4,877
Cash and cash equivalents - beginning of year	14,990	3,029	55,289	73,308
Cash and cash equivalents - end of year	16,561	3,420	58,204	78,185

Continued on next page ►►►

COMBINING STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)

	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(311)	3,754	3,502	6,945
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Decrease (increase) in accounts receivables	1,047	(226)	3	824
Decrease (increase) in due from other funds		195	(3)	192
Decrease (increase) in inventory	(1)	57		56
Increase (decrease) in accounts payable	(1,844)	(253)	455	(1,642)
Increase (decrease) in accrued payroll	(89)		(116)	(205)
Increase (decrease) in due to other funds	(66)	862	(1)	795
Increase (decrease) in unearned revenue	(69)			(69)
Increase (decrease) in compensated absences	(6)		33	27
Pension expense	592		657	1,249
Depreciation/amortization	4,033	3	2,182	6,218
Total adjustments	3,597	638	3,210	7,445
Net cash provided (used) by operating activities	3,286	4,392	6,712	14,390
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable	\$ 1,800		708	2,508

INTERNAL SERVICE FUNDS

Internal service funds are established to account for services furnished to other County departments and are financed primarily by these service charges. Because they are exempt from budgetary control, they are free to employ commercial accounting techniques, and are often used in situations where a more accurate determination of operating results is desired.

Employee Benefits Fund

This fund was established to account for workers' compensation and unemployment insurance. Specifically, for workers' compensation the fund includes: claims payment, the actuarial liability, insurance costs and contributions by various departments.

Facilities Management Fund

This fund was established to account for the financing of facilities maintenance, public service utilities, property management, project management, architectural and engineering services, real estate acquisition and leasing, and mail services provided to County departments on a cost reimbursement basis.

Fleet Services Fund

This fund was established to account for the maintenance, repair, fuel, and financing of Fleet vehicles provided to County departments on a cost reimbursement basis.

Information Technology Fund

This fund was established to account for telecommunications services provided to County departments on a cost reimbursement basis.

Public Liability Insurance Fund

This fund was established to account for all of the County's public liability claims and related expenses in compliance with the applicable provisions of the law.

Purchasing Fund

This fund was established to account for the procurement of services, materials, and supplies provided to County departments and provides record storage services; all on a cost reimbursement basis.

Road and Communication Equipment Fund

This fund was established to account for the financing of Public Works' road and communication equipment provided to the following funds: Road, Airport, and Inactive Wastesites; on a cost reimbursement basis.

Special District Loans Fund

This fund was established to provide financing for start up services for new and existing County Service Districts on a cost reimbursement basis.

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS**

June 30, 2017

(In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
ASSETS					
Current assets:					
Pooled cash and investments	\$ 154,482	12,048	29,105	18,641	43,897
Receivables, net	504	1,132	308	140	132
Due from other funds	1,621	10,367	3,402	13,411	
Inventories		34	735		
Total current assets	156,607	23,581	33,550	32,192	44,029
Noncurrent assets:					
Capital assets:					
Construction in progress			110		
Buildings and improvements			2,963		
Equipment		6,442	107,990		
Software		440	213		
Accumulated depreciation/amortization		(2,603)	(71,553)		
Total noncurrent assets		4,279	39,723		
Total assets	156,607	27,860	73,273	32,192	44,029
DEFERRED OUTFLOWS OF RESOURCES					
Pension:					
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		203	38		
Contributions to the pension plan subsequent to the measurement date		6,100	1,163		
Changes of assumptions or other inputs		11,800	2,365		
Net difference between projected and actual earnings on pension plan investments		9,758	1,992		
Difference between expected and actual experience in the total pension liability		74	14		
Total deferred outflows of resources		27,935	5,572		

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COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS June 30, 2017 (In Thousands)					
(Continued)	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
LIABILITIES					
Current liabilities:					
Accounts payable	4,738	8,819	3,375	23,920	25
Accrued payroll		556	105		
Accrued interest		1			
Due to other funds	961	680	945	140	1,357
Unearned revenue		184	1		
Loans payable		986			
Capital lease payable		13			
Compensated absences		686	103		
Claims and judgments	28,002				20,788
Total current liabilities	33,701	11,925	4,529	24,060	22,170
Noncurrent liabilities:					
Loans payable		1,247			
Compensated absences		964	145		
Claims and judgments	147,486				31,874
Net pension liability		62,311	12,177		
Total noncurrent liabilities	147,486	64,522	12,322		31,874
Total liabilities	181,187	76,447	16,851	24,060	54,044
DEFERRED INFLOWS OF RESOURCES					
Pension:					
Difference between expected and actual experience in the total pension liability		2,411	456		
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		71	15		
Total deferred inflows of resources		2,482	471		
NET POSITION					
Net investment in capital assets		4,266	39,723		
Unrestricted net position	(24,580)	(27,400)	21,800	8,132	(10,015)
Total net position (deficit)	\$ (24,580)	(23,134)	61,523	8,132	(10,015)

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COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

June 30, 2017

(In Thousands)

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Pooled cash and investments	\$ 7,693	20,372	448	286,686
Receivables, net	23	60		2,299
Due from other funds	707		50	29,558
Inventories	5			774
Total current assets	8,428	20,432	498	319,317
Noncurrent assets:				
Capital assets:				
Construction in progress				110
Buildings and improvements				2,963
Equipment	220	35,007		149,659
Software	397			1,050
Accumulated depreciation/amortization	(478)	(18,644)		(93,278)
Total noncurrent assets	139	16,363		60,504
Total assets	8,567	36,795	498	379,821
DEFERRED OUTFLOWS OF RESOURCES				
Pension:				
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	40			281
Contributions to the pension plan subsequent to the measurement date	1,291			8,554
Changes of assumptions or other inputs	2,686			16,851
Net difference between projected and actual earnings on pension plan investments	2,292			14,042
Difference between expected and actual experience in the total pension liability	17			105
Total deferred outflows of resources	6,326			39,833

Continued on next page ►►►

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS June 30, 2017 (In Thousands)				
(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	25	184		41,086
Accrued payroll	126			787
Accrued interest				1
Due to other funds	766	521		5,370
Unearned revenue				185
Loans payable				986
Capital lease payable				13
Compensated absences	174			963
Claims and judgments				48,790
Total current liabilities	1,091	705		98,181
Noncurrent liabilities:				
Loans payable				1,247
Compensated absences	245			1,354
Claims and judgments				179,360
Net pension liability	13,665			88,153
Total noncurrent liabilities	13,910			270,114
Total liabilities	15,001	705		368,295
DEFERRED INFLOWS OF RESOURCES				
Pension:				
Differences between expected and actual experience in the total pension liability	504			3,371
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	16			102
Total deferred inflows of resources	520			3,473
NET POSITION				
Net investment in capital assets	139	16,363		60,491
Unrestricted net position	(767)	19,727	498	(12,605)
Total net position (deficit)	\$ (628)	36,090	498	47,886

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2017

(In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Operating revenues:					
Charges for current services	\$ 47,392	133,315	39,603	141,138	26,253
Other	330	1,391	395	3	2
Total operating revenues	47,722	134,706	39,998	141,141	26,255
Operating expenses:					
Salaries and employee benefits		35,295	7,281		
Repairs and maintenance		47,476	9,442		
Equipment rental		61	116		
Contracted services	11,829	24,142	1,761	147,315	10,258
Depreciation/amortization		373	11,370		
Utilities		25,726	228		
Cost of material		4,410	140		
Claims and judgments	23,201				26,518
Fuel		219	7,291		
Other		3,735	2,158		3
Total operating expenses	35,030	141,437	39,787	147,315	36,779
Operating income (loss)	12,692	(6,731)	211	(6,174)	(10,524)
Nonoperating revenues (expenses):					
Grants		3,763			
Investment earnings	825	1	143		219
Interest expense		(31)			
Gain (loss) on disposal of assets			288		
Other nonoperating expenses					
Total nonoperating revenues (expenses)	825	3,733	431		219
Income (loss) before capital contributions and transfers	13,517	(2,998)	642	(6,174)	(10,305)
Capital contributions			894		
Transfers in	303	1,798	534	5,171	
Transfers out		(1,213)	(242)		
Change in net position	13,820	(2,413)	1,828	(1,003)	(10,305)
Net position (deficit) at beginning of year	(38,400)	(20,721)	59,695	9,135	290
Net position (deficit) at end of year	\$ (24,580)	(23,134)	61,523	8,132	(10,015)

Continued on next page ►►►

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)

	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Operating revenues:				
Charges for current services	\$ 8,213	8,170		404,084
Other	1,190	15		3,326
Total operating revenues	9,403	8,185		407,410
Operating expenses:				
Salaries and employee benefits	7,640			50,216
Repairs and maintenance	119	3,807		60,844
Equipment rental	40			217
Contracted services	1,625	459		197,389
Depreciation/amortization	133	2,852		14,728
Utilities	71			26,025
Cost of material				4,550
Claims and judgments				49,719
Fuel		1,004		8,514
Other	1,358			7,254
Total operating expenses	10,986	8,122		419,456
Operating income (loss)	(1,583)	63		(12,046)
Nonoperating revenues (expenses):				
Grants				3,763
Investment earnings	46	117		1,351
Interest expense				(31)
Gain (loss) on disposal of assets		115		403
Other nonoperating expenses			(3)	(3)
Total nonoperating revenues (expenses)	46	232	(3)	5,483
Income (loss) before capital contributions and transfers	(1,537)	295	(3)	(6,563)
Capital contributions				894
Transfers in	1,246	1,329		10,381
Transfers out	(273)			(1,728)
Change in net position	(564)	1,624	(3)	2,984
Net position (deficit) at beginning of year	(64)	34,466	501	44,902
Net position (deficit) at end of year	\$ (628)	36,090	498	47,886

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2017

(In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Cash flows from operating activities:					
Cash received from customers	\$ 283	2,770	1,443	343	2
Cash received from other funds	48,934	130,028	38,573	142,658	26,253
Cash payments to suppliers	(1,416)	(101,270)	(17,531)	(146,761)	(2,671)
Cash payments to employees		(31,744)	(6,539)		
Cash payment to other funds	(10,576)	(3,853)	(4,280)	(1,643)	(7,652)
Cash paid for claims and judgments	(23,045)				(12,019)
Net cash provided (used) by operating activities	14,180	(4,069)	11,666	(5,403)	3,913
Cash flows from noncapital financing activities:					
Operating grants		3,512			
Transfers from other funds	303	1,798	534	5,171	
Transfers to other funds		(1,213)	(242)		
Principal paid on long-term debt		(1,075)			
Interest paid on long-term debt		(29)			
Proceeds from loans		594			
Other noncapital (decreases)					
Net cash provided (used) by noncapital financing activities	303	3,587	292	5,171	
Cash flows from capital and related financing activities:					
Capital contributions			808		
Acquisition of capital assets			(6,570)		
Proceeds from sale of assets			976		
Principal paid on capital lease		(38)			
Interest paid on long-term debt		(2)			
Net cash provided (used) by capital and related financing activities		(40)	(4,786)		
Cash flows from investing activities:					
Investment earnings	566	3	85		148
Net increase (decrease) in cash and cash equivalents	15,049	(519)	7,257	(232)	4,061
Cash and cash equivalents - beginning of year	139,433	12,567	21,848	18,873	39,836
Cash and cash equivalents - end of year	154,482	12,048	29,105	18,641	43,897

Continued on next page ►►►

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	12,692	(6,731)	211	(6,174)	(10,524)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Decrease (increase) in accounts receivables	(47)	(271)	(10)	(52)	
Decrease (increase) in due from other funds	1,542	(1,284)	28	1,912	
Decrease (increase) in inventory		(5)	135		
Increase (decrease) in accounts payable	65	842	(929)	492	8
Increase (decrease) in accrued payroll		(778)	(160)		
Increase (decrease) in due to other funds	(228)	(222)	113	(1,581)	(70)
Increase (decrease) in unearned revenue		(351)			
Increase (decrease) in compensated absences		(54)	15		
Increase (decrease) in claims and judgments	156				14,499
Pension expense		4,412	893		
Depreciation/amortization		373	11,370		
Total adjustments	1,488	2,662	11,455	771	14,437
Net cash provided (used) by operating activities	14,180	(4,069)	11,666	(5,403)	3,913
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable			2,193		
Governmental contributions of capital assets	\$		86		

Continued on next page ►►►

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2017

(In Thousands)

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 1,193	15		6,049
Cash received from other funds	8,359	8,172		402,977
Cash payments to suppliers	(254)	(95)		(269,998)
Cash payments to employees	(6,819)			(45,102)
Cash payment to other funds	(2,454)	(5,130)	(50)	(35,638)
Cash paid for claims and judgments				(35,064)
Net cash provided (used) by operating activities	25	2,962	(50)	23,224
Cash flows from noncapital financing activities:				
Operating grants				3,512
Transfers from other funds	1,246	1,329		10,381
Transfers to other funds	(273)			(1,728)
Principal paid on long-term debt				(1,075)
Interest paid on long-term debt				(29)
Proceeds from loans				594
Other noncapital (decreases)			(3)	(3)
Net cash provided (used) by noncapital financing activities	973	1,329	(3)	11,652
Cash flows from capital and related financing activities:				
Capital contributions				808
Acquisition of capital assets		(4,347)		(10,917)
Proceeds from sale of assets		433		1,409
Principal paid on capital lease				(38)
Interest paid on long-term debt				(2)
Net cash provided (used) by capital and related financing activities		(3,914)		(8,740)
Cash flows from investing activities:				
Investment earnings	32	85		919
Net increase (decrease) in cash and cash equivalents	1,030	462	(53)	27,055
Cash and cash equivalents - beginning of year	6,663	19,910	501	259,631
Cash and cash equivalents - end of year	7,693	20,372	448	286,686

Continued on next page ►►►

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)

	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(1,583)	63		(12,046)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Decrease (increase) in accounts receivables				(380)
Decrease (increase) in due from other funds	149	2	(50)	2,299
Decrease (increase) in inventory	(3)			127
Increase (decrease) in accounts payable	(4)	(23)		451
Increase (decrease) in accrued payroll	(162)			(1,100)
Increase (decrease) in due to other funds	495	68		(1,425)
Increase (decrease) in unearned revenue				(351)
Increase (decrease) in compensated absences	(19)			(58)
Increase (decrease) in claims and judgments				14,655
Pension expense	1,019			6,324
Depreciation/amortization	133	2,852		14,728
Total adjustments	1,608	2,899	(50)	35,270
Net cash provided (used) by operating activities	25	2,962	(50)	23,224
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable		123		2,316
Governmental contributions of capital assets	\$			86



AGENCY FUNDS

Agency funds are used to account for situations where the County's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, assets reported in the agency funds are offset by a liability to the party on whose behalf they are held.

Property Tax Collection Funds

These funds are used for recording the collection and distribution of property taxes.

Other Agency Funds

These funds maintain assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the County's programs or services. Any portion of agency fund assets held at fiscal year end for other funds are reported in those funds rather than in the agency funds.

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended June 30, 2017
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
PROPERTY TAX COLLECTION FUNDS				
ASSETS				
Pooled cash and investments	\$ 61,870	18,986,779	18,968,585	80,064
Receivables:				
Investment earnings receivable	661	8,327	7,549	1,439
Due from other government agencies		64,894	64,894	
Taxes receivable		6,519,713	6,453,251	66,462
Total assets	62,531	25,579,713	25,494,279	147,965
LIABILITIES				
Accounts payable	707	1,746,988	1,737,025	10,670
Due to other governments	61,824	25,460,612	25,385,141	137,295
Total liabilities	62,531	27,207,600	27,122,166	147,965
OTHER AGENCY FUNDS				
ASSETS				
Pooled cash and investments	324,598	21,204,971	21,181,540	348,029
Cash with fiscal agents	541	9,091	8,925	707
Receivables:				
Accounts receivable	1,423	962	1,423	962
Investment earnings receivable	15,338	21,168	16,979	19,527
Total assets	341,900	21,236,192	21,208,867	369,225
LIABILITIES				
Accounts payable	34,879	2,456,607	2,427,486	64,000
Warrants outstanding	169,360	10,222,436	10,214,825	176,971
Due to other governments	137,661	3,302,673	3,312,080	128,254
Total liabilities	341,900	15,981,716	15,954,391	369,225

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COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended June 30, 2017

(In Thousands)

(Continued)

	Beginning Balance	Additions	Deductions	Ending Balance
TOTAL AGENCY FUNDS				
ASSETS				
Pooled cash and investments	386,468	40,191,750	40,150,125	428,093
Cash with fiscal agents	541	9,091	8,925	707
Receivables:				
Accounts receivable	1,423	962	1,423	962
Investment earnings receivable	15,999	29,495	24,528	20,966
Due from other government agencies		64,894	64,894	
Taxes receivable		6,519,713	6,453,251	66,462
Total assets	404,431	46,815,905	46,703,146	517,190
LIABILITIES				
Accounts payable	35,586	4,203,595	4,164,511	74,670
Warrants outstanding	169,360	10,222,436	10,214,825	176,971
Due to other governments	199,485	28,763,285	28,697,221	265,549
Total liabilities	\$ 404,431	43,189,316	43,076,557	517,190



INTRODUCTION

Government Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)* requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the financial statements, and required supplementary information in order to assess the economic condition of the County. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

In this regard, when available, ten year trend information has been provided. When accounting data or other information is unavailable, statistical tables are footnoted to indicate as such. Generally, information was unavailable because non-accounting trend data called for by Statement No. 44 which was significantly different than data reported in previous fiscal years' statistical tables was either not available from external sources in the format required or was not available in internal archived data.

Financial Trends.....196

These Tables contain information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity204

These Tables contain information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity208

These Tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information212

These Tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information.....214

These Tables contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in the following tables is derived from the comprehensive annual financial reports for the relevant year.

Table 1
County of San Diego
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
Net position					
Governmental activities					
Net investment in capital assets	\$ 2,468,142	2,582,854	2,595,105	2,675,240	2,770,556
Restricted	181,198	314,107	247,585	529,808	553,249
Unrestricted	351,326	319,669	535,103	365,165	454,565
Total governmental activities net position	3,000,666	3,216,630	3,377,793	3,570,213	3,778,370
Business-type activities					
Net investment in capital assets	126,237	148,146	164,845	163,268	162,874
Restricted					
Unrestricted	92,686	88,909	87,254	89,602	87,348
Total business-type activities net position	218,923	237,055	252,099	252,870	250,222
Primary government					
Net investment in capital assets	2,594,379	2,731,000	2,759,950	2,838,508	2,933,430
Restricted	181,198	314,107	247,585	529,808	553,249
Unrestricted	444,012	408,578	622,357	454,767	541,913
Total primary government net position	\$ 3,219,589	3,453,685	3,629,892	3,823,083	4,028,592
	Fiscal Year				
	2013	2014	2015	2016	2017
Net position					
Governmental activities					
Net investment in capital assets	\$ 2,861,061	3,015,405	3,042,782	3,124,804	3,130,429
Restricted	619,855	669,832	619,565	604,917	596,862
Unrestricted (1)	514,015	655,954	(1,268,029)	(1,090,381)	(1,151,817)
Total governmental activities net position	3,994,931	4,341,191	2,394,318	2,639,340	2,575,474
Business-type activities					
Net investment in capital assets	167,430	171,911	167,453	167,282	174,044
Restricted					
Unrestricted (1)	81,185	78,547	67,948	68,586	71,119
Total business-type activities net position	248,615	250,458	235,401	235,868	245,163
Primary government					
Net investment in capital assets	3,028,491	3,187,316	3,210,235	3,292,086	3,304,473
Restricted	619,855	669,832	619,565	604,917	596,862
Unrestricted (1)	595,200	734,501	(1,200,081)	(1,021,795)	(1,080,698)
Total primary government net position	\$ 4,243,546	4,591,649	2,629,719	2,875,208	2,820,637

(1) Beginning in 2015, these amounts reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses					
Governmental activities					
General government	\$ 298,607	275,508	304,305	229,767	271,485
Public protection	1,180,114	1,158,162	1,091,910	1,128,967	1,179,815
Public ways and facilities	144,452	151,125	131,982	130,239	132,166
Health and sanitation	638,869	678,217	681,448	721,939	790,907
Public assistance	1,114,453	1,177,320	1,171,603	1,191,559	1,175,678
Education	36,355	42,424	39,165	35,734	34,669
Recreation and cultural	33,941	34,542	33,629	36,699	36,128
Interest on long-term debt	119,138	118,927	111,942	106,381	102,338
Total governmental activities expenses	3,565,929	3,636,225	3,565,984	3,581,285	3,723,186
Business-type activities					
Airport	8,848	10,614	12,389	12,876	12,736
Wastewater management	5,320	16,666	5,523	5,806	5,980
Sanitation district	17,574	5,794	18,831	21,699	22,335
Jail Stores Commissary					
Total business-type activities expenses	31,742	33,074	36,743	40,381	41,051
Total primary government expenses	3,597,671	3,669,299	3,602,727	3,621,666	3,764,237
Program revenues					
Governmental activities					
Charges for services:					
General government	130,645	93,939	90,503	92,085	99,872
Public protection	217,953	215,343	204,405	235,913	237,632
Other activities	137,020	133,834	150,461	160,067	168,851
Operating grants and contributions	2,152,380	2,181,366	2,192,591	2,211,946	2,317,522
Capital grants and contributions	24,474	60,703	33,246	25,329	11,005
Total governmental activities program revenues	2,662,472	2,685,185	2,671,206	2,725,340	2,834,882
Business-type activities					
Charges for services:					
Airport	16,097	9,397	9,299	11,301	11,568
Wastewater management	5,318	6,567	6,616	6,509	6,502
Sanitation district	20,060	20,114	19,823	20,431	18,406
Jail Stores Commissary					
Operating grants and contributions	7,725	12,974	15,330	1,544	539
Capital grants and contributions					
Total business-type program revenues	49,200	49,052	51,068	39,785	37,015
Total primary government program revenues	2,711,672	2,734,237	2,722,274	2,765,125	2,871,897
Net (Expense) Revenue					
Governmental activities	(903,457)	(951,040)	(894,778)	(855,945)	(888,304)
Business-type activities	17,458	15,978	14,325	(596)	(4,036)
Total primary government net (expense) revenue	\$ (885,999)	(935,062)	(880,453)	(856,541)	(892,340)

Continued on next page ►►►

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2013	2014	2015	2016	2017
Expenses					
Governmental activities					
General government	\$ 240,409	249,066	258,169	257,887	637,532
Public protection	1,236,708	1,312,074	1,309,087	1,359,423	1,455,462
Public ways and facilities	135,432	148,209	161,341	140,245	140,366
Health and sanitation	851,246	631,543	640,020	675,077	723,508
Public assistance	1,183,923	1,418,703	1,327,664	1,421,851	1,179,180
Education	34,104	35,647	37,686	41,086	38,477
Recreation and cultural	34,204	38,903	42,748	44,883	37,727
Interest on long-term debt	95,801	92,709	86,816	81,665	79,152
Total governmental activities expenses	3,811,827	3,926,854	3,863,531	4,022,117	4,291,404
Business-type activities					
Airport	14,107	14,118	14,664	14,439	14,518
Wastewater management	22,936				
Sanitation district	5,754	28,291	30,745	28,693	25,185
Jail Stores Commissary		4,816	4,506	5,362	6,007
Total business-type activities expenses	42,797	47,225	49,915	48,494	45,710
Total primary government expenses	3,854,624	3,974,079	3,913,446	4,070,611	4,337,114
Program revenues					
Governmental activities					
Charges for services:					
General government	98,205	100,328	92,109	99,531	111,389
Public protection	244,612	240,850	250,054	252,303	270,345
Other activities	153,958	169,274	162,578	164,721	165,846
Operating grants and contributions	2,467,966	2,519,619	2,467,817	2,543,749	2,407,522
Capital grants and contributions	32,728	114,310	39,224	12,947	16,296
Total governmental activities program revenues	2,997,469	3,144,381	3,011,782	3,073,251	2,971,398
Business-type activities					
Charges for services:					
Airport	11,077	12,647	11,984	12,044	14,302
Wastewater management	6,561				
Sanitation district	18,564	25,037	26,831	26,719	29,063
Jail Stores Commissary		5,659	4,538		7,141
Operating grants and contributions	4,933	3,793	702	3,513	5,659
Capital grants and contributions					
Total business-type program revenues	41,135	47,136	44,055	42,276	56,165
Total primary government program revenues	3,038,604	3,191,517	3,055,837	3,115,527	3,027,563
Net (Expense) Revenue					
Governmental activities	(814,358)	(782,473)	(851,749)	(948,866)	(1,320,006)
Business-type activities	(1,662)	(89)	(5,860)	(6,218)	10,455
Total primary government net (expense) revenue	\$ (816,020)	(782,562)	(857,609)	(955,084)	(1,309,551)

Continued on next page ►►►

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2008	2009	2010	2011	2012
General revenues and other changes in net position					
Governmental activities					
Taxes:					
Property taxes	\$ 637,491	618,048	593,553	580,570	\$ 616,183
Other taxes	20,374	15,167	15,991	16,207	17,200
Transient occupancy tax					
Real property transfer tax					
Miscellaneous taxes					
Intergovernmental unrestricted:					
Property taxes in lieu of VLF (1)	303,348	316,925	308,842	303,625	304,614
Sales and use taxes	24,872	22,435	20,576	22,457	25,055
Investment earnings	87,554	57,859	30,941	22,024	12,338
Other general revenues	80,804	118,929	85,693	104,260	110,676
Total governmental general revenues	1,154,443	1,149,363	1,055,596	1,049,143	1,086,066
Transfers	81	151	345	(778)	(28)
Extraordinary gain					10,423
Total governmental activities	1,154,524	1,149,514	1,055,941	1,048,365	1,096,461
Business-type activities					
Investment earnings	4,113	2,237	1,046	582	1,151
Other general revenues	105	68	18	7	209
Total business-type general revenues	4,218	2,305	1,064	589	1,360
Transfers	(81)	(151)	(345)	778	28
Total business-type activities	4,137	2,154	719	1,367	1,388
Total primary government	1,158,661	1,151,668	1,056,660	1,049,732	1,097,849
Change in net position					
Governmental activities	251,067	198,474	161,163	192,420	208,157
Business-type activities	21,595	18,132	15,044	771	(2,648)
Total change in net position	\$ 272,662	216,606	176,207	193,191	205,509

(1) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue.

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Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2013	2014	2015	2016	2017
General revenues and other changes in net position					
Governmental activities					
Taxes:					
Property taxes	\$ 587,145	627,709	648,974	680,434	720,645
Other taxes	20,912				
Transient occupancy tax		3,404	4,166	4,128	4,889
Real property transfer tax		20,074	21,049	24,589	23,960
Miscellaneous taxes		14	15	38	10
Intergovernmental unrestricted:					
Property taxes in lieu of VLF (1)	303,646	313,844	332,928	351,524	371,105
Sales and use taxes	24,809	24,871	27,847	28,898	27,779
Investment earnings	3,504	16,635	12,250	17,818	15,315
Other general revenues	90,789	132,612	93,889	82,745	88,038
Total governmental general revenues	1,030,805	1,139,163	1,141,118	1,190,174	1,251,741
Transfers	114	7,086	2,693	3,714	4,399
Extraordinary gain					
Total governmental activities	1,030,919	1,146,249	1,143,811	1,193,888	1,256,140
Business-type activities					
Investment earnings	46	502	336	1,622	523
Other general revenues	123	2,565	3,055	8,777	2,716
Total business-type general revenues	169	3,067	3,391	10,399	3,239
Transfers	(114)	(7,086)	(2,693)	(3,714)	(4,399)
Total business-type activities	55	(4,019)	698	6,685	(1,160)
Total primary government	1,030,974	1,142,230	1,144,509	1,200,573	1,254,980
Change in net position					
Governmental activities	216,561	363,776	292,062	245,022	(63,866)
Business-type activities	(1,607)	(4,108)	(5,162)	467	9,295
Total change in net position	\$ 214,954	359,668	286,900	245,489	(54,571)

(1) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue.

Table 3
County of San Diego
Fund Balances Governmental Funds
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 273,231	266,434	162,257		
Unreserved	947,235	923,604	1,057,851		
Nonspendable(1)				11,257	12,443
Restricted (1)				214,956	245,713
Committed (1)				514,739	515,234
Assigned (1)				40,614	51,325
Unassigned (1)				612,814	663,132
Total general fund	1,220,466	1,190,038	1,220,108	1,394,380	1,487,847
All Other Governmental Funds					
Reserved	199,472	213,984	175,900		
Unreserved, reported in:					
Special Revenue Funds	672,652	668,626	705,469		
Capital Projects Funds	30,210	157,221	89,926		
Nonspendable (1)				5,148	5,281
Restricted (1)				372,730	424,512
Committed (1)				467,950	440,767
Assigned (1)					
Total other governmental funds	\$ 902,334	1,039,831	971,295	845,828	870,560
	Fiscal Year				
	2013	2014	2015	2016	2017
General Fund					
Reserved					
Unreserved					
Nonspendable (1)	\$ 12,347	12,276	13,379	13,489	19,894
Restricted (1)	295,264	296,548	269,294	272,500	266,904
Committed (1)	464,831	492,175	478,980	591,941	677,058
Assigned (1)	184,526	217,628	328,588	381,202	483,464
Unassigned (1)	644,454	713,045	798,135	747,277	697,293
Total general fund	1,601,422	1,731,672	1,888,376	2,006,409	2,144,613
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special Revenue Funds					
Capital Projects Funds					
Nonspendable (1)	5,600	4,884	5,149	5,981	6,062
Restricted (1)	433,952	459,579	427,703	398,385	396,063
Committed (1)	413,796	395,291	379,711	371,622	376,179
Assigned (1)			228	917	1,478
Total other governmental funds	\$ 853,348	859,754	812,791	776,905	779,782

(1) Beginning in fiscal year 2011, governmental fund balances are required to be reported as nonspendable, restricted, committed, assigned, and unassigned.

Table 4
County of San Diego
Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues:					
Taxes	\$ 971,616	973,899	946,324	934,737	966,512
Licenses, permits and franchise fees	45,257	49,990	47,578	51,144	51,823
Fines, forfeitures and penalties	63,014	59,348	57,869	54,267	53,818
Revenue from use of money and property	137,963	70,911	46,100	39,545	29,765
Aid from other governmental agencies:					
State	1,169,642	1,161,312	1,136,756	1,192,401	1,276,289
Federal	908,582	858,066	963,285	945,168	969,818
Other	79,066	144,205	102,708	72,071	82,292
Charges for current services	312,018	316,214	318,283	359,239	369,586
Other	73,745	111,431	81,219	90,486	104,647
Total revenues	3,760,903	3,745,376	3,700,122	3,739,058	3,904,550
Expenditures:					
General government	277,286	249,324	205,456	223,290	210,375
Public protection	1,145,807	1,133,843	1,063,890	1,088,377	1,149,575
Public ways and facilities	80,051	85,802	66,393	61,967	64,922
Health and sanitation	633,382	669,725	675,256	714,022	782,504
Public assistance	1,111,701	1,172,400	1,169,287	1,184,632	1,171,662
Education	35,569	41,461	37,422	34,599	32,210
Recreation and cultural	32,042	32,561	29,982	33,054	33,302
Total CAFR Governmental functions	3,315,838	3,385,116	3,247,686	3,339,941	3,444,550
Capital outlay	157,818	179,662	205,512	186,342	212,304
Debt service:					
Principal	184,614	112,275	169,059	64,016	61,241
Interest	107,631	103,831	101,036	97,290	94,320
Bond issuance costs		3,959	739	349	374
Payment to refunded bond escrow agent			15,377	3,437	
Total expenditures	3,765,901	3,784,843	3,739,409	3,691,375	3,812,789
Excess (deficiency) of revenues over (under) expenditures	(4,998)	(39,467)	(39,287)	47,683	91,761
Other financing sources (uses)					
Sale of capital assets	68	31	365	2,673	740
Issuance of bonds and loans:					
Face value of bonds issued		136,885			32,665
Face value of loans issued					
Discount on issuance of bonds					(182)
Premium on issuance of bonds		1,175	7,803	1,237	
Refunding bonds issued:		443,515	80,940	19,260	
Payment to refunded bond escrow agent		(441,038)	(83,173)	(18,774)	
Transfers in	594,512	525,424	452,018	426,611	460,192
Transfers (out)	(594,882)	(525,689)	(457,683)	(430,527)	(465,106)
Total other financing sources (uses)	(302)	140,303	270	480	28,309
Extraordinary loss					(3,126)
Net change in fund balances	\$ (5,300)	100,836	(39,017)	48,163	116,944
Debt service as a percentage of noncapital expenditures	8.10%	5.99%	7.64%	4.60%	4.32%

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Table 4
County of San Diego
Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues:					
Taxes	\$ 941,644	987,061	1,038,552	1,090,722	1,148,655
Licenses, permits and franchise fees	52,746	55,819	54,181	57,375	57,066
Fines, forfeitures and penalties	50,070	47,125	49,200	46,295	44,146
Revenue from use of money and property	21,918	34,855	23,033	28,396	23,079
Aid from other governmental agencies:					
State	1,374,266	1,513,606	1,490,603	1,487,655	1,482,536
Federal	946,356	919,151	917,901	959,399	796,594
Other	138,575	169,724	106,691	110,816	122,767
Charges for current services	366,442	389,224	387,788	398,705	411,488
Other	78,455	61,409	91,903	75,264	77,429
Total revenues	3,970,472	4,177,974	4,159,852	4,254,627	4,163,760
Expenditures:					
General government	226,648	231,370	237,875	233,180	260,005
Public protection	1,187,848	1,277,698	1,353,710	1,343,281	1,434,323
Public ways and facilities	66,514	75,565	73,991	70,946	75,901
Health and sanitation	840,735	620,319	644,865	670,871	731,034
Public assistance	1,178,112	1,410,925	1,346,078	1,426,134	1,184,697
Education	32,034	33,431	37,095	39,592	39,687
Recreation and cultural	31,092	31,604	36,838	37,800	39,325
Total CAFR Governmental functions	3,562,983	3,680,912	3,730,452	3,821,804	3,764,972
Capital outlay	165,737	264,015	160,474	185,065	120,509
Debt service:					
Principal	75,687	59,535	67,542	65,929	66,284
Interest	93,678	93,232	85,673	88,502	75,153
Bond issuance costs	393		583	761	
Payment to refunded bond escrow agent			8,461	12,481	
Total expenditures	3,898,478	4,097,694	4,053,185	4,174,542	4,026,918
Excess (deficiency) of revenues over (under) expenditures	71,994	80,280	106,667	80,085	136,842
Other financing sources (uses)					
Sale of capital assets	5,997	58,420	984	2,319	240
Issuance of bonds, loans, and capital lease:					
Face value of bonds issued	29,335		732		
Face value of loans issued				690	
Face value of capital lease					6,122
Discount on issuance of bonds					
Premium on issuance of bonds	574		15,070	22,163	
Refunding bonds issued			93,750	105,330	
Payment to refunded bond escrow agent			(103,771)	(122,533)	
Transfers in	460,931	478,533	434,541	470,175	474,286
Transfers (out)	(472,183)	(480,236)	(439,657)	(476,484)	(478,540)
Total other financing sources (uses)	24,654	56,717	1,649	1,660	2,108
Extraordinary loss					
Net change in fund balances	\$ 96,648	136,997	108,316	81,745	138,950
Debt service as a percentage of noncapital expenditures	4.54%	3.98%	3.94%	3.87%	3.62%

Table 5
County of San Diego
Assessed Value of Taxable Property
Last Ten Fiscal Years (1)
(In Thousands)

Fiscal Year	Real Property		Personal Property		Less: Tax Exempt		Total Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured		
2008	\$ 381,485,632	\$ 3,321,363	\$ 3,528,453	\$ 10,387,757	\$ 8,219,783	\$ 1,207,922	\$ 389,295,500	1.00000
2009	398,804,220	3,411,110	3,604,712	10,891,875	9,043,072	1,293,899	406,374,946	1.00000
2010	389,083,154	3,261,524	3,597,697	11,596,968	9,779,505	1,465,316	396,294,522	1.00000
2011	384,566,788	3,361,476	3,642,380	10,997,174	10,332,112	1,458,658	390,777,048	1.00000
2012	387,715,176	3,326,188	3,604,459	10,878,963	10,959,285	1,578,206	392,987,295	1.00000
2013	388,067,793	3,362,102	3,785,463	10,908,493	11,532,649	1,632,359	392,958,843	1.00000
2014	401,174,212	3,471,163	3,857,452	11,337,598	12,195,985	1,660,818	405,983,622	1.00000
2015	424,400,547	3,837,190	3,708,390	11,638,652	12,531,830	1,812,206	429,240,743	1.00000
2016	449,303,851	3,695,989	3,567,927	11,923,467	13,374,474	1,801,251	453,315,509	1.00000
2017	473,696,673	3,733,123	3,527,495	12,797,155	14,227,380	1,875,970	477,651,096	1.00000

(1) Due to the passage of Proposition 13 (Prop 13) in 1978, the County does not track the estimated actual value of real and personal properties; therefore, assessed value as a percentage of actual value is not applicable. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value.

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 6
County of San Diego
Property Tax Rates - Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Direct Rates (1)										
County of San Diego	0.139	0.138	0.140	0.140	0.140	0.140	0.139	0.140	0.139	0.139
Cities (3)	0.225	0.229	0.232	0.232	0.231	0.232	0.233	0.233	0.235	0.238
Schools (4)	0.600	0.597	0.594	0.594	0.595	0.594	0.594	0.593	0.592	0.590
Special Districts	0.036	0.036	0.034	0.034	0.034	0.034	0.034	0.034	0.034	0.033
Total Direct Rates	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates (2)										
Cities (3)	0.005	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Schools	0.058	0.050	0.063	0.066	0.073	0.073	0.103	0.102	0.105	0.103
Special Districts	0.009	0.007	0.008	0.008	0.009	0.009	0.009	0.009	0.009	0.009
Total Overlapping Rates	0.072	0.061	0.075	0.078	0.086	0.086	0.116	0.115	0.118	0.116
Total Direct and Overlapping Rates	1.072	1.061	1.075	1.078	1.086	1.086	1.116	1.115	1.118	1.116

(1) The \$1.00 per \$100 of Assessed Value (Proposition 13) tax rate beginning in Fiscal Year 1978-79 is distributed according to State Law on a percentage basis to each of the eligible taxing agencies in the County.

(2) Overlapping rates for cities, schools and special districts are chargeable to property owners within their respective tax rate areas (TRA). Overlapping rates do not apply to all property owners (e.g. the rates for special districts apply only to property owners whose property is located within the geographic boundary (TRA) of the special district.)

(3) Includes property tax revenue that is distributed in the Redevelopment Property Tax Trust Fund (RPTTF) starting fiscal year 2012 (Redevelopment Agencies' dissolution was February 1, 2012) to present. Prior to dissolution, property tax revenue was distributed to the redevelopment agencies.

(4) Includes property tax revenue that is distributed in the Educational Revenue Augmentation Fund (ERAF).

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 7
County of San Diego
Principal Property Taxpayers
Current Year and Nine Years Ago
(In Thousands)

Taxpayer	2017			2008		
	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value
San Diego Gas & Electric Company	\$ 7,450,749	1	1.61%	\$ 3,923,050	1	1.04%
Qualcomm Inc	2,053,664	2	0.44%	1,310,309	4	0.35%
Irvine Company	1,362,021	3	0.29%	1,599,391	3	0.42%
Kilroy Realty LP	997,070	4	0.22%	953,879	5	0.25%
Southern California Edison Company	954,753	5	0.21%	1,616,669	2	0.43%
Kaiser Foundation Hospitals	792,400	6	0.17%			
Host Hotels and Resorts	768,847	7	0.17%	886,573	6	0.24%
Pacific Bell Telephone Company	655,437	8	0.14%	763,563	7	0.20%
Poseidon Resources	625,100	9	0.14%			
B S K Del Partners LLC	613,036	10	0.13%			
Camp Pendleton & Quantico Housing				534,664	8	0.14%
San Diego Family Housing LLC				529,380	9	0.14%
Genentech Inc				503,582	10	0.13%
Totals	\$ 16,273,077		3.52%	\$ 12,621,060		3.34%

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 8
County of San Diego
Property Tax Levies and Collections
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Collections within the Fiscal Year of the Levy			Total Collections to Date		
	Total Tax Levy for Fiscal Year (1)	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2008	\$ 3,892,955	\$ 3,739,090	96.05%	\$ 138,564	\$ 3,877,654	99.61%
2009	4,063,749	3,903,633	96.06%	132,433	4,036,066	99.32%
2010	3,962,945	3,821,278	96.43%	94,970	3,916,248	98.82%
2011	3,907,770	3,795,900	97.14%	59,332	3,855,232	98.66%
2012	3,929,873	3,819,892	97.20%	48,740	3,868,632	98.44%
2013	3,929,588	3,871,591	98.52%	33,493	3,905,084	99.38%
2014	4,059,836	4,011,889	98.82%	29,321	4,041,210	99.54%
2015	4,292,407	4,241,271	98.81%	28,284	4,269,555	99.47%
2016	4,533,155	4,489,098	99.03%	21,820	4,510,918	99.51%
2017	4,776,510	4,738,515	99.20%	N/A	4,738,515	99.20%

(1) Includes secured, unsecured and unitary tax levy for the County and school districts, cities and special districts under the supervision of independent governing boards.

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 9
County of San Diego
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental Activities:					
Certificates of Participation & Lease Revenue Bonds	\$ 335,532	475,913	432,760	402,396	410,126
San Diego County Redevelopment Agency Revenue Refunding Bonds (2)	15,279	14,945	14,602	14,243	
Tobacco Settlement Asset-Backed Bonds	543,687	543,374	548,817	556,039	562,391
Pension Obligation Bonds	1,068,200	1,003,490	872,540	839,652	805,272
Capital and Retrofit Loans	7,043	7,043	7,404	7,162	6,167
Capitalized Leases	27,590		242	212	185
Business-type Activities:					
Capital Loans	2,255	2,038	1,809	1,566	1,313
Total Primary Government	\$ 1,999,586	\$ 2,046,803	\$ 1,878,174	\$ 1,821,270	\$ 1,785,454
Percentage of Personal Income (1)	1.39%	1.52%	1.37%	1.20%	1.15%
Per Capita (1)	\$ 636	643	582	585	571
	Fiscal Year				
	2013	2014	2015	2016	2017
Governmental Activities:					
Certificates of Participation & Lease Revenue Bonds	\$ 413,992	396,173	376,955	351,179	330,956
Tobacco Settlement Asset-Backed Bonds	551,350	551,442	542,883	546,110	548,832
Pension Obligation Bonds	769,068	732,330	692,338	649,860	605,520
Capital and Retrofit Loans	5,169	5,124	5,188	6,020	5,249
Capitalized Leases	152	119	84	51	6,084
Business-type Activities:					
Capital Loans	1,046	766	475	171	0
Total Primary Government	\$ 1,740,777	\$ 1,685,954	\$ 1,617,923	\$ 1,553,391	\$ 1,496,641
Percentage of Personal Income (1)	1.11%	0.99%	0.90%	0.83%	0.78%
Per Capita (1)	\$ 553	528	501	472	451

(1) See Table 13 Demographic and Economic Statistics

(2) Pursuant to California Assembly Bill ABx1 26, in 2012 the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund

Table 10
County of San Diego
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

	Fiscal Year				
	2008	2009	2010	2011	2012
Certificates of Participation & Lease Revenue Bonds	\$ 335,532	475,913	432,760	402,396	410,126
Less: Amounts Available in Debt Service Fund	26,474	50,513	35,547	26,867	26,860
Net Certificates of Participation & Lease Revenue Bonds	309,058	425,400	397,213	375,529	383,266
Pension Obligation Bonds	1,068,200	1,003,490	872,540	839,652	805,272
Less: Amounts Available in Debt Service Fund	15,248	15,741	3,364	2,117	629
Net Pension Obligation Bonds	1,052,952	987,749	869,176	837,535	804,643
Total Net Bonded Debt	\$ 1,362,010	\$ 1,413,149	\$ 1,266,389	\$ 1,213,064	\$ 1,187,909
Percentage of Actual Taxable Value of Property (1)	0.35%	0.35%	0.32%	0.31%	0.30%
Per Capita (2)	\$ 433	444	393	389	380

	Fiscal Year				
	2013	2014	2015	2016	2017
Certificates of Participation & Lease Revenue Bonds	\$ 413,992	396,173	376,955	351,179	330,956
Less: Amounts Available in Debt Service Fund	28,140	27,728	28,798	20,107	19,992
Net Certificates of Participation & Lease Revenue Bonds	385,852	368,445	348,157	331,072	310,964
Pension Obligation Bonds	769,068	732,330	692,338	649,860	605,520
Less: Amounts Available in Debt Service Fund	161	423	877	375	574
Net Pension Obligation Bonds	768,907	731,907	691,461	649,485	604,946
Total Net Bonded Debt	\$ 1,154,759	1,100,352	1,039,618	980,557	915,910
Percentage of Actual Taxable Value of Property (1)	0.29%	0.27%	0.24%	0.22%	0.19%
Per Capita (2)	\$ 367	344	322	298	276

(1) See Table 5 Assessed Value of Taxable Property - Total Assessed Value

(2) See Table 13 Demographic and Economic Statistics - Population Data

Table 11
County of San Diego
Legal Debt Margin Information
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (1)	Legal Debt Margin	Legal Debt Margin/ Debt Limit
2008	\$ 4,866,194		4,866,194	100%
2009	5,079,687		5,079,687	100%
2010	4,953,682		4,953,682	100%
2011	4,884,713		4,884,713	100%
2012	4,912,341		4,912,341	100%
2013	4,911,986		4,911,986	100%
2014	5,074,795		5,074,795	100%
2015	5,365,509		5,365,509	100%
2016	5,666,444		5,666,444	100%
2017	5,970,639		5,970,639	100%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 477,651,096
Debt limit (1.25% of total assessed value) (2)	5,970,639
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	
Legal debt margin	\$ 5,970,639

(1) For the fiscal years presented, the County had no debt that qualified as indebtedness subject to the bonded debt limit under the California Constitution.

(2) Under California State law, the total amount of bonded indebtedness shall not at any time exceed 1.25% of the taxable property of the County as shown by the last equalized assessment roll.

Table 12
County of San Diego
Pledged-Revenue Coverage
Last Ten Fiscal Years
(In Thousands)

Tobacco Settlement Asset-Backed Bonds

Fiscal Year	Tobacco Settlement Revenues	Less: Operating Expenses (1)	Net Available Revenue	Principal (2)	Interest	Coverage
2008	\$ 31,106	\$ 146	\$ 30,960	\$ 6,865	\$ 26,599	0.93
2009	34,181	156	34,025	10,000	26,273	0.94
2010	28,503	151	28,352	4,500	25,798	0.94
2011	26,976	158	26,818	2,995	25,584	0.94
2012	27,509	165	27,344	3,755	25,442	0.94
2013	41,460	111	41,349	17,035	25,263	0.98
2014	27,256	195	27,061	5,750	24,453	0.90
2015	26,982	190	26,792	14,760	24,181	0.69
2016	26,680	130	26,550	3,355	23,480	0.99
2017	27,440	120	27,320	4,265	23,321	0.99

(1) Operating expenses do not include interest.

(2) Tobacco Principal Debt Service requirements include Turbo Principal payments.

Table 13
County of San Diego
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (in dollars)	School Enrollment (3)	Unemployment Rate (4)
2008	3,146,274	\$ 143,873,000	\$ 45,728	494,016	6.0
2009	3,185,462	134,696,000	42,285	496,702	9.7
2010	3,224,432	137,525,000	42,651	496,995	10.7
2011	3,115,810	151,539,000	48,635	498,243	10.7
2012	3,128,734	155,500,000	49,701	498,263	9.5
2013	3,150,178	156,600,000	49,711	499,850	8.1
2014	3,194,362	170,300,000	53,313	503,096	6.5
2015	3,227,496	179,800,000	55,709	503,848	5.3
2016	3,288,612	186,900,000	56,832	504,561	4.9
2017	3,316,192	192,107,000	57,930	505,310	4.3

Sources:

Primary

(1) California Department of Finance

(2) Los Angeles County Economic Development Corporation

(3) California Department of Education

(4) U.S. Department of Labor, Bureau of Labor Statistics

Secondary

(1) U.S. Department of Commerce, Bureau of Economic Analysis

Table 14
County of San Diego
Principal Employers
Current Year and Nine Years Ago

Employer	2017			2008		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (3)
University of California, San Diego	32,524	1	2.17%	30,078	3	2.07%
Sharp HealthCare	17,962	2	1.20%	14,390	6	0.99%
County of San Diego (4)	17,396	3	1.16%	17,041	4	1.17%
Scripps Health	15,238	4	1.02%	11,690	7	0.80%
Qualcomm Inc.	12,600	5	0.84%	9,444	9	0.65%
City of San Diego	11,544	6	0.77%	11,054	8	0.76%
Kaiser Permanente San Diego Medical Center	8,965	7	0.60%			
UC San Diego Health	8,923	8	0.60%			
San Diego Community College District	6,817	9	0.46%			
San Diego State University	5,921	10	0.40%	6,939	10	0.48%
State of California				41,400	1	2.85%
Federal Government				40,800	2	2.81%
San Diego Unified School District				15,800	5	1.09%
Total	137,890		9.22%	198,636		13.67%

Sources:

(1) San Diego Business Journal

(2) California Labor Market Information

Percentage is calculated by dividing employees by total employment of 1,495,500 as of June 2017

(3) California Labor Market Information

Percentage is calculated by dividing employees by total employment of 1,454,400 as of June 2008

(4) County of San Diego 2017 and 2008 Adopted Operational Plans

Table 15
County of San Diego
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2008	2009	2010	2011	2012
General	1,538	1,515	1,487	1,477	1,451
Public protection	8,027	7,879	7,575	7,362	7,430
Public ways and facilities	393	405	390	374	367
Health and sanitation	2,242	2,222	2,136	2,088	2,045
Public assistance	3,781	3,659	3,497	3,321	3,440
Education	297	312	293	277	256
Recreation and cultural	180	176	173	169	171
Total	16,458	16,168	15,551	15,068	15,160
Function	Fiscal Year				
	2013	2014	2015	2016	2017
General	1,485	1,479	1,485	1,529	1,515
Public protection	7,638	7,859	7,923	7,882	7,942
Public ways and facilities	369	366	356	370	388
Health and sanitation	2,068	2,029	1,994	1,987	2,059
Public assistance	3,728	4,160	4,368	4,462	4,552
Education	251	246	259	267	269
Recreation and cultural	162	172	166	171	172
Total	15,701	16,311	16,551	16,668	16,897

Source: County of San Diego Auditor and Controller, Central Payroll Administration

Table 16
County of San Diego
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2008	2009	2010	2011	2012
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	99.80%	94.00%	93.00%	94.00%	98.00%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	100.00%	100.00%	100.00%	100.00%	99.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	96.00%	96.30%	97.00%	98.00%	97.00%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	51.00%	50.00%	53.00%	59.00%	64.00%
Sheriff: Number of jail "A" (or unduplicated) bookings	142,357	144,756	139,314	136,451	130,044
Sheriff: Daily average – number of inmates	5,209	5,141	4,751	4,622	4,846
District Attorney: Felony defendants received	27,849	28,150	27,744	26,619	25,983
District Attorney: Misdemeanor defendants received	28,458	29,512	28,896	28,926	26,800
Planning and Development Services: Percent of building inspections completed next day	100.00%	100.00%	100.00%	100.00%	100.00%
Planning and Development Services: Average permit center counter wait time (in minutes)	(1)	(1)	(1)	(1)	(1)
Animal Services: Percent of euthanized animals that were treatable	15.80%	15.90%	24.00%	26.40%	25.30%
Public ways and facilities					
Public Works: Protect water quality through Department of Public Works roads/drainage waste debris removal (cubic yards removed)	29,580	29,180	28,802	27,680	25,404
Health and sanitation					
Regional Operations: Children age 0-4 years received age-appropriate vaccines	(1)	(1)	99.00%	99.00%	99.00%
Regional Operations: Children age 11-18 years received age-appropriate vaccines	(1)	(1)	97.00%	97.00%	99.00%
Regional Operations: Children age 0-18 years received age-appropriate vaccines	(1)	(1)	(1)	(1)	(1)
Behavioral Health Services: Wait time for children's mental health outpatient treatment	4 days	7 days	5 days	5 days	5 days
Public assistance					
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	95.00%	96.00%	95.00%	96.00%	96.00%
Child Welfare Services: Foster children in 12th grade who achieved high school completion (diploma, certificate or equivalent)	86.00%	87.00%	85.20%	82.00%	79.00%
Child Welfare Services: Family participation in joint case planning and meetings quarterly	(1)	(1)	(1)	(1)	(1)
Self-Sufficiency Services: CalWORKs applications processed timely to help eligible families become more self-sufficient	(1)	(1)	(1)	(1)	(1)
Education					
County Library: Annual average circulation per item	3.10	5.44	6.46	9.95	7.98
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and effectively managed	41,500	45,043	44,616	45,187	45,661
Parks and Recreation: Number of miles of trails managed in the County trails program	315	320	325	326	329
(1) Trend data not available					
Source: Various County departments					

Table 16
County of San Diego
Operating Indicators by Function
Last Ten Fiscal Years

(Continued)

Function	Fiscal Year				
	2013	2014	2015	2016	2017
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	74.30%	99.00%	98.00%	75.00%	59.00%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	99.00%	100.00%	100.00%	100.00%	100.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	98.00%	99.10%	99.10%	99.30%	99.20%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	67.00%	68.00%	71.00%	72.00%	73.00%
Sheriff: Number of jail "A" (or unduplicated) bookings	126,836	89,936	82,702	81,975	80,177
Sheriff: Daily average – number of inmates	5,274	5,706	5,226	5,152	(1)
District Attorney: Felony defendants received	27,745	27,424	22,302	21,281	21,656
District Attorney: Misdemeanor defendants received	25,080	27,441	31,242	31,684	30,101
Planning and Development Services: Percent of building inspections completed next day	100.00%	98.00%	98.00%	(1)	(1)
Planning and Development Services: Average permit center counter wait time (in minutes)	(1)	31	25	25	23
Animal Services: Percent of euthanized animals that were treatable	28.00%	20.00%	12.80%	0.00%	0.00%
Public ways and facilities					
Public Works: Protect water quality through Department of Public Works roads/drainage waste debris removal (cubic yards removed)	25,000	60,045	27,010	22,152	20,586
Health and sanitation					
Regional Operations: Children age 0-4 years received age-appropriate vaccines	99.50%	(1)	(1)	(1)	(1)
Regional Operations: Children age 11-18 years received age-appropriate vaccines	99.40%	(1)	(1)	(1)	(1)
Regional Operations: Children age 0-18 years received age-appropriate vaccines	(1)	99.00%	99.00%	100.00%	100.00%
Behavioral Health Services: Wait time for children's mental health outpatient treatment	4 days	3.5 days	(1)	(1)	(1)
Public assistance					
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	97.00%	95.00%	97.00%	96.00%	96.00%
Child Welfare Services: Foster children in 12th grade who achieved high school completion (diploma, certificate or equivalent)	83.00%	79.00%	(1)	(1)	(1)
Child Welfare Services: Family participation in joint case planning and meetings quarterly	(1)	(1)	56.00%	77.00%	76.00%
Self-Sufficiency Services: CalWORKs applications processed timely to help eligible families become more self-sufficient	(1)	(1)	96.00%	97.00%	97.00%
Education					
County Library: Annual average circulation per item	7.52	6.84	7.47	7.82	7.82
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and effectively managed	47,270	47,907	48,098	48,565	48,836
Parks and Recreation: Number of miles of trails managed in the County trails program	330	336	359	363	363

(1) Trend data not available

Source: Various County departments

Table 17
County of San Diego
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Fleet vehicles	2,186	1,841	1,608	1,664	1,872	1,762	1,762	1,825	1,814	1,801
Buildings	1,131	1,135	1,092	1,096	1,085	1,126	1,136	1,114	1,123	1,153
Land	940	989	1,015	1,042	1,073	1,090	1,124	1,136	1,146	1,177
Public protection										
Building - sub stations	12	12	11	12	12	12	15	16	16	16
Patrol units	1,491	1,519	1,806	1,404	1,310	1,402	1,473	1,448	1,520	1,511
Detention facilities	10	10	10	10	10	9	10	10	10	11
Public ways and facilities										
Road miles	1,927.99	1,929.40	1,930.70	1,932.05	1,932.83	1,938.63	1,938.71	1,940.48	1,953.71	1,941.91
Bridges	178	178	178	178	196	200	200	201	201	204
Airports	7	7	7	7	7	7	7	7	7	7
Road stations	15	15	15	14	14	13	13	13	13	13
Health and sanitation										
Inactive landfills	17	17	23	23	23	23	23	23	23	23
Sewer lines miles	406.00	425.10	427.00	432.00	432.00	432.00	432.00	432.00	432.00	432.00
Water pollution control facilities	3	3	4	5	5	5	6	1	1	1
Wastewater treatment plants (1)					3	3	3	3	3	3
Wastewater pump stations (1)					8	8	8	8	8	8
Public assistance										
Administration building	1	1	1	1	0	1	1	1	1	1
Housing facilities	6	6	6	6	6	6	6	6	5	5
Education										
Libraries	20	20	20	20	20	20	20	20	20	21
Recreation and cultural										
Parks/open space area	95	92	92	91	91	91	91	109	109	109
Campgrounds	9	8	8	8	8	8	8	8	8	8

(1) Trend data not available for 2007-11

Source: Various County departments



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Pg. IV

Desert wildflowers during the spring super bloom at Anza-Borrego State Desert Park
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Introductory Section

Embarcadero Marina Park North
Cecilia Trinidad

Financial Section

With cliffs towering over him, a surfer pulls out of a wave in San Diego
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Pg. 42-43

Californian Tall Ship Sailing on San Diego Bay
Cecilia Trinidad

Pg. 119

Cairn on Moonlight Beach - Encinitas
Cecilia Trinidad

Pg. 127

Cactus and wildflowers at Anza-Borrego State Park
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Chula Vista Bayfront Park
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Pg. 190

California Yacht Marina – Chula Vista
Cecilia Trinidad

Pg. 194

Green Hills and Rail Fence at the Walker Reserve in Santee
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Statistical Section

Otay Ranch Sunrise
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Fiesta Island Mission Bay Park at Sunset
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Coronado Bridge sunrise panorama
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County of San Diego, California



County Administration Center
1600 Pacific Highway, San Diego CA 92101
www.sdcountry.ca.gov