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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 accounting principles generally accepted 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.

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 Districts (CSD) - The *CSDs* 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 *CSDs* are reported as *special revenue funds*.

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

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

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

San Diego County 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, other agencies, and grants. The *SD* is reported as an enterprise fund.

Sanitation District - Other (SD Other) - The *SD Other* was established to construct, operate and maintain reliable and sustainable sanitary sewer and potable water systems. Revenue sources include charges to property owners, other agencies, and grants. The *SD Other* 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 part of the *Tobacco Securitization Joint 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*.

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 part of the *Tobacco Securitization Joint 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 5530 Overland Avenue, Suite 410, San Diego, California 92123.

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 First 5 Commission, 9655 Granite Ridge Drive, Suite 120, San Diego, CA 92123.

Fiduciary Component Unit

The *San Diego County Employees Retirement Association* (*SDCERA)* is a cost-sharing, multiple-employer public retirement system organized under the 1937 Retirement Act. *SDCERA* is an independent governmental entity separate and distinct from the County of San Diego and provides retirement, disability, death, and health insurance allowance benefits for *SDCERA* members and beneficiaries. The County is a major participant in the *SDCERA* plans. The County appoints a majority of the *SDCERA* Retirement Board and is considered to have a financial burden as it is legally obligated to make contributions to the plans. The activity of *SDCERA* is reported within the following fiduciary funds - *SDCERA Pension Trust Fund* and *SDCERA Other Postemployment Benefits Trust Fund*.

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 reported using the economic resources measurement focus and the accrual basis of accounting, 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 District.

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 measurement focus 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 franchise fees; fines, forfeitures and penalties; use of money and property; aid from other governmental agencies; charges for current 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 California Department of Tax and Fee Administration 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 also reports the *Airport Fund* as a major Enterprise Fund. The Airport Fund is reported in a separate column in the fund financial statements using the economic resources measurement focus and the accrual basis of accounting. 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.

The County reports the following additional funds and fund types:

Enterprise Funds - these nonmajor funds account for 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* include the activities of the San Diego County Employees Retirement Association, a fiduciary component unit of the County; and funds which account for resources that are held by the County as a trustee or custodian for outside parties and cannot be used to support the County's programs.

San Diego County Employees Retirement Association Pension (and Other Postemployment Benefits) Trust Fund - This fund is used to account for financial activities of the Pension Plan and Other Postemployment Benefits Plan administered by San Diego County Employees Retirement Association.

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.

Custodial funds account for assets held by the County in a custodial capacity. The funds reported as custodial funds are not required to be reported in pension (and other employee benefit) trust funds, pooled investments - investment trust funds, or private purpose trust funds. Custodial funds account for the receipt, temporary investment, and remittance to individuals, private organizations, or other governments and also include property taxes collected on behalf of cities and other taxing agencies. The County's custodial funds use the economic resources measurement focus and accrual basis of accounting.

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, leases, and subscriptions 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’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. $9.430 million of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2023, the General Fund was assigned $8.736 million and the Other Governmental Funds were assigned $694 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 Pool are to be measured at amortized cost: Money market mutual funds, 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, leases, and loans. All property taxes and accounts receivable are shown net of an allowance for uncollectibles, as applicable. Property taxes allowance for uncollectibles for governmental funds, pooled investment - investment trust funds, and Custodial Funds - Property Tax Collection Funds were $14.069 million, $8.012 million, and $5.120 million, respectively; while the accounts receivable allowance for uncollectibles for governmental funds were $5.792 million. Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are disclosed in Note 8. 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 nonspendable fund balance in the General Fund; and as a restricted, committed or assigned fund balance 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 is a lessor of real property. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and enterprise fund financial statements for leases with an initial, individual value of $250 thousand or more.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the County determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The County uses its estimated incremental borrowing rate as the discount rate for leases, using the appropriate rate under the BVAL Municipal AAA curve.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a measurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Inventories and Prepaid Items

Inventories include consumable inventories 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/ expenses 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.

(Amounts expressed in thousands unless otherwise noted)

Capital Assets

Capital assets are of a long-term character and include: land, easements, construction in progress, buildings and improvements, equipment, software, right-to-use assets, subscription assets, 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		5-100
Infrastructure		25-50
Right-to-use assets		250
Subscription assets		150

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
Right-to-use assets	Lease Term
Subscription assets	Subscription Term

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 may 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. Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods.

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/OPEB related deferrals. Pension/OPEB 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/OPEB plan subsequent to the measurement date, differences between expected and actual experience in the total pension/OPEB liability and net difference between projected and actual earnings on pension/OPEB 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).

Subscription-Based Information Technology Arrangements

The County has entered into various subscription-based information technology arrangements (SBITAs). The County recognizes a subscription liability and a subscription asset in the government-wide financial statements, and in Enterprise Funds and Internal Service Funds, as applicable. The County recognizes subscription liabilities for SBITAs with an initial, individual value of $150 thousand or more.

At the commencement of a SBITA, the County initially measures the subscription liability at the present value of the subscription payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments made to the SBITA vendor at the commencement of the subscription term, plus capitalizable initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying information technology asset.

Key estimates and judgments related to SBITAs include how the County determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

Future subscription payments should be discounted using the interest rate the SBITA vendor charges the County, which may be the interest rate implicit in the SBITA. However, if the implicit rate is not readily determinable then the incremental borrowing rate may be used. Therefore, the County uses the Incremental Borrowing Rate as its discount rate.

The subscription term includes the period during which the County has a noncancellable right-to-use the underlying information technology assets. Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, payments for penalties for terminating the SBITA, and any other payment to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on assessments of all relevant factors.

The County monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Lease Obligations

The County is a lessee for both real and personal property. The County recognizes a lease liability and a right-to-use asset in the government-wide financial statements. The County recognizes lease liabilities for leases with an initial, individual value of $250 thousand or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the right-to-use asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

Future lease payments should be discounted using the interest rate the lessor charges the lessee, which may be the interest rate implicit in the lease. However, if the implicit rate is not readily determinable then the incremental borrowing rate may be used. Therefore, the County uses the Incremental Borrowing Rate as its discount rate.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the right-to-use asset and lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right-to-use assets are reported with other capital assets and lease liabilities are reported with long-term debt on the 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, contributions to the pension plan subsequent to the measurement date, and the net difference between projected and actual earnings on SDCERA-PP investments.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources 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.

OPEB

The County recognizes its proportionate share of the San Diego County Employees Retirement Association retiree health plan's (SDCERA-RHP) collective net other postemployment benefits liability (net OPEB liability). Essentially, the net OPEB liability represents the excess of the total OPEB liability over the fiduciary net position of the SDCERA-RHP reflected in the actuarial report provided by the SDCERA-RHP actuary. The net OPEB liability is measured as of the County's prior fiscal year-end. Changes in the net OPEB liability are recorded in the period incurred, as OPEB expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net OPEB 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 OPEB liability, contributions to the OPEB plan subsequent to the measurement date, and the net difference between projected and actual earnings on SDCERA-RHP investments.

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources, information about the fiduciary net position of the SDCERA-RHP and additions to/deductions from the SDCERA-RHP fiduciary net position have been determined on the same basis as they are reported by SDCERA. For this purpose, benefit payments 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 75% 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 note to the 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, and lease capital assets shown in the statement of net position. Capital assets cannot readily be sold and converted to cash.

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

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

Indirect Costs

County indirect costs are allocated to benefiting departments and are included in the program expense reported for individual functions and activities. Cost allocations are based on the annual *County-wide Cost Allocation Plan* which is prepared in accordance with Federal Office of Management and Budget (OMB) 2 CFR 200 Uniform Guidance.

Use of Estimates

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

(Amounts expressed in thousands unless otherwise noted)

NOTE 2

Reconciliation of Government-Wide and Fund Financial Statements

Balance Sheet/Statement of Net Position

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

Table 3

Governmental Funds Balance Sheet / Government-Wide Statement of Net Position Reconciliation

At June 30, 2023

Long-term liabilities, such as bonds, notes, loans payable, financed purchases, leases, subscriptions, claims and judgments, compensated absences, landfill postclosure, pollution remediation, net pension liability, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds. The details of this $6,725,568 difference are as follows:		
Bonds, notes and loans payable:		
Certificates of participation and lease revenue bonds	$	229,680
Taxable pension obligation bonds		277,990
Tobacco settlement asset-backed bonds		445,045
Loans - non-internal service funds		789
Unamortized issuance premiums (to be amortized as interest expense)		88,887
Financed purchases - non-internal service funds		11,158
Compensated absences - non-internal service funds		148,528
Leases - non-internal service funds		243,958
Subscriptions - non-internal service funds		15,544
Landfill postclosure - San Marcos landfill		22,045
Pollution remediation		1,355
Subtotal	$	1,484,979
Net pension liability - non-internal service funds		5,173,220
Net OPEB liability - non-internal service funds		67,369
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$	6,725,568
Internal Service Funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are included in governmental activities in the statement of net position. The details of this $46,072 difference are as follows:		
Net position of the internal service funds	$	47,119
Less: Internal payable representing charges in excess of cost to business-type activities - prior years		(554)
Less: Internal payable representing charges in excess of cost to business-type activities - current year		(493)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	46,072

(Amounts expressed in thousands unless otherwise noted)

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

Explanations of certain differences between the governmental funds 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, 2023

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 $105,218 difference are as follows:		
Capital outlay	$	329,993
Depreciation/amortization expense		(224,775)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	105,218
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 $(12,329) difference are as follows:		
The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	$	(1,306)
The loss on the disposal of capital assets does not affect current financial resources but decreases net position		(31,497)
Donations of assets to the County do not provide current financial resources but increase net position		20,474
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(12,329)
The issuance of long-term debt (e.g., bonds, notes, loans, financed purchases, leases and subscriptions) 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 $128,612 difference are as follows:		
Debt issued or incurred:		
Leases	$	(2,553)
Subscriptions		(12,330)
Principal payments		93,901
Financed purchase payments		2,441
Lease payments		42,561
Subscription payments		4,592
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	128,612
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 $(850,597) difference are as follows:		
Change in net pension liability, deferred inflows of resources and deferred outflows of resources	$	(826,027)
Change in net OPEB liability, deferred inflows of resources and deferred outflows of resources		(9,253)
Compensated absences		(13,812)
Accrued interest		1,671
Accretion of capital appreciation bonds		(7,850)
Amortization of premiums		6,630
Amortization of gain on refundings		39
Amortization of loss on refundings		(1,995)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(850,597)
Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this $(51,240) difference are as follows:		
Change in net position of the internal service funds	$	(50,747)
Less: Loss from charges to business activities		(493)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position - governmental activities	$	(51,240)

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) which monitors and reviews the Investment Policy. The TOC consists of three Ex-officio positions of the County, a Board of Supervisor's representative, and five members of the public, representing a City Official, a Special District Official, a School Official, and two members of the public having expertise in public finance per Government Code. The investment policy requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations, with the duty of the TOC to review the audit. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The 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 112, San Diego, California, 92101 and can also be accessed at http://www.sdttc.com.

Total pooled cash and investments totaled $15.254 billion consisting of: $15.205 billion investments in the County pool; $35.332 million in deposits; $13.434 million of collections in transit; and, $504 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 Deposit 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 thousand for demand deposits and up to a maximum of $250 thousand 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; or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name.

The Pool does not have a formal policy regarding sweep (deposit) accounts, but utilizes national or state chartered banks where amounts exceeding the FDIC insurance limit 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, 2023, 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 except 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. At year-end, the Pool maintained accounts in JP Morgan Bank and US Bank. The carrying amount of the Pool's deposits was $35.332 million, and the bank balance at June 30, 2023 was $29.785 million. 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, $500 thousand was covered by federal deposit insurance and $29.285 million was collateralized with securities held by a depository agent on behalf of the Pool, or held in trust at US Bank, 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), other than demand deposits of the San Diego County Employees Retirement Association, was $362.062 million and the bank balance per various financial institutions was $363.696 million. Of the total bank balance, $869 thousand was covered by federal deposit insurance; $362.334 million was collateralized by a named agent depository; and $493 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.

Permissible types of investments and financial instruments include: U.S. treasuries, U.S. Federal agencies, local agency obligations, banker's acceptances, repurchase and reverse repurchase agreements, collateralized certificates of deposit, commercial paper, corporate medium-term notes, negotiable certificates of deposit, pass-through mortgage securities, supranationals, and money market mutual funds.

Investments in the 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 (net asset value). 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 the net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

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

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

In conjunction with the discussion below concerning investment risks, please refer to **Tables 7** and **8,** respectively, which provide details on pooled investments and those held with fiscal agents at fiscal year-end. Additionally, **Table 10** provides a comparison of Pool policy restrictions with Government Code Section 53601 requirements.

(Amounts expressed in thousands unless otherwise noted)

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates.

To mitigate the effect of interest rate risk, the Pool maintains a laddered portfolio in compliance with the Investment Policy, which requires at least 15% of securities to mature within 90 days and at least 35% of securities to mature within one year. In addition, the Pool limits the maximum effective duration of the portfolio to two years. As of June 30, 2023, the Pool was in full compliance with all provisions of the Investment Policy and the California Government Code. Actual weighted average days to maturity by investment type is presented in **Table 7**.

California Government Code Section 53601 indicates that when there is no specific limitation on the term or remaining maturity at the time of the investment, then 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 Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the 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. Nonrated 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 market value of at least 102% of the amount of the repurchase agreement. The Pool did not have any repurchase agreements in its portfolio as of June 30, 2023.

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

Table 5
Fitch Investment Rating

	Investment Pool Rating at June 30, 2023	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. This occurs when there is a lack of diversification or having too much invested in a few individual issuers.

As disclosed in **Table 10**, the Treasury maintains investment policies that establish thresholds for holdings of individual securities. The Pool did not have any holdings meeting or exceeding the allowable threshold levels as of June 30, 2023.

The Pool's holdings of Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities 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 Agricultural Mortgage Corporation (FAMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), FNMA, FHLMC, or the Tennessee Valley Authority.

(Amounts expressed in thousands unless otherwise noted)

The following issuers exceeded the 5 percent threshold of the total fair value of the County Pool's investments as of June 30, 2023: FHLB (5.95%); Bank of Nova Scotia Houston (6.39%); Bank of Montreal Chicago (5.68%); Natixis NY Branch (5.52%) and, Toronto Dominion Bank (6.61%).

No general policies have been established for investments with fiscal agents, 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, 2023 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
State of Florida	$	14,156	6%
State of Georgia		32,402	13%
State of Maryland		27,636	11%
State of Minnesota		25,967	11%
State of Washington		25,197	10%
Ohio Water Development Authority		12,386	5%

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 investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name.

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 Pool are held by a third-party custodian, The Northern Trust Company, in their trust department to mitigate custodial credit risk.

(Amounts expressed in thousands unless otherwise noted)

Table 7
Pooled Investments
At June 30, 2023

		Fair Value	Book Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (in days)	NRSRO Rating	% of Portfolio
U.S. Government Agencies:								
Federal Agricultural Mortgage Corporation (FAMC)	$	221,033	225,000	3.77% - 5.13%	7/27 - 5/28	1573	AAA	1.45%
Federal Farm Credit Bank (FFCB)		730,860	771,746	0.20% - 3.88%	10/23 - 5/28	846	AAA	4.81%
Federal Home Loan Bank (FHLB)		905,701	984,931	0.38% - 3.64%	2/24 - 6/27	981	AAA	5.96%
Federal Home Loan Mortgage Corporation (FHLMC)		611,424	645,676	0.25% - 0.75%	8/23 - 12/25	445	AAA	4.02%
Federal National Mortgage Association (FNMA)		657,171	711,815	0.25% - 2.88%	9/23 - 12/25	688	AAA	4.32%
Tennessee Valley Authority (TVA)		24,597	24,807	3.88%	3/28	1720	AAA	0.16%
U.S. Treasury Notes		1,349,779	1,453,675	0.25% - 3.25%	7/23 - 6/27	785	AAA	8.88%
Pass-through Securities		815,820	836,383	0.27% - 5.39%	4/24 - 3/28	1300	AAA	5.37%
Supranationals		900,394	948,271	0.29% - 3.96%	9/23 - 6/27	568	AAA	5.92%
Commercial Paper		3,237,962	3,237,962	4.85% - 5.54%	7/23 - 1/24	117	F-1 to F-1+	21.30%
Local Agency Investment Fund		2	2	3.26%	N/A	0	NR	0.00%
Local Government Investment Pools		535,392	535,392	5.20%	N/A	0	AAAm	3.52%
Money Market Mutual Funds		79,500	79,500	5.00% - 5.02%	N/A	0	AAA	0.52%
Municipal Bonds		509,722	535,735	0.41% - 5.45%	8/23 - 5/28	780	AA- to AAA	3.35%
Negotiable Certificates of Deposit		4,226,976	4,231,000	3.94% - 6.00%	7/23 - 7/24	138	F-1+	27.80%
Medium-Term Notes		398,668	419,710	0.70% - 5.61%	4/24 - 11/25	560	AA- to AA	2.62%
Total investments	$	15,205,001	15,641,605			450		100%

(Amounts expressed in thousands unless otherwise noted)

Table 8
Investments with Fiscal Agents
At June 30, 2023

		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	$	2,126	5.00%	9/27	1538	A+	0.76%
Fixed income tax exempt bonds		11,299	5.00%	6/25 - 11/30	2290	AA	4.03%
Fixed income tax exempt bonds		7,032	5.00%	8/23 - 12/26	772	AA-	2.51%
Fixed income tax exempt bonds		41,517	1.85% - 5%	10/23 - 8/36	2433	AA+	14.82%
Fixed income tax exempt bonds		158,423	2% - 5%	6/24 - 8/35	2821	AAA	56.54%
Fixed income tax exempt bonds		2,313	5.00%	7/30	2558	NR	0.83%
Money market mutual funds		19,000	1.47%	7/23	5	AAAm	6.78%
Subtotal		241,710					
Restricted:							
Money market mutual funds		38,462	4.71% - 5%	7/23 - 8/23	8 - 34	AAAm	13.73%
Subtotal		38,462					
Total County investments with fiscal agents		280,172					100.00%
Private Purpose Trust Fund investments:							
Money market mutual funds		1,017	4.63% - 4.71%	7/23	8	AAAm	100.00%
Total Private Purpose Trust Fund investments		1,017					100.00%
Custodial Funds investments:							
Money market mutual funds		6,390	4.75%	7/23	22	AAAm	100.00%
Total Custodial Funds investments		6,390					100.00%
Total investments with fiscal agents	$	287,579					

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 for identical assets;
- 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 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 groups of assets.

Total pooled investments as of June 30, 2023, were valued at $15.205 billion. The fair value of pooled investments categorized according to GASB 72 fair value hierarchy totaled $14.590 billion, and are all classified as Level 2. Money market mutual funds totaling $79.5 million, are valued at net asset value - $1 per share (amortized cost) and local government investment pool funds, together with the local agency investment fund - totaling $535.4 million, are not subject to the fair value hierarchy.

Total investments with fiscal agents as of June 30, 2023, were valued at $287.6 million. The fair value of investments with fiscal agents according to the GASB 72 fair value hierarchy totaled $222.7 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. 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 Pool, and are measured at amortized cost: Money market mutual funds, $64.9 million.

(Amounts expressed in thousands unless otherwise noted)

Table 9 summarizes pooled investments' and investments with fiscal agents' recurring fair value measurements and the fair value hierarchy as of June 30, 2023.

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

	June 30, 2023	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				
Pass-Through Securities	$ 815,820		815,820	
Commercial Paper	3,237,962		3,237,962	
Negotiable Certificates of Deposit	4,226,976		4,226,976	
Municipal Bonds	509,722		509,722	
Medium-Term Notes	398,668		398,668	
Supranationals	900,394		900,394	
U.S. Government Agencies	3,150,786		3,150,786	
U.S. Treasury Notes	1,349,779		1,349,779	
Total pooled investments by fair value level	14,590,107		14,590,107	
Pooled investments not subject to the fair value hierarchy				
Money Market Mutual Funds	79,500			
Local Government Investment Pools	535,392			
Local Agency Investment Fund	2			
Total pooled investments	15,205,001			
Investments with fiscal agents by fair value level				
Fixed Income Tax Exempt Bonds	222,710		222,710	
Total investments with fiscal agents by fair value level			222,710	
Investments with fiscal agents not subject to the fair value hierarchy				
Money Market Mutual Funds	64,869			
Total investments with fiscal agents not subject to the fair value hierarchy	64,869			
Total investments with fiscal agents	$ 287,579			

(Amounts expressed in thousands unless otherwise noted)

Table 10
Investment Pool Policy Restrictions versus California Government (Gov) Code Section 53601 Requirements

	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
Investment Type	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
U.S. Treasury Obligations	5 years	5 years	None	None	None	None	None	None
Agency Obligations	5 years	5 years	None	None	None	35%	None	None
Local Agency and State Obligations (1)	5 years	5 years	None	30%	None	10%	None	A
Bankers' Acceptances	180 days	180 days	40%	40%	30%	5%	None	A-1
Commercial paper (2)(3)	270 days	270 days	40%	40%	10%	10%	A-1	A-1
Negotiable Certificates of Deposit (1)(3)	5 years	5 years	30%	30%	30%	10%	None	A
Repurchase Agreements (4)	1 year	1 year	None	40%	None	Note(4)	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	20%	20%	10%	None	None
Securities Lending	92 days	92 days	20%	20%	20%	10%	None	None
Medium-Term Notes (1)(3)	5 years	5 years	30%	30%	30%	10%	A	A
Collateralized Certificates of Deposit (5)	N/A	13 months	None	5%	None	5%	None	None
FDIC & NCUA Insured Deposit Accounts	N/A	13 months	None	5%	None	5%	None	None
Covered Call Option/Put Option	N/A	90 days	None	10%	None	None	None	None
Money Market Mutual Funds (6)	N/A	N/A	20%	20%	10%	10%	AAAm	AAAm
Local Government Investment Pools (LGIP)	N/A	N/A	None	5%	None	None	AAAm	AAAm
Local Agency Investment Fund (LAIF) (7)	N/A	N/A	None	5%	None	None	None	None
Pass-Through Securities	5 years	5 years	20%	20%	20%	10%	AA	AA
Supranationals (8)	5 years	5 years	30%	30%	30%	10%	AA	AA

(1) For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one Nationall Recognized Statistical Rating Organization (NRSRO). For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

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

(3) Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the fund value, inclusive of any other non-Commercial Paper, Medium-Term Notes, or Negotiable CD Investments.

(4) Maximum Exposure Per Broker/Dealer – The maximum exposure to a single Repurchase Agreement (RP) broker/dealer shall be 10% of the portfolio value when the dollar-weighted average maturity is greater than five days or 15% of the portfolio when the dollar-weighted maturity is five days or less.

(5) Institutions at or above the highest short-term rating category (without regard to qualifications of such rating symbol such as "+" or "-") by at least one NRSRO may pledge mortgage-based collateral for County deposits.

(6) Money Market Mutual Fund ratings must be in the highest rating category by at least two NRSROs.

(7) Local Agency Investment Fund (LAIF) is an unrated fund.

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

(Amounts expressed in thousands unless otherwise noted)

NOTE 4
Restricted Assets

Restricted assets include monies or other resources required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements. For fiscal year 2023 restricted assets were as follows:

Table 11
Restricted Assets

Fund	Legal or Contractual Requirements	Debt Covenants
General Fund	$ 229	
Nonmajor Governmental Funds:		
Harmony Grove Community Facilities District - Special Revenue Fund		2,447
Housing Authority - Other Special Revenue Fund	250	
Tobacco Securitization Joint Special Revenue Fund		35,900
Pension Obligation Bonds Debt Service Fund		32
San Diego Regional Building Authority Debt Service Fund		9
SANCAL Debt Service Fund		74
Capital Outlay Capital Projects Fund	830	

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 Government Agencies - Governmental activities - $19.266 million:

This amount includes: $12.469 million in Senate Bill (SB) 90 cost reimbursements due to the County for the provision of State mandated programs mostly for Absentee Ballots, Racial and Identity Profiling, and Sexually Violent Predators. 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; and, $6.797 million is the balance owed to the County from participating agencies that financed their portion of the shared infrastructure costs for the Regional Communications System (RCS) NextGen Project upgrade.

Loans - Governmental activities - $223.280 million:

This amount includes: $146.997 million in housing rehabilitation loan programs for low-income or special needs residents, and loans for low income housing down payments; $26.483 million in community development block grant loans; $13.786 million owed to the Housing Authority - Low and Moderate Income Housing Asset Fund for Affordable Housing Development and Single-Family Rehabilitation Loans; $26.961 million in interest receivable on housing long term loans; $3.417 million in low income housing developer loans; $4.069 million in COVID-19 Small Business Loan Receivable; $1.101 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 $363 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 $103 thousand.

Loans- Business-type activities- $2.933 million:

This amount includes $49 thousand 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 $2.884 million owed to the AEF from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to fund airport projects. In the Airport Enterprise Fund, this loan is presented as “Due From Other Funds”. See Note 8 to the financial statements, “Interfund Balances”.

(Amounts expressed in thousands unless otherwise noted)

Table 12
Receivables
Primary Government and Discretely Presented Component Unit
At June 30, 2023

		Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:									
General Fund	$	16,946	25,861	864,092	173,076	18,228	1,098,203		1,098,203
Public Safety Fund				67,090			67,090		67,090
Tobacco Endowment Fund			3,105				3,105		3,105
Other Governmental Funds		23,905	12,213	99,948	21,779	546	158,391	(5,792)	152,599
Internal Service Funds		8	3,338	1,166		14	4,526		4,526
Total governmental activities - fund level	$	40,859	44,517	1,032,296	194,855	18,788	1,331,315	(5,792)	1,325,523
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund					1,464		1,464		1,464
Add: interest receivable on housing long-term loans					26,961		26,961		26,961
Less: Due from Component Unit						(176)	(176)		(176)
Total governmental activities - Statement of Net Position	$	40,859	44,517	1,032,296	223,280	18,612	1,359,564	(5,792)	1,353,772
Business-type activities:									
Airport Fund		1,779	248	1,093	49		3,169		3,169
Other Enterprise Funds		958	747	1,030			2,735		2,735
Total Enterprise Funds	$	2,737	995	2,123	49		5,904		5,904
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund					2,884		2,884		2,884
Total business-type activities - Statement of Net Position	$	2,737	995	2,123	2,933		8,788		8,788
Component Unit:									
First 5 Commission of San Diego	$	238	367	2,962		241	3,808		3,808

(Amounts expressed in thousands unless otherwise noted)

NOTE 6

County Property on Lease to Others

As of June 30, 2023, the County's lease receivables totaled $239.7 million - consisting of $234.3 million in land and $5.4 million in buildings. The details are shown in the table below:

Table 13
County Property on Lease to Others

	Land Lease	Building Lease	Building Sublease	Total Building Lease	Total Land and Building	Original Lease Terms (In Years)	Remaining Lease Terms (In Years)	Interest Rate(s)
Governmental Activities	$ 11,994				11,994	54 to 83	24 to 41	1.57%
Governmental Activities		3,076		3,076	3,076	4 to 19	1 to 9	0.35% to 3.04%
Governmental Activities			1,292	1,292	1,292	4 to 14	1 to 7	0.99% to 2.22%
Subtotal	11,994			4,368	16,362			
Business-Type Activities	222,269				222,269	14 to 54	3 to 48	1.24% to 1.57%
Business-Type Activities		1,056		1,056	1,056	4 to 44	1 to 17	0.51% to 1.57%
Subtotal	222,269			1,056	223,325			
Total	$ 234,263			5,424	239,687			

Interest rates on all leases are calculated using the appropriate rate under the Bloomberg Valuation Service (BVAL) Municipal AAA curve. During fiscal year 2023, the County recognized $11.1 million in lease revenue, $3.7 million in interest revenue, and variable payments of $1.2 million.

The annual future lease payments expected to be received are presented in **Table 14**.

Table 14
Leases to Maturity

Fiscal Year	Principal	Interest	Total
Governmental Activities:			
2024	$ 1,839	225	2,064
2025	1,436	206	1,642
2026	890	191	1,081
2027	525	183	708
2028	508	177	685
2029-2033	2,028	788	2,816
2034-2038	1,605	659	2,264
2039-2043	1,736	528	2,264
2044-2048	1,878	386	2,264
2049-2053	1,850	238	2,088
2054-2058	1,726	89	1,815
2059-2063	306	14	320
2064-2068	35	1	36
Total	16,362	3,685	20,047
Business-Type Activities:			
2024	7,359	3,353	10,712
2025	7,272	3,242	10,514
2026	7,383	3,139	10,522
2027	7,422	3,034	10,456
2028	7,520	2,935	10,455
2029-2033	36,874	13,012	49,886
2034-2038	35,465	10,316	45,781
2039-2043	31,528	7,703	39,231
2044-2048	23,439	5,481	28,920
2049-2053	18,787	3,913	22,700
2054-2058	14,450	2,581	17,031
2059-2063	14,227	1,475	15,702
2064-2068	9,858	432	10,290
2069-2073	1,741	53	1,794
Total	223,325	60,669	283,994
Grand Total	$ 239,687	64,354	304,041

(Amounts expressed in thousands unless otherwise noted)

NOTE 7
Capital Assets
Changes in Capital Assets

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

Table 15
Capital Assets - Governmental Activities

		Beginning Balance at July 1, 2022	Increases	Decreases	Ending Balance at June 30, 2023
Capital assets, not being depreciated/amortized:					
Land	$	538,347	10,654	(224)	548,777
Easements		9,833			9,833
Construction in progress		406,981	220,804	(241,804)	385,981
Total capital assets, not being depreciated/amortized		955,161	231,458	(242,028)	944,591
Capital assets, being depreciated/amortized:					
Buildings and improvements		2,382,177	232,944	(54,828)	2,560,293
Equipment		425,110	43,561	(20,732)	447,939
Software		183,306	4,294	(3,328)	184,272
Road infrastructure		2,959,634	80,129		3,039,763
Bridge infrastructure		93,198	4,430		97,628
Right-to-use Assets:					
Right-to-use land (2)		56,011		(86)	55,925
Right-to-use buildings and improvements (2)		241,095	30,620	(1,598)	270,117
Right-to-use equipment (2)		2,344	194		2,538
Subscription Assets (1)		7,806	12,330		20,136
Total capital assets, being depreciated/amortized		6,350,681	408,502	(80,572)	6,678,611
Less accumulated depreciation/amortization for:					
Buildings and improvements		(774,379)	(65,936)	24,944	(815,371)
Equipment		(254,500)	(32,706)	19,032	(268,174)
Software		(120,586)	(18,890)	3,325	(136,151)
Road infrastructure		(1,844,691)	(74,723)		(1,919,414)
Bridge infrastructure		(32,652)	(1,823)		(34,475)
Right-to-use Assets:					
Right-to-use land		(1,376)	(1,338)		(2,714)
Right-to-use buildings and improvements		(44,531)	(45,580)	1,456	(88,655)
Right-to-use equipment		(540)	(681)		(1,221)
Subscription Assets			(3,869)		(3,869)
Total accumulated depreciation/amortization		(3,073,255)	(245,546)	48,757	(3,270,044)
Total capital assets, being depreciated/amortized, net		3,277,426	162,956	(31,815)	3,408,567
Governmental activities capital assets, net	$	4,232,587	394,414	(273,843)	4,353,158

(1) Beginning balance restated to reflect implementation of GASB 96, *Subscription-Based Information Technology Arrangements*.
(2) These rows include lease modifications to right-to-use land (decrease), right-to use buildings and improvements (increase), and right-to-use equipment (increase).

(Amounts expressed in thousands unless otherwise noted)

Table 16
Capital Assets - Business-type Activities

		Beginning Balance at July 1,2022	Increases	Decreases	Ending Balance at June 30, 2023
Capital assets, not being depreciated/amortized:					
Land	$	13,625	151		13,776
Construction in progress		6,304	4,927	(3,337)	7,894
Total capital assets, not being depreciated/amortized		19,929	5,078	(3,337)	21,670
Capital assets, being depreciated/amortized:					
Buildings and improvements		153,998	5		154,003
Equipment		7,069	35	(43)	7,061
Software		297			297
Road infrastructure		25,245	2		25,247
Sewer infrastructure		112,515	3,337		115,852
Right-to-Use Assets:					
Subscription assets (1)		342			342
Total capital assets, being depreciated/amortized:		299,466	3,379	(43)	302,802
Less accumulated depreciation/amortization for:					
Buildings and improvements		(66,817)	(3,236)		(70,053)
Equipment		(2,780)	(515)	43	(3,252)
Software		(217)	(39)		(256)
Road infrastructure		(4,663)	(638)		(5,301)
Sewer infrastructure		(57,039)	(2,179)		(59,218)
Right-to-Use Assets					
Subscription assets			(70)		(70)
Total accumulated depreciation/amortization		(131,516)	(6,677)	43	(138,150)
Total capital assets, being depreciated/amortized, net		167,950	(3,298)	0	164,652
Business-type activities capital assets, net	$	187,879	1,780	(3,337)	186,322

(1)Beginning balance restated to reflect implementation of GASB 96, *Subscription-Based Information Technology Arrangements.*

Depreciation/Amortization

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

Table 17
Depreciation Expense - Governmental Activities

General government	$	16,492
Public protection		51,940
Public ways and facilities		76,082
Health and sanitation		9,798
Public assistance		4,115
Education		3,220
Recreation and cultural		11,660
Internal Service Funds		20,771
Total	$	194,078

Table 18
Amortization Expense - Governmental Activities

General Government	$	564
Public protection		15,203
Public ways and facilities		115
Health and sanitation		6,488
Public assistance		28,499
Education		599
Total	$	51,468

Table 19
Depreciation Expense - Business-type Activities

Airport Fund	$	3,701
San Diego County Sanitation District Fund		2,842
Sanitation District - Other Fund		64
Total	$	6,607

Table 20
Amortization Expense - Business-type Activities

Sanitation District - Other Fund	$	70
Total	$	70

(Amounts expressed in thousands unless otherwise noted)

Capital and Other Commitments

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year or years. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned are included within committed or assigned fund balance, as appropriate. At June 30, 2023, the County General Fund's outstanding encumbrances totaled $927.893 million; the Public Safety Fund's outstanding encumbrances totaled $42.692 million; and, Nonmajor governmental funds' outstanding encumbrances totaled $151.102 million.

At June 30, 2023, major contracts entered into for structures and improvements and other commitments within governmental activities and business-type activities are noted in **Table 21**.

Table 21
Capital Commitments
At June 30, 2023

	Remaining Commitments
Governmental Activities	
General Fund:	
Renovation of George Bailey Detention Facility	$ 31,210
Construction of Youth Transition Campus	21,262
Construction of Tri-City Healthcare District Psychiatric Facility	16,334
Major Systems Renovation of Hall of Justice	16,275
Renovation of County Administration Center	13,387
Development of Integrated Property Tax System	12,303
Land Acquisition and Construction of Ramona Intergenerational Community Campus HHSA Family Resource Live Well Center	9,710
Construction of County Public Health Laboratory	6,339
Construction of East Otay Mesa Fire Station #38	5,244
Construction of Southeast San Diego Live Well Center	5,004
Replacement of East Mesa Juvenile Detention Facility Generator	4,657
Critical Systems Upgrade at Town Centre Manor	4,454
Construction of San Diego County Animal Shelter	4,340
Construction of Julian Library Community Room	3,767
Expansion of Sweetwater Summit Regional Park Campground	3,765
Development of Waterfront Park Active Recreation	2,518
Procurement of Two Live Well Mobile Office Vehicles	2,003
Construction of Lakeside Equestrian Facility	1,458
Development of Four Gee Park	1,396
Construction of Edgemoor Psychiatric Unit	1,299
Major Maintenance Improvements to San Diego Central Jail Security and Emergency Power Equipment	1,199
Subtotal	167,924
Nonmajor Governmental Funds:	
Improvement of County Roads and Bridges	31,526
Subtotal	31,526
Internal Service Funds:	
Vehicle Acquisitions	27,987
Subtotal	27,987
Governmental Activities Subtotal	227,437
Business-type Activities	
Other Enterprise Funds:	
Improvements to Live Oak Springs Water System	1,061
Business-Type Activities Subtotal	1,061
Total	$ 228,498

(Amounts expressed in thousands unless otherwise noted)

NOTE 8
Interfund Balances

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

Table 22
Interfund Balances
At June 30, 2023

DUE FROM		DUE TO: General Fund	Public Safety	Tobacco Endowment	Other Governmental	Airport Fund	Other Enterprise	Internal Service	Private Purpose Trust Fund	Total
General Fund			21,051	5,069	30,801	83	267	8,942	1,101	67,314
Public Safety	$	4,752								4,752
Other Governmental		28,421			2,977	85	114	18	363	31,978
Airport Fund								3	2,884	2,887
Other Enterprise Funds		39					305			344
Internal Service		35,653			2,552	109	153	1,397		39,864
Total	$	68,865	21,051	5,069	36,330	277	839	10,360	4,348	147,139

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

a) $1.101 million is due to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund (Upper San Diego River Project) as a result of a loan to provide funding for Project improvements.

b) $2.884 million is due from the County of San Diego Successor Agency Private Purpose Trust Fund to the Airport Enterprise Fund as a result of a loan to fund airport projects.

c) $363 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 as 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 34 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 $1.101 million Upper San Diego River Project loan and the “Due from other funds” for the County Low and Moderate Income Housing Asset fund's $363 thousand are included in the governmental activities' “Receivables, net”. The “Due from other funds” for the $2.884 million Airport Enterprise Fund's airport projects loan, is included in the business-type activities' “Receivables, net”. See Note 5 to the financial statements, “Receivables.”

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

(Amounts expressed in thousands unless otherwise noted)

NOTE 9
Interfund Transfers

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

Table 23
Transfers In/Transfers Out
At June 30, 2023

TRANSFERS IN	TRANSFERS OUT: General Fund	Public Safety	Tobacco Endowment	Other Governmental	Airport Fund	Other Enterprise	Internal Service	Total
General Fund		366,186	15,113	15,139		661		397,099
Other Governmental	$ 251,440	3,180		7,597	131	2,154	2,137	266,639
Airport Fund				50				50
Other Enterprise	2,709							2,709
Internal Service	13,012			790				13,802
Total	$ 267,161	369,366	15,113	23,576	131	2,815	2,137	680,299

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

Payables at fiscal year-end are shown below:

Table 24
Payables
At June 30, 2023

	Vendors	Aid to Other Individuals	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:					
General Fund	$ 231,238	5,496	15,610	18,671	271,015
Other Governmental Funds	47,601	56	987	4,695	53,339
Internal Service Funds	81,444	41	136	2,231	83,852
Total governmental activities	360,283	5,593	16,733	25,597	408,206
Business-type activities:					
Airport Fund	1,065		6	79	1,150
Other Enterprise Funds	692	2		148	842
Total Business-Type activities	1,757	2	6	227	1,992
Component Unit:					
First 5 Commission of San Diego	9,715				9,715

(Amounts expressed in thousands unless otherwise noted)

NOTE 11
Deferred Inflows of Resources: Unavailable Revenue

Table 25
Deferred Inflows of Resources - Non-pension
At June 30, 2023

Unavailable Revenue		General Fund	Other Governmental Funds	Total
Property and miscellaneous local taxes	$	63,790	1,188	64,978
Aid from other governmental agencies		201,504	79,948	281,452
Charges for services		177	-	177
Other		12,278	38,064	50,342
Total	$	277,749	119,200	396,949

A large portion of the Unavailable Revenue – aid from other governmental agencies consists primarily of $182 million in Federal Emergency Management Act funds; $79.9 million of TransNet one-half cent sales tax to be used for projects in the Road Fund, and $12.5 million of California Senate Bill 90 (SB 90) funds. In 1972, SB90 established a requirement that the State reimburse local government agencies for the costs of the new programs or increased levels of service on programs mandated by the State. Additionally, there are $3.4 million in Drug Medi-Cal administrative activities receivables, and $2.9 million in Medi-Cal administrative activities for public health services. The remaining $800 thousand represents various other unavailable aid from other governmental agencies.

Of the $50 million of Unavailable Revenue – other, approximately $15.9 million are tobacco settlement receivables, $20.5 million are low and moderate income housing assistance receivables, $9.1 million is for the Sheriff Regional Communication System upgrade project, approximately $1.5 million is for interest receivable and the remaining $3 million represents housing and community development activities.

NOTE 12
Lease Obligations

As of June 30, 2023, the County's lease obligations totaled $244 million - consisting of $243 million in Real Property, ($54 million in land, and $189 million in buildings), and Personal Property - Equipment of $1 million. The details of these leases are shown below.

Real Property

The land leases had original lease terms ranging from 14 years to 99 years, with remaining lease terms ranging from 3 years to 64 years; with interest rates ranging from 1.24% to 1.57%. The building leases had original lease terms ranging from one year to 49 years, with remaining lease terms ranging from 1 month to 27 years; with interest rates ranging from 0.51% to 2.66%. Interest rates on all leases are calculated using the appropriate rate under the Bloomberg Valuation Service (BVAL) Municipal AAA curve.

The annual future lease payments are presented below.

Table 26
Real Property Leases
Requirements To Maturity

Fiscal Year		Principal	Interest	Total
2024	$	40,991	2,648	43,639
2025		34,702	2,669	37,371
2026		27,983	2,180	30,163
2027		19,702	1,912	21,614
2028		13,224	1,692	14,916
2029-2033		41,198	6,248	47,446
2034-2038		19,229	3,990	23,219
2039-2043		3,837	3,435	7,272
2044-2048		4,021	3,123	7,144
2049-2053		3,741	2,820	6,561
2054-2058		4,023	2,516	6,539
2059-2063		4,351	2,187	6,538
2064-2068		4,706	1,833	6,539
2069-2073		5,091	1,448	6,539
2074-2078		5,507	1,032	6,539
2079-2083		5,956	582	6,538
2084-2087		4,348	121	4,469
Total	$	242,610	40,436	283,046

Personal Property

The equipment leases had original lease terms ranging from 4 years to 5 years, with remaining lease terms ranging from 1 years to 3 years; with interest rates ranging from 0.39% to 0.55%. Interest rates on all leases are calculated using the appropriate rate under the BVAL Municipal AAA curve.

(Amounts expressed in thousands unless otherwise noted)

The annual future lease payments are presented below.

Table 27
Personal Property Leases
Requirements To Maturity

Fiscal Year		Principal	Interest	Total
2024	$	594	6	600
2025		376	4	380
2026		378	2	380
Total	$	1,348	12	1,360

NOTE 13
Subscription Obligations

As of June 30, 2023, the County's subscription-based information technology arrangements totaled $15.810 million - consisting of $15.544 million governmental subscriptions and $266 thousand business-type subscriptions. The details of these subscriptions are shown below.

The governmental subscription-based information technology arrangements had original terms ranging from 2 years to 11.5 years, with remaining lease terms ranging from 7 months to 7 years; with interest rates ranging from 0.39% to 3.13%. Interest rates on all subscriptions are calculated using the appropriate rate under the Bloomberg Valuation Service (BVAL) Municipal AAA curve.

The annual future subscription payments are presented below.

Table 28
Subscriptions - Governmental Activities
Debt Service Requiremets To Maturity

Fiscal Year		Principal	Interest	Total
2024	$	4,794	416	5,210
2025		3,598	289	3,887
2026		3,287	188	3,475
2027		3,006	94	3,100
2028		314	22	336
2029-2030		545	21	566
Total	$	15,544	1,030	16,574

The business-type subscription-based information technology arrangement had an original term of 5 years, with remaining lease term of 3 years; with an interest rate of 2.03%. Interest rates on all subscriptions are calculated using the appropriate rate under the Bloomberg Valuation Service (BVAL) Municipal AAA curve.

The annual future subscription payments are presented below.

Table 29
Subscriptions - Business-type Activities
Debt Service Requirements to Maturity

Fiscal Year		Principal	Interest	Total
2024	$	82	6	88
2025		89	4	93
2026		95	2	97
Total	$	266	12	278

NOTE 14
Long-Term Debt
Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs)

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) provide funds for the acquisition and construction of major capital facilities and equipment. The repayment of these COPs and LRBs is secured by a lease structure where the borrowing entity, such as the County, leases certain properties to another entity, a lessor, which in turn leases the properties back to the County. 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 lease premises are typically facilities or equipment purchased with proceeds of the COPs or LRBs. The base rental payments are made primarily from the County General Fund to the SANCAL or SDRBA. Under lease terms, the County is 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.

(Amounts expressed in thousands unless otherwise noted)

Upon the occurrence of an event of default (as described in the COP and LRB financing documents), the Facility Lease provides that SANCAL, SDRBA, or its assignees must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Lease Property regardless of whether or not the County has abandoned the Lease Property. There is no available remedy of acceleration of the Lease Payments due over the term of the Lease Agreement. The lessors may not declare any Lease Payments not then in default to be immediately due and payable.

Details of the COPs and LRBs outstanding at June 30, 2023 are as follows:

Table 30
Certificates of Participation (COP) and Lease Revenue Bonds (LRB)

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
2014 Edgemoor and RCS Refunding COP Series 2014A (Edgemoor)	$ 91,675	2.00 - 5.00%	2030	50,540
2016 County Operations Center Refunding LRB	105,330	3.00 - 5.00%	2036	79,845
2019 Justice Facilities Refunding of 1997 Central Jail COP	15,635	5.00%	2026	7,785
2020A Waterfront Park Refunding COP (Tax-Exempt)	21,910	2.00 - 5.00%	2042	20,585
2020B Cedar and Kettner Refunding COP (Taxable)	23,815	0.45% - 3.125%	2042	21,865
2021 Youth Transition Campus COP	49,060	5.00%	2052	49,060
Total	$ 307,425			229,680

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

Table 31
Certificates of Participation and Lease Revenue Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2024	$ 15,990	10,023	26,013
2025	16,765	9,237	26,002
2026	16,300	8,459	24,759
2027	15,115	7,728	22,843
2028	15,845	6,983	22,828
2029-2033	64,020	24,638	88,658
2034-2038	42,435	12,631	55,066
2039-2043	19,980	7,384	27,364
2044-2048	11,610	4,269	15,879
2049-2052	11,620	1,053	12,673
Subtotal	229,680	92,405	322,085
Add:			
Unamortized issuance premium	38,049		
Total	$ 267,729		

Taxable Pension Obligation Bonds (POBs)

Taxable Pension Obligation Bonds (POBs) were 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.

The obligation of the County to make payments with respect to the POBs is an absolute and unconditional obligation of the County imposed by law, enforceable pursuant to the County Employees Retirement Law of 1937, as amended. Upon the occurrence of an event of default (as described in the financing documents) the principal and accreted value of the bonds then outstanding and the interest accrued thereon will become due and payable immediately.

(Amounts expressed in thousands unless otherwise noted)

Details of POBs outstanding at June 30, 2023 are as follows:

Table 32
Taxable Pension Obligation Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
2004 Series B1-2	$ 147,825	5.91%	2025	109,000
2008 Series A	343,515	3.33 - 6.03%	2027	168,990
Total	$ 491,340			277,990

Annual debt service requirements to maturity for POBs are shown below.

Table 33
Taxable Pension Obligation Bonds -
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2024	$ 66,765	13,163	79,928
2025	70,855	8,988	79,843
2026	75,220	4,495	79,715
2027	65,150	491	65,641
Total	$ 277,990	27,137	305,127

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 end date 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 were 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.

In November 2019 the Authority issued Tobacco Settlement Asset-Backed Refunding Bonds, Series 2019 Senior Bonds, in the amount of $405.964 million to refund all of the Series 2006 Bonds that were Senior Bonds, and partially cancel a portion of the Series 2006 Bonds that were Third Subordinate Bonds.

Upon the occurrence of an event of default (as described in the Tobacco Securitization Authority Indenture), bond payments shall be applied in full to each order of bonds until bonds are no longer outstanding in the following manner: (1) Class 1 Senior Bonds: First, the accrued unpaid interest on the Class 1 Senior Bonds (Senior Bonds), and Second, the Bond Obligation (principal and accreted value) on all outstanding Class 1 Senior Bonds; (2) Class 2 Senior Bonds: First, the accrued and unpaid interest on the Class 2 Senior Bonds and, then Second, the Bond Obligation on all Class 2 Senior Bonds; (3) Series 2006B CABs (Series 2006 First Subordinate Bonds) principal and interest or accreted value; (4) Series 2006C CABs (Series 2006 Second Subordinate Bonds) principal and interest or accreted value; (5) Series 2006D CABs (Series 2006 Third Subordinate Bonds) principal and interest or accreted value; and (6) Additional Subordinate Bonds, (if authorized and issued), principal and interest or accreted value. The value of any Capital Appreciation Bonds (CABs) that are Series 2019B-2 Senior Bonds, Series 2006 First Subordinate Bonds, Series 2006 Second Subordinate Bonds or Series 2006 Third Subordinate Bonds shall continue to accrete at the default rate (including accretion on any unpaid accreted value), to the extent legally permissible.

(Amounts expressed in thousands unless otherwise noted)

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

The minimum payments for the Bonds are based on the 2006 Indenture and the Series 2006 Supplement, both dated as of May 1, 2006 and amended and restated as of November 1, 2019, and the 2019 Indenture and Series 2019 Supplement, dated November 1, 2019. However, actual payments on the Bonds depend on the amount of TSRs received by the County. The amount of these TSRs is affected by cigarette consumption, inflation, 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 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 Bond payments and Turbo Redemptions are based, will be realized.

Details of the Bonds outstanding at June 30, 2023 are as follows:

Table 34
Tobacco Settlement Asset-Backed Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
Series 2006B CABs	$ 19,770	6.25%	2046	231,820
2006B unaccreted appreciation CABs				(175,237)
Series 2006C CABs	8,686	6.40%	2046	107,950
2006C unaccreted appreciation CABs				(82,465)
Series 2006D CABs	3,126	7.10%	2046	50,940
2006D unaccreted appreciation CABs				(40,642)
2019A (Class 1) Senior Current Interest Bonds	252,345	5.00%	2048	223,525
2019B-1 (Class 2) Senior Current Interest Bonds	109,000	5.00%	2048	87,980
2019B-2 (Class 2) Senior Capital Appreciation Bonds	33,619	5.625%	2054	228,795
2019B-2 (Class 2) Senior unaccreted appreciation CABs				(187,621)
Total	$ 426,546			445,045

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity are as follows:

As shown in **Table 35**, the unpaid accreted appreciation of the Bonds as of June 30, 2023 was $68,340 which will continue to accrue and will be paid upon redemption.

Table 35
Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2024	$ 7,395	8,342	15,544	31,281
2025	7,630	8,865	15,174	31,669
2026	8,015	9,420	14,791	32,226
2027	8,355	10,013	14,388	32,756
2028	8,510	10,642	13,970	33,122
2029-2033	42,980	64,123	63,386	170,489
2034-2038	48,330	86,995	52,379	187,704
2039-2043	47,310	118,076	39,913	205,299
2044-2048	164,561	105,481	28,191	298,233
2049-2053	-	52,675		52,675
2054	33,619	11,333		44,952
Subtotal	376,705	485,965	257,736	1,120,406
Add:				
Accreted appreciation through June 30, 2023	68,340			
Subtotal	445,045			
Add:				
Unamortized Issuance Premium	50,838			
Total	$ 495,883			

Pledged revenue related to the Bonds for the year ended June 30, 2023 was as follows:

Table 36
Tobacco Settlement Asset-Backed Bonds - Pledged Revenues

			Fiscal Year 2023	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 & 2019 Tobacco Settlement Asset-Backed Bonds	2054	$ 1,188,746	$ 31,420	$ 31,953

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 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); 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 SDG&E 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 SDG&E meter. The County received its first OBF loan in 2013. As of June 30, 2023, seven OBF loans were outstanding, with remaining balances totaling $365 thousand.

Upon the occurrence of an event of default on any of the aforementioned loans (as described in the Promissory Note or Loan Agreement), the whole sum of principal and interest shall become immediately due and payable. Furthermore, for the OBF loans, failure to repay the loan balance could result in shut-off of utility energy service, adverse credit reporting, and collection procedures which may include legal action.

(Amounts expressed in thousands unless otherwise noted)

Details of loans outstanding at June 30, 2023 for governmental activities are as follows:

Table 37
Loans - Governmental Activities

Issuance		Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
Loans - non internal service funds (ISF)					
Firebird Manor	$	4,486	1.00%	2028	769
Sheriff RCS Land Purchase		68	6.78%	2026	20
Total loans - non-ISF		4,554			789
Loans - ISF					
San Diego Gas and Electric On Bill Financing (Facilities ISF)		3,732	0.00%	2029	365
Total loans - ISF		3,732			365
Total	$	8,286			1,154

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

Table 38
Loans - Governmental Activities
Debt Service Requirements to Maturity

Fiscal Year		Principal	Interest	Total
2024	$	260	9	269
2025		250	7	257
2026		226	5	231
2027		210	3	213
2028		179	1	180
2029		29		29
Total	$	1,154	25	1,179

Financed Purchases

On June 30, 2016, the County entered into a $23 million equipment financed purchase agreement with Motorola Solutions Inc., with a first payment due date of July 15, 2017. This equipment is classified as construction in progress in the Government-wide Statement of Net Position and the financed purchase obligation is reflected as a liability in that statement. The term of the financed purchase is 10 years, with an interest rate of 2.79%, maturing in July 2026. Upon the occurrence of an event of default (as described in the equipment financed purchase agreement) Motorola Solutions, Inc. may exercise any one or more of the following remedies: (i) all amounts then due under the financed purchase shall become immediately due and payable; (ii) the equipment shall be returned to Motorola Solutions; (iii) the equipment may be sold, leased or subleased, holding the County liable for all financed purchase payments and other amounts due prior to the effective date of such selling, leasing or subleasing and for the difference between the purchase price, rental and other amounts; and (iv) exercise any other right, remedy or privilege which may be available under the applicable laws of the state of the equipment location. Furthermore, the financed purchase may be terminated in the event the funds appropriated by the County's governing body (or otherwise available) are insufficient. In the event of such termination, the County agrees to peaceably surrender possession of the equipment to Motorola Solutions.

In fiscal year 2022, the County assumed a $1.33 million financed purchase agreement with Municipal Finance Corporation for the Julian-Cuyamaca Fire Station. This building is classified as a capital asset in the Government-wide Statement of Net Position and the financed purchase obligation is reflected as a liability in that statement. The term of the financed purchase is 14 years, with an interest rate of 3.85%, maturing in July 2035. Upon the occurrence of an event of default (as described in the financed purchase agreement) Municipal Finance Corporation may exercise any and all remedies available pursuant to law or granted pursuant to the financed purchase agreement and, without terminating the agreement, may collect each installment of rent as it becomes due and enforce any other term or provision to be kept or performed by the County, regardless of whether or not the County has abandoned the leased property.

(Amounts expressed in thousands unless otherwise noted)

Table 39
Financed Purchases - Governmental Activities

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
Julian-Cuyamaca Fire Station	$ 1,331	3.85%	2036	$ 1,181
Sheriff NEXTGEN RCS	23,000	2.79%	2027	9,977
Total	$ 24,331			$ 11,158

Table 40
Financed Purchases - Governmental Activities
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2024	$ 2,431	301	2,732
2025	2,540	255	2,795
2026	2,611	183	2,794
2027	2,685	109	2,794
2028	90	34	124
2029-2033	508	112	620
2034-2036	293	17	310
Subtotal	11,158	1,011	12,169
Total	$ 11,158		

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, 2023, the probable arbitrage rebate was zero.

(Amounts expressed in thousands unless otherwise noted)

NOTE 15
Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2023 were as follows:

Table 41
Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2022	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2023	Amounts Due Within One Year
Governmental Activities:						
COPs, bonds and loans						
Certificates of participation and lease revenue bonds	245,340		(15,660)		229,680	15,990
Taxable pension obligation bonds	340,825		(62,835)		277,990	66,765
Tobacco settlement asset-backed bonds	452,285		(15,090)	7,850	445,045	7,395
Loans - non-internal service funds (ISF)	1,105		(316)		789	163
Loans - internal service funds	595		(230)		365	97
Unamortized issuance premiums	95,517		(6,630)		88,887	6,603
Total COPs, bonds and loans	$ 1,135,667		(100,761)	7,850	1,042,756	97,013
Other long-term liabilities:						
Financed Purchases	13,599		(2,441)		11,158	2,431
Claims and judgments - ISF	301,357	124,463	(84,718)		341,102	68,240
Compensated absences - non-ISF	134,717	102,927	(89,115)		148,529	56,099
Compensated absences - ISF	3,656	2,680	(1,981)		4,355	1,590
Landfill postclosure	20,603	1,442			22,045	735
Leases - non-ISF (2)	256,124	30,480	(42,646)		243,958	41,585
Pollution remediation	1,520	147	(312)		1,355	45
Subscriptions - non-ISF (1)	7,806	12,330	(4,592)		15,544	4,794
Total Other long-term liabilities	$ 739,382	274,469	(225,805)		788,046	175,519
Total Governmental Activities	$ 1,875,049	274,469	(326,566)	7,850	1,830,802	272,532
Business-type activities:						
Compensated absences	472	403	(334)		541	197
Subscriptions (1)	342		(76)		266	82
Total Business-type Activities	$ 814	403	(410)		807	279

(1) Beginning balances restated to reflect implementation of GASB 96, *Subscription-Based Information Technology Arrangements*.

(2) Includes lease modifications to the following lease types: land (reduction); buildings and improvements (addition); and, equipment (addition).

(Amounts expressed in thousands unless otherwise noted)

NOTE 16
Funds Used to Liquidate Liabilities

The following funds presented in **Table 42** below have typically been used to liquidate other long-term obligations in prior years:

Table 42
Liquidated Liabilities

Liability	Fund(s) Used to Liquidate in Prior Years
Claims and Judgments	Internal Service Funds - Employee Benefits and Public Liability Insurance
Compensated Absences	General Fund; Special Revenue Funds - Road, 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 - Other
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, 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 - Other
Net Other Postemployment Benefits Liability	General Fund; Special Revenue Funds - Road, 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 - Other

NOTE 17
Landfill Site Postclosure Care Costs

State laws and regulations require the placement of final cover 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, 2023 for the San Marcos Landfill was $22.045 million. This estimated amount is based on what it would cost to perform all postclosure maintenance over a 30 year period in calendar year 2023 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 $3.123 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 $3.342 million in fiscal year 2023). This pledged revenue will remain in the Inactive Wastesites Special Revenue Fund as a contingency until such time that corrective action costs are incurred.

Regulations governing solid waste management are promulgated by government agencies at 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, 2023, the County's estimated pollution remediation obligations totaled $1.355 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 at Gillespie Field Airport that consists of vacant, mowed land, and a temporary asphalt parking lot. Historical agricultural and industrial uses of and adjacent to the site have left pollutant remnants detected at various concentrations, including organochlorine, pesticide chlordane, metals, hydrocarbons, and toluene. During fiscal year 2022-23 there were no projects on the parcel, therefore the County did not incur any remediation costs associated with the onsite contamination. Engineering design of redevelopment and infrastructure of the site's future phase is on hold and, therefore, the range of pollution remediation obligation is not reasonably estimable at this time. Upon finalization of the construction plans, a soil and sediment management plan will be implemented, if necessary, to manage above ground debris, including the following: hydrocarbon and toluene impacted sediment; metals within stained soil; and abandonment or protection of the onsite irrigation and groundwater monitoring wells.

The County owns and manages a facility in Otay Mesa. Based on the findings from an inspection by the County of San Diego Department of Environmental Health and Quality (DEHQ) - Hazardous Material Division (HMD) performed in May of 2021, hazardous waste violations were issued on August 2, 2021, related to lead and brass contamination that conveyed to landscape in amounts that exceeded acceptable solid waste disposal levels. The HMD violations have been absolved through demonstration by the County's improved Best Management Practices (BMPs) and payment of $15 thousand in penalties. Correspondence is ongoing with DEHQ - Site Assessment Mitigation (SAM) to determine if past contamination discharged deeper into the soil or beyond the designed containment. In February of 2023, the County and SAM entered into a Consent Agreement for further investigation and implementation of any corrective actions. The County's consultant began the approved work plan in June 2023. The range of the pollution studies are not complete; therefore, the financial obligation for remediation is not reasonably estimable at this time.

The property formerly known as the Triple S Horse Ranch in Otay Mesa, located at 1550 Sunset Ave., San Diego, CA 92154, was purchased by the County in 2002 and was incorporated into the Tijuana River Valley Regional Park managed by the Department of Parks and Recreation (DPR). At the time of the 2002 acquisition, DEHQ, Department of General Services (DGS), and DPR began the process to confirm potential clean-up requirements and associated costs for removing items thought to have existed on the property at the time of purchase including three trailers and septic tanks that serviced the trailers along with remediating any potential staining or spillage of diesel fuel or gasoline if present. Unfortunately, for reasons unknown, the paperwork for this process was not completed. DEHQ, DGS, and DPR are now actively collaborating to confirm if clean-up efforts were previously completed, if any clean-up remains to be needed, and if so, what the potential associated costs are. Considering this property was purchased 20 years ago and is now part of an active park site it is anticipated that all clean-up was previously completed. This site is being assessed (by DGS and DPR) to confirm if any remaining clean-up is required. Since the assessments are in the beginning stages, it is not yet known if any clean-up efforts are needed, therefore the financial obligation for potential remediation cannot be reasonably estimated at this time.

NOTE 19
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 three Certificates of Participation (COPs) for the acquisition, construction, capital improvement and equipping of various facilities. Conduit debt is secured by the property that is financed and is payable from the respective COPs' base rentals. 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, 2023, the aggregate conduit debt principal amount outstanding was $45.370 million.

NOTE 20
Special Tax Bonds

Harmony Grove Village Improvement Area No. 1 Special Tax Bonds, Series 2018A

In February 2018 the Community Facilities District No. 2008-01 (Harmony Grove Village) of the County of San Diego, Improvement Area No. 1 Special Tax Bonds, Series 2018A (the "Series 2018A Bonds"), were issued totaling $15.710 million. Proceeds of the Series 2018A Bonds were used to pay the costs of the acquisition of certain public facilities necessary for the development of that portion of the District designated as Improvement Area No. 1, to fund a reserve for the Series 2018A Bonds and to pay the costs of issuing the bonds. The Series 2018A Bonds are payable solely from net special tax revenues derived from the levy of the special taxes on real property located within the boundaries of Improvement Area No. 1 and are secured by a pledge of all the net special tax revenues and moneys deposited in certain custodial funds established under the Series 2018A Indenture.

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

Harmony Grove Village Improvement Area No. 1 Special Tax Bonds, Series 2020A

In January 2020 the Community Facilities District No. 2008-01 (Harmony Grove Village) of the County of San Diego, Improvement Area No. 1 Special Tax Bonds, Series 2020A (the "Series 2020A Area No. 1 Bonds"), were issued totaling $13.505 million. Proceeds of the Series 2020A Area No. 1 Bonds were used to pay the costs of the acquisition of certain public facilities necessary for the development of that portion of the District designated as Improvement Area No. 1, to increase the reserve for the Bonds and to pay the costs of issuing the bonds. The Series 2020A Area No. 1 Bonds are payable solely from net special tax revenues derived from the levy of the special taxes on real property located within the boundaries of Improvement Area No. 1 and are secured by a pledge of all the net special tax revenues and moneys deposited in certain custodial funds established under the Series 2020A Indenture.

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

Harmony Grove Village Improvement Area No. 2 Special Tax Bonds, Series 2020A

In January 2020 the Community Facilities District No. 2008-01 (Harmony Grove Village) of the County of San Diego, Improvement Area No. 2 Special Tax Bonds, Series 2020A (the "Series 2020A Area No. 2 Bonds"), were issued totaling $24.290 million. Proceeds of the Series 2020A Area No. 2 Bonds were used to pay the costs of the acquisition of certain public facilities necessary for the development of that portion of the District designated as Improvement Area No. 2, to fund a reserve for the Series 2020A Area No. 2 Bonds and to pay the costs of issuing the bonds. The Series 2020A Area No. 2 Bonds are payable solely from net special tax revenues derived from the levy of the special taxes on real property located within the boundaries of Improvement Area No. 2 and are secured by a pledge of all the net special tax revenues and moneys deposited in certain custodial funds established under the Series 2020A Indenture.

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

NOTE 21
Fund Balance Policy - General Fund

In fiscal year 2018, the Board of Supervisors adopted San Diego County Code of Administrative Ordinance No. 10509 (N.S.), "An Ordinance Amending the San Diego County Code of Administrative Ordinances Article VII, Section 113 Relating to the Maintenance and Restoration of Fund Balances and Reserves in the General Fund", thereby amending Sections 113.1, "General Fund Balances and Reserves", 113.2, "General Fund Commitments and Assignments of Fund Balance, and 113.3, "Restoration of General Fund Reserve Minimum Balance; and added Section 113.4, "Fund Balances and Use of One Time Revenues".

The purpose of this code is to establish guidelines in accordance with industry best practices regarding the maintenance and use of General Fund Unrestricted fund balance and the use of one-time revenues to help protect the fiscal health and stability of the County. Available Unrestricted General Fund balance shall be determined by excluding Unrestricted Fund balances that have been Committed or Assigned thereby focusing solely on Unassigned Fund balance. These sections include:

General Fund Balances and Reserves: A portion of Unassigned Fund balance shall be maintained as a reserve (General Fund Reserve) at a minimum of two months of audited General Fund expenditures (which is the equivalent of 16.7% of audited General Fund expenditures). The General Fund Reserve will protect the County against expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, unfunded pension liabilities, and aging infrastructure.

Appropriation of the General Fund Reserve minimum balance requires at least one of the following criteria to be met:

- An unanticipated revenue shortfall or expenditure increase where total expenditures exceeds total revenues.
- A legally declared emergency as defined in Government Code Section 29127.
- To absorb unforeseen changes in pension liability, including changes in the assumed rate of return, market losses, to maintain or reduce the unfunded pension liability, or other related changes as recommended by the Chief Administrative Officer (CAO).
- To help mitigate risk due to maintaining aging infrastructure including capital improvements, new construction, or other recommendations made by the CAO.
- To the extent reserves are available, a recommendation made by the CAO to promote the long-term fiscal health and stability of the County.

Furthermore, all appropriation of the General Fund Reserve minimum balance and/or transfers from the General Fund Reserve appropriation, shall require a 4/5th vote of the Board of Supervisors.

To the extent that available Unassigned Fund balance is available in excess of General Fund Reserve minimum balance, the CAO may recommend the appropriation or commitment of the available balance for one-time uses. These recommendations may appear in the CAO Recommended Operational Plan or as an agenda item for a regularly scheduled meeting of the Board of Supervisors.

General Fund Commitments and Assignments of Fund Balance: From time to time, fund balance may be committed by the Board of Supervisors and/or assigned by the CAO for specific purposes. A commitment requires formal board action to establish, change or cancel while an assignment may be established, changed or cancelled by the CAO. Changing or cancelling a commitment or assignment of fund balance shall not be approved if such action would result in increased and/or unfunded costs or liabilities such as those required to fulfill existing contractual obligations or to identify alternative funding sources for the original Commitment or Assignment purpose or if such action would jeopardize the long-term fiscal sustainability of the County. Commitments and/or assignments shall not be approved if they would result in the amount of the General Fund Reserve falling below the minimum required balance.

Restoration of General Fund Reserve Minimum Balance: In the event that the General Fund Reserve falls below the minimum required balance, the CAO shall present a plan to the Board of Supervisors for restoration of the targeted levels. The plan should restore balances to targeted levels within one (1) to three (3) years, depending on the use, reasons for use, and severity of the event. In the event that the General Fund Reserve is used to serve as a short-term financing bridge, the plan shall include mitigation of long-term structural budgetary imbalances by aligning ongoing expenditures to ongoing revenues.

(Amounts expressed in thousands unless otherwise noted)

NOTE 22
Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose

At June 30, 2023, the fund balances restricted for laws or regulations of other governments: fund purpose are presented as follows:

Table 43
Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose
At June 30, 2023

Fund Type:	Purpose	Amount
Nonmajor Funds		
Special Revenue Funds		
Asset Forfeiture Program Fund	Law enforcement	$ 12,260
Community Facilities District Funds - Other	Fire protection and suppression, emergency response, operation and maintenance of facilities, and flood control services	5,826
County Library Fund	Library services	12,740
County Low and Moderate Income Housing Asset Fund	County housing activities	427
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services	27,547
Edgemoor Development Fund	Edgemoor development	4,310
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	3,991
Housing Authority Low and Moderate income Housing Asset Fund	Housing Authority housing activities	81
In Home Supportive Services Public Authority Fund	In home supportive services	13
Incarcerated Peoples and Ward Welfare Program Fund	Benefit, education, and welfare of wards and incarcerated persons	14,948
Lighting Maintenance District Fund	Street and road lighting maintenance	5,012
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	8,317
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities	33,594
Total Nonmajor Funds (Special Revenue Funds)		$ 129,066

(Amounts expressed in thousands unless otherwise noted)

NOTE 23

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

At June 30, 2023, the fund balances restricted for laws or regulations of other governments: other purposes are presented as follows:

Table 44
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2023

Major Fund		
General Fund		
Juvenile justice crime prevention	$	29,861
Parole revocation hearings		16,896
Teeter tax loss		14,076
Rehabilitative housing and supervision services for secure track youth population		9,373
Vector control		8,464
Fingerprinting equipment purchase and operation		6,019
Juvenile probation camp		4,347
Probation Department activities		3,903
Real estate fraud prosecution		3,545
Domestic violence and child abuse prevention		3,436
Emergency medical services, various construction costs		3,362
Reimburse District Attorney's Office for the reasonable costs of investigation and prosecution of cases related to fraud schemes targeting state dollars intended for K-12 education		3,127
Probation community transition unit activities		2,559
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		2,363
Parks and Recreation land acquisition, improvements, stewardship and other activities		1,916
Vehicle abatement activities		1,731
Sheriff law enforcement		1,385
Sheriff automated warrant system		1,002
Improvement, maintenance and operation of the Waterfront Park		888
Disarming prohibited persons program		868
Pre-trial felony mental health diversion program		789
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		515
Sheriff vehicle maintenance and replacement		251
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		193
Offset costs incurred to locate and notify victims to whom restitution is owed		130
Public Defender defense of indigent cases		71
Lease or purchase of California state approved voting systems, or components of voting systems		8
Sheriff corrections training		6
Total General Fund	$	121,084
Nonmajor Funds		
Special Revenue Funds		
Flood Control District Fund		
Flood control future drainage improvements	$	37,493
Housing Authority - Other Fund		
Housing repairs and improvements		1
Total Nonmajor Special Revenue Funds	$	37,494
Total Nonmajor Funds	$	37,494
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	$	158,578

(Amounts expressed in thousands unless otherwise noted)

NOTE 24
Fund Balances Committed to Other Purposes

At June 30, 2023, the fund balances committed to other purposes are presented as follows:

Table 45
Fund Balances Committed To Other Purposes
At June 30, 2023

Major Fund		
General Fund		
Regional communication system infrastructure enhancements	$	15,291
Department of Environmental Health and Quality services		7,920
Sheriff's Department helicopter replacement		4,952
Department of Planning and Development Services activities		2,774
Parks and Recreation land acquisition		1,613
Future purchase of agricultural conservation easements		944
San Diego Fire Authority equipment replacement		433
Management of conduit financing programs		174
Parks and Recreation turf replacement Sweetwater Valley		150
South County Shelter capital improvements		139
Parks expansion and improvements		132
Workplace Justice Fund		100
Capital projects or major maintenance projects		46
Total General Fund	$	34,668

NOTE 25
Fund Balances Assigned to Other Purposes

At June 30, 2023, the fund balances assigned to other purposes are presented as follows:

Table 46
Fund Balances Assigned to Other Purposes
At June 30, 2023

Major Fund		
General Fund		
Law enforcement, detention, legal and other protection services	$	108,378
Planning, land use, agriculture, watershed and other public services		62,666
Health, mental health and social services		49,586
Park and Recreation services		12,816
Assessor/Recorder/County Clerk services		6,297
Maintenance		4,376
Fire protection		3,995
Treasurer-Tax Collector services		1,650
Registrar of Voters services		430
Animal Services		26
One-time labor negotiation payments		8,102
Community Enhancement program		256
Neighborhood Reinvestment program		708
Total General Fund	$	259,286

(Amounts expressed in thousands unless otherwise noted)

NOTE 26
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2023, the net position restricted for laws or regulations of other governments: other purposes is presented as follows:

Table 47
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2023

Developing new or rehabilitating existing neighborhood or community park or recreational facilities	$	33,594
Juvenile justice crime prevention		29,861
Housing Authority housing activities		20,016
Parole revocation hearings		16,896
Benefit, education, and welfare of wards and incarcerated persons		14,948
Sheriff law enforcement		13,854
Library services		12,740
Law enforcement		12,260
Rehabilitative housing and supervision services for secure track youth population		9,373
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		8,317
Fingerprinting equipment purchase and operation		6,019
Fire protection and suppression, emergency response, operation and maintenance of facilities, and flood control services		5,826
Street and road lighting maintenance		5,012
Juvenile probation camp		4,347
Edgemoor development		4,310
Maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control services		3,991
Probation Department activities		3,903
Real estate fraud prosecution		3,545
Domestic violence and child abuse prevention		3,436
Emergency medical services, various construction costs		3,362
Reimburse District Attorney's Office for the reasonable costs of investigation and prosecution of cases related to fraud schemes targeting state dollars intended for K-12 education		3,127
Probation community transition unit activities		2,559
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		2,363
County housing activities		1,936
Parks and Recreation land acquisition, improvements, stewardship and other activities		1,916
Vehicle abatement activities		1,731
Sheriff automated warrant system		1,002
Improvement, maintenance and operation of the Waterfront Park		888
Disarming prohibited persons program		868
Pre-trial felony mental health diversion program		789
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		515
Sheriff vehicle maintenance and replacement		251
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		193
Offset costs incurred to locate and notify victims to whom restitution is owed		130
Public Defender defense of indigent cases		71
In home supportive services		13
Lease or purchase of California state approved voting systems, or components of voting systems		8
Sheriff's corrections training		6
Housing repairs and improvements		1
Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	$	233,977

(Amounts expressed in thousands unless otherwise noted)

NOTE 27
Risk Management

The County operates a Risk Management Program, whereby it is partially self-insured for general liability (California Government Code Section 990), self-insured for 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 property losses, cyber liability, excess workers' compensation, excess general liability, 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, 2023, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $341.1 million, including $137.3 million in public liability and $203.8 million in workers' compensation. Changes in the balances of claim liabilities for fiscal years 2023 and 2022 are shown in **Table 48**.

Table 48
Risk Management - Changes in Claim Liabilities

		2023	2022
Employee Benefits Fund			
Unpaid claims, July 1	$	198,093	197,565
Incurred claims		38,495	31,176
Claim payments		(32,775)	(30,648)
Unpaid claims, June 30	$	203,813	198,093
Public Liability Insurance Fund			
Unpaid claims, July 1	$	103,264	92,552
Incurred claims		85,968	47,278
Claim payments		(51,943)	(36,566)
Unpaid claims, June 30	$	137,289	103,264

NOTE 28
Contingencies

Litigation

As of June 30, 2023 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.

Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately $268 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 government-wide 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 29
Service Concession Agreement

The County has entered a Service Concession Arrangement (SCA) with Ace Parking III, LLC (Ace Parking) in which Ace Parking provides parking management services for two County owned parking structures, the County Administration Center underground parking garage and the Cedar/Kettner parking structure. Ace Parking is specially trained and possess certain skills, experience, education and competency to perform these services more economically and efficiently than the County. The County maintains ownership of the parking structures as well as the authority to determine what services Ace Parking is required to provide, to whom Ace Parking is required to provide the services, and the prices or rates that can be charged for the services. As of June 30, 2023, the County Administration Center underground parking garage's value was $12.080 million, net of accumulated depreciation and generated $239 thousand in revenues for the year ended June 30, 2023. The Cedar/Kettner parking structure's value was $31.376 million, net of accumulated depreciation and generated $881 thousand in revenues.

NOTE 30
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 $1.6 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 $3 thousand and ending net position of $727 thousand for the fiscal year ended June 30, 2022. 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 an increase in net position of $41 thousand and ending net position of $275 thousand for the fiscal year ended June 30, 2022. 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 empower job seekers to meet the current and future workforce needs of employers in San Diego County. Two boards provide oversight: The Consortium Policy Board and the Workforce Development Board (WDB). As the Workforce Partnership is a joint powers authority, the Consortium Policy Board is a partnership of the City and County of San Diego. Members include two County Board of Supervisors, two San Diego City Council members, and a community representative (currently the United Way of San Diego). The Consortium Policy Board appoints members to, and receives recommendations from, the WDB. The two boards collaborate on a variety of funding decisions and priorities. For the fiscal year ended June 30, 2022, the Partnership reported an increase in net position of $1.2 million and ending net position of $2.2 million. Complete financial reports may be obtained by writing to the San Diego Workforce Partnership, 9246 Lightwave Ave., Suite 210, San Diego, CA 92123 or by calling (619) 228-2900.

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 a decrease in net position of $81 thousand and ending net position of $1.3 million for the fiscal year ended June 30, 2022. 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) 441-1683.

NOTE 31

Pension Plans

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 members 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; Air Pollution Control District, 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.

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 five Tiers. 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, any new employee hired on or after January 1, 2013 through June 30, 2018 who became a General member, (January 1 2013 through June 30, 2020 for Safety members), was placed into Tier C; while any new employee hired on or after July 1, 2018 who became a

(Amounts expressed in thousands unless otherwise noted)

General member and any new employee who will be hired on or after July 1, 2020 who becomes a Safety member, is placed into Tier D. Tier C and Tier D, are the current open plans 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, the Board of Supervisors eliminated Tier II and established Tier A for active General Members and all non-retired Safety Members who entered on or after March 8, 2002 and before August 28, 2009. All active General Members were converted to Tier A unless they elected to opt-out during a one-time opt-out period. All active and deferred Safety Members were converted to Tier A. 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 members.

Benefits Provided

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

Table 49
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 to June 30, 2018	2.5% at 67; maximum 2% COLA	Highest 3 - year (2)
General Tier D	§31676.01	July 1, 2018	1.62% at 65; maximum 2% COLA	Highest 3 - year (2)
Safety Tier A	§31664.1	Before August 28, 2009	3.0% at 50; maximum 3% COLA	Highest 1 - year
Safety Tier B	§31664.2	August 28, 2009 to December 31, 2012	3.0% at 55; maximum 2% COLA	Highest 3 - year
Safety Tier C	§7522.25(d)	January 1, 2013 to June 30, 2020	2.7% at 57; maximum 2% COLA	Highest 3 - year (2)
Safety Tier D	§7522.25(c)	July 1, 2020	2.5% at 57; maximum 2% COLA	Highest 3 - year (2)

(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.

(2) PEPRA limits the amount of compensation that can be used to calculate retirement benefit for Tier C and Tier D to 100% and 120% of the 2013 Social Security taxable wage base limit for General members and Safety members, respectively. These amounts will be adjusted with price inflation starting in 2014.

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 or D are eligible to retire once they attain the age of 70 regardless of service or at age of 52, and have acquired five or more 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 or D are eligible to retire once they have attained the age of 70 regardless of service or at age of 50, and have acquired five or more 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. PEPRA limits the amount of compensation that can be used to calculate the retirement benefit for Tier C and Tier D 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 ratio of the past two annual Consumer Price Indices for the San Diego-Carlsbad Area (with 1982-84 as the base period), is capped at 3.0% for Tier 1 and Tier A; and capped at 2.0% for Tier B, Tier C and Tier D. 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 for fiscal year 2023 was 10.99% 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 for fiscal year 2023 was 43.29% (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.

(Amounts expressed in thousands unless otherwise noted)

Contributions to the Plan from the County were $625,412 for the year ended June 30, 2023.

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

Table 50
Employer/Employee Contribution Rates and Active Members by Tier

	Employer Contribution Rates	Employee Contribution Rates	Active Members
General Tier I	44.21%	8.89 - 16.72%	13
General Tier A	44.21%	10.63 - 18.40%	5,205
General Tier B	44.21%	7.66 - 14.62%	1,294
General Tier C	37.64%	9.17%	4,072
General Tier D	34.96%	6.54%	4,435
Safety Tier A	63.43%	14.55 - 21.19%	1,290
Safety Tier B	63.43%	11.62 - 17.10%	414
Safety Tier C	55.07%	15.16%	1,107
Safety Tier D	54.45%	13.89%	308

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, Unit 100, San Diego, California 92108-1685, by calling (619) 515-6800, or via the following internet address https://www.sdcera.org/finance_Annual_Comprehensive_Financial_Reports.htm.

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

At June 30, 2023, the County reported a liability of $5,314,913 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2022 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2021 actuarial valuation date. The NPL is equal to the difference between the TPL and the Plan's Fiduciary Net Position.

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 2022; 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, 2022 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, 2022, the County's proportionate share of employer contributions was approximately 93.596%, (General 90.637%, Safety 100%), which was a decrease of approximately 0.204% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of $850,726.

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

(Amounts expressed in thousands unless otherwise noted)

Table 51 Pension Deferred Outflows/Inflows		Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to the pension plan subsequent to the measurement date	$	625,412	
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		16,380	9,867
Changes of assumptions or other inputs		857,981	6
Net difference between projected and actual earnings on pension plan investments		948,492	
Differences between expected and actual experience in the total pension liability		70,657	128,261
	$	2,518,922	138,134

Deferred outflows of resources and deferred inflows of resources noted above represent the unamortized portion of changes to the 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. $625,412 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 ending June 30, 2024.

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 52 Pension Expense Year Ending June 30		Amount
2024	$	508,496
2025		386,227
2026		230,578
2027		630,075
Total	$	1,755,376

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, 2022 (the measurement date) are shown in the following table:

Table 53 Actuarial Assumptions	
Inflation	2.50%
Salary increases	General: 3.90% to 10.50% and Safety: 4.10% to 11.75%, vary by service, including inflation and real across-the-board salary increases
Discount rate	6.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustment	Maximum of 3% for Tiers I and A Maximum 2% for Tiers B, C and D
Date of last experience study	July 1, 2018 through June 30, 2021

Changes in assumptions were made from the prior measurement period and included a decrease to the inflation rate, changes in salary increases, a decrease in the discount rate, and changes in the date of the last experience study. The inflation rate was 2.75% for the prior measurement period. Salary increases for the prior measurement period General were 4.15% to 10.50% including inflation, and Safety 4.25% to 12.00% vary by service, including inflation. The discount rate was 7.00% for the prior measurement period, and the last experience study was July 1, 2015 through June 30, 2018.

Mortality rates for General members and all beneficiaries not currently in pay status are based on the Pub-2010 General Healthy Retiree Amount-

(Amounts expressed in thousands unless otherwise noted)

Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021. Mortality rates for beneficiaries in pay status are based on the Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021. Mortality rates for Safety members are based on the Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. Mortality rates for General members with a disability retirement are based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 15%, projected generationally with the two-dimensional mortality improvement scale MP-2021. Mortality rates for Safety members with a disability retirement are based on Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

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 investment rate of return.

The long-term expected rate of return on pension plan investments 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 weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting 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 deducting investment expenses, are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the June 30, 2021 actuarial valuation and rolled forward to the June 30, 2022 measurement period:

Table 54
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 Equity	19.00%	5.40%
Small Cap Equity	3.00%	6.17%
Developed International Equity	15.00%	6.13%
Global Equity	11.50%	6.20%
Emerging Markets Equity	5.00%	8.17%
High Yield Bonds	6.40%	2.76%
Bank Loan	0.60%	2.02%
Real Estate	7.40%	4.59%
Private Equity	5.00%	10.83%
Private Credit	1.00%	5.93%
Timberland	0.80%	4.44%
Farmland - Row crops	0.70%	5.62%
Infrastructure	1.50%	6.02%
Real Estate (Non-Core)	2.60%	7.94%
Intermediate Duration Bonds - Gov't	10.30%	-0.24%
Intermediate Duration Bonds - Credit	10.20%	0.70%
Total	100%	4.80%

Discount Rate

The discount rate used to measure the total pension liability was 6.50% percent as of June 30, 2022. 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, 2022.

(Amounts expressed in thousands unless otherwise noted)

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, 2022, calculated using the discount rate of 6.50%, as well as what the County's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

Table 55
County's Share of Net Pension Liability Discount Rate Sensitivity

	1% Decrease (5.50)	Current Discount Rate (6.50)	1% Increase (7.50)
County's proportionate share of the net pension plan liability	$ 7,994,983	$ 5,314,913	$ 3,129,831

SDCERA-PP Fiduciary Net Position

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

NOTE 32

Other Postemployment Benefits

Retiree Health Plan

Plan Description

The County contributes to the SDCERA retiree health plan, (SDCERA-RHP) a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The SDCERA-RHP is administered as an Internal Revenue Code Section 401(h) account (Health Benefits 401(h) Trust) within the defined benefit pension plan under the authority granted by the Retirement Act to the SDCERA Board of Retirement. The Health Benefits 401(h) Trust was established by the SDCERA Retirement Board and the County's Board of Supervisors. The Retirement Act assigns the authority to establish and amend Health Insurance Allowance (HIA) benefits to the SDCERA Board of Retirement.

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, Unit 100, San Diego, California 92108-1685, by calling (619) 515-6800, or via the following internet address https://www.sdcera.org/finance_Annual_Comprehensive_Financial_Reports.htm.

Benefits Provided

The SDCERA Retirement Board approved the SDCERA-RHP HIA benefits for eligible retired Tier I and Tier II members. The SDCERA-RHP is closed to members in the other Tiers. The HIA is paid from the Health Benefits 401(h) Trust, which is pooled with total fund assets for investment purposes, and is used exclusively to fund future retired member health insurance allowances and program administration. The HIA is not a vested SDCERA benefit and is not guaranteed. It may be reduced or discontinued at any time.

The HIA may be applied to a member's insurance premiums for an SDCERA-sponsored plan or toward medical, dental, and prescription insurance premiums paid to other providers selected by the member. The allowance may not be used toward dependents' premiums, nor can it be used to cover any additional medical expenses incurred. It may not be used toward expenses for vision insurance, office visits or prescription co-payments. An allowance (or any portion of an allowance) that the retiree is unable to use, is forfeited.

Currently, an HIA benefit is paid to retired General and Safety Tier I and Tier II Members with at least 10 years of SDCERA service credit. Reciprocal service credit and purchased service credit from work in a prior public agency do not count toward the total service credit used to determine the level of allowance. 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. When Members become eligible for Medicare, their HIA allowance is set at $300 per month, plus reimbursement of $93.50 per month for Medicare Part B premiums.

(Amounts expressed in thousands unless otherwise noted)

Members who were granted a disability retirement and were determined to be totally disabled are eligible for the maximum allowance. Members with less than 10 years of service credit who were granted a disability retirement and determined to be partially disabled are eligible for the minimum allowance.

The benefit amounts for non-disabled retirees in Tiers I and II are listed in the following table:

Table 56
Benefit Amount for Non-Disabled Retires

Years of SDCERA Service Credit*	Monthly Allowance if Not Eligible for Medicare	Monthly Allowance if Eligible for Medicare
Less than 10	0	
10	$ 200	
11	220	300
12	240	
13	260	In addition to the allowance, $93.50 will be reimbursed to use toward the cost of the monthly Medicare Part B premium.
14	280	
15	300	
16	320	
17	340	
18	360	
19	380	
20 or more	400	

* Members who retired on or before September 30, 1991 may be eligible for the maximum allowance.

Upon the retiree's death, the HIA may be transferred to the retiree's eligible spouse or registered domestic partner. The duration of coverage is lifetime for retiree plus continuance to an eligible surviving spouse or registered domestic partner for life. The level of HIA payable to the survivor is the same as that payable to the retiree.

Contributions

The SDCERA-RHP is funded by employer contributions that are based on an actuarial valuation, actuarially determined 20-year level dollar amortization schedule. The Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2021, established the fiscal year 2023 employer contribution rate of 1.22 percent of covered payroll which amounted to $17,116 million in required contributions made by the County. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the County reported a liability of $69,417 for its proportionate share of the collective Net Other Postemployment Benefits Liability (NOL). The NOL was measured as of June 30, 2022 (measurement date), and determined based upon the results of the actuarial valuation as of June 30, 2022. The Plan's Fiduciary Net Position (plan assets) and the Total OPEB Liability (TOL) were also valued as of the measurement date. The NOL is equal to the difference between the TOL and the Plan's Fiduciary Net Position.

The County's proportion of the NOL, as well as its proportion of the other OPEB related deferred outflows of resources and deferred inflows of resources is determined using the employer contributions from each employer category from July 1, 2021 through June 30, 2022 as provided to the SDCERA Actuary from SDCERA. The ratio of the County's contributions to the total employer contributions is multiplied by the SDCERA-RHP total NOL to determine the County's proportionate share of the NOL. The same calculation is performed for the other OPEB related deferred outflows of resources and deferred inflows of resources.

At June 30, 2022 the County's proportionate share of the NOL was approximately 92.913%, which was a decrease of approximately 0.344% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized OPEB expense of $9,614.

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Amounts expressed in thousands unless otherwise noted)

Table 57
OPEB Deferred Outflows/Inflows

		Deferred Outflows of Resources
Contributions to the OPEB plan subsequent to the measurement date	$	17,116
Net difference between projected and actual earnings on OPEB plan investments		3,063
	$	20,179

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

Projected earnings on OPEB investments are recognized as a component of OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is reported as a deferred outflow of resources or deferred inflow of resources and amortized as a component of OPEB 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 OPEB liability, are amortized over the average of the expected remaining service lives (service lives) of all employees that are provided with OPEB through the SDCERA-RHP and are recorded as a component of OPEB expense, beginning with the period in which they are incurred.

$17,116 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Table 58
OPEB Expense

Year Ending June 30		Amount
2024	$	681
2025		649
2026		460
2027		1,273
Total	$	3,063

Actuarial Assumptions

The TOL in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as shown in the table below:

Table 59
Actuarial Assumptions

Inflation	2.50%
Salary increases	General: 3.90% to 10.25%, including inflation and 0.50% across the board salary increases
Discount rate	6.50%
Health care trend	Non-Medicare: 7.25% graded to ultimate 4.50% over 11 years; Medicare: 6.50% graded to ultimate 4.50% over 8 years.
Health insurance allowance subsidy increases	0.00%

Changes in assumptions were made from the prior measurement period and included a decrease to the inflation rate, changes in salary increases, decrease in the discount rate, and changes in the healthcare trend. The inflation rate and discount rate were 2.75% and 7.00%, respectively, for the prior measurement period. Salary increases for the prior measurement period for General were 4.15% to 10.50% including inflation. The non-Medicare healthcare trend for the prior measurement period was 7.50% graded to ultimate 4.50% over 12 years. The Medicare healthcare trend did not change from the prior year.

Mortality rates include Post-retirement mortality rates and Pre-retirement mortality rates. Post-retirement mortality rates include healthy retirement, disabled retirement, and beneficiary retirement.

(Amounts expressed in thousands unless otherwise noted)

Healthy Retirement. For General members mortality rates are based on Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021. For Safety Members, mortality rates are based on Pub-2010 Safety Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) times 105% for males and 95% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Disabled Retirement. For General members, mortality rates are based on Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females) times 85% for males and 85% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. For Safety members, mortality rates are based on Pub-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiary. For beneficiaries, mortality rates are based on Pub-2010 General Contingent Survivor Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

The aforementioned mortality data reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-retirement. For General members, mortality rates are based on the Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021. For Safety members, mortality rates are based on Pub-2010 Safety Employee Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period from July 1, 2018 through June 30, 2021. They are the same as the assumptions used in the June 30, 2022 funding actuarial valuation for SDCERA-RHP.

The long-term expected rate of return on OPEB plan investments 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 weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each measurement class, after deducting inflation, but before deducting investment expenses, are summarized in the following table:

Table 60

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 Equity	19.00%	5.40%
Small Cap Equity	3.00%	6.17%
Developed International Equity	15.00%	6.13%
Global Equity	11.50%	6.20%
Emerging Market Equity	5.00%	8.17%
High Yield Bonds	6.40%	2.76%
Bank Loan	0.60%	2.02%
Real Estate	7.40%	4.59%
Private Equity	5.00%	10.83%
Private Credit	1.00%	5.93%
Timberland	0.80%	4.44%
Farmland - Row Crops	0.70%	5.62%
Infrastructure	1.50%	6.02%
Real Estate (Non-Core)	2.60%	7.94%
Intermediate Duration Bonds - Gov't	10.30%	-0.24%
Intermediate Duration Bonds - Credit	10.20%	0.70%
Total	100%	4.80%

(Amounts expressed in thousands unless otherwise noted)

Discount Rate

The discount rate used to measure the TOL was 6.50% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed 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-RHP members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs (if any) for future SDCERA-RHP members and their beneficiaries, as well as projected contributions (if any) from future SDCERA-RHP members, are not included. Based on those assumptions, the SDCERA-RHP's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current SDCERA-RHP members. Therefore, the long-term expected rate of return on SDCERA-RHP investments was applied to all periods of projected benefit payments to determine the TOL as of June 30, 2022.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to the Changes in the Discount Rate and Changes in the Healthcare Cost Trend Rate

The following table presents the County's proportionate share of the Net OPEB Liability (NOL) as of June 30, 2022, calculated using the discount rate of 6.50%, as well as what the County's proportionate share of the NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate; and presents the County's proportionate share of the NOL as of June 30, 2022 and what it would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Table 61
County's Share of Net OPEB Liability

Discount Rate Sensitivity		1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net OPEB plan liability	$	77,003	69,417	62,770

Healthcare Cost Trend Rate Sensitivity		1% Decrease *	Current Trend Rates*	1% Increase *
County's proportionate share of the net OPEB plan liability	$	68,813	69,417	69,972

* Because current benefits for most members are limited by the fixed dollar health insurance allowance levels, the trend assumption has little effect on the Net OPEB Liability.

SDCERA-RHP Fiduciary Net Position

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

(Amounts expressed in thousands unless otherwise noted)

NOTE 33
Fund Deficits

Table 62 Fund Deficits At June 30, 2023		
Internal Service Funds:		
Facilities Management Fund	$	(33,968)
Public Liability Insurance Fund		(74,572)
Purchasing Fund		(2,412)

The Facilities Management and Purchasing Fund deficits of $34 million and $2.4 million respectively, resulted from adjustments attributed to reporting the County's proportionate shares of the SDCERA-PP net pension liability and the SDCERA-RHP net OPEB liability.

The Public Liability Insurance Fund deficit of $74.6 million resulted mainly from the higher than anticipated settlement payments in fiscal year 2022-23 and the accrual of the estimated liability based on an actuarial determination that overall losses had developed significantly higher than expected. The liability increased to $137.3 million from the prior year's estimate of $103.3 million. The County intends to reduce the deficit through increased rate charges to County departments over a 10-year period starting in fiscal year 2023-24, primarily based on the 5 year history of actual expenses by department.

NOTE 34
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 ($1.101 million), to the Airport Enterprise Fund (AEF) for the Airport Projects ($2.884 million) and to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) ($363 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

(Amounts expressed in thousands unless otherwise noted)

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, 2023, 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 Private Purpose Trust Fund 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 35

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 were to mature in fiscal year 2032 but will now mature in 2030 due to the effect of making turbo payments. 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. The Series 2005A Bonds are not a debt of the County and are not payable out of any funds or properties other than those of the SDCRA.

Upon the occurrence of an event of default (as described in the financing documents) the principal of all of the Bonds then outstanding and the interest accrued thereon shall be immediately due and payable.

SDCRA revenue refunding bonds outstanding at June 30, 2023 were as follows:

Table 63
SDCRA Revenue Refunding Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
Revenue Refunding Bonds Series 2005A	$ 16,000	3.65 - 5.75%	2030	5,550
Total	$ 16,000			5,550

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

Table 64
SDCRA Revenue Refunding Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2024	$ 680	292	972
2025	715	255	970
2026	755	213	968
2027	795	169	964
2028	845	122	967
2029-2030	1,760	92	1,852
Total	5,550	1,143	6,693
Less:			
Unamortized issuance discount	(16)		
Total	$ 5,534		

(Amounts expressed in thousands unless otherwise noted)

SDCRA pledged revenue for the year ended June 30, 2023 was as follows:

Table 65
SDCRA Revenue Refunding Bonds - Pledged Revenues

Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Fiscal Year 2023 Debt Principal & Interest Paid	Fiscal Year 2023 Pledged Revenue Received
Revenue Refunding Bonds Series 2005A	2030	$ 6,693	$ 1,521	$ 1,537

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2023 were as follows:

Table 66
SDCRA Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2022	Additions	Reductions	Ending Balance at June 30, 2023	Amounts Due Within One Year
Revenue Refunding Bonds Series 2005A	$ 6,725		(1,175)	5,550	680
Unamortized issuance discounts	(17)		1	(16)	(2)
Total	$ 6,708		(1,174)	5,534	678

NOTE 36

New Governmental Accounting Standards

Implementation Status

In May 2019, the GASB issued *Statement No. 91 Conduit Debt Obligations*. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

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

In March 2020, the GASB issued *Statement No. 93, Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an InterBank Offered Rate.

In fiscal year 2023, the County determined that the requirements of this statement for the removal of the London Interbank Offering Rate as an appropriate benchmark interest rate - which is effective for reporting periods ending after December 31, 2022 - do not affect the financial reporting for the County. In fiscal year 2022, the County determined that all other requirements of this statement - which were effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter - also do not affect the financial reporting for the County.

In March 2020, the GASB issued *Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements.

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

In May 2020, the GASB issued *Statement No. 96, Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

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

In April 2022, the GASB issued *Statement No. 99, Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

In fiscal year 2023, the County determined that some of the requirements of this statement that were effective for fiscal year 2023 affected the County and therefore, were implemented for the current fiscal year. The remaining requirements of this statement are effective for fiscal years beginning after June 15, 2023.

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 April 2022, the GASB issued *Statement No. 99, Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

In fiscal year 2023, the County determined that some of the requirements of this statement that were effective for fiscal year 2023 affected the County and therefore, were implemented for the current fiscal year. The remaining requirements for fiscal year 2023 do not affect the financial reporting for the County. The remaining requirements of this statement are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued *Statement No. 100, Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

In June 2022, the GASB issued *Statement No. 101, Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

NOTE 37

San Diego County Employees Retirement Association (SDCERA)

Investments

The California Constitution and the County Employees Retirement Law of 1937 (CERL) grant the Board of Retirement (Retirement Board) exclusive control over SDCERA's Trust Fund. The CERL permits the Board to invest, or delegate the authority to invest, Trust Fund assets through the purchase, holding or sale of any form or type of investment, financial instrument, or financial transaction. All purchases and sales of investments are accounted for on a trade-date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized and unrealized gains or losses of securities are determined based on fair values.

Cash and Short-Term Investments

Cash and short-term investments are cash and assets readily convertible to cash. They include funds held in bank accounts, certificates of deposit, banker's acceptances, Treasury bills, commercial paper and other money market instruments with original maturities of 90 days or less.

Valuation of Investments

SDCERA's custodian bank provides daily valuation of portfolio assets using third-party vendors or specified alternative sources that are considered reliable. The custodian bank reviews the data received from these sources for valuation accuracy. Pricing methodologies vary by asset type and are summarized next.

Equity

Exchange-traded domestic and global equities and equity option values are based on the closing price reported by the primary exchange on which the asset trades or other agreed-upon exchange. Over-the-counter (OTC) equity investments not traded on an exchange and warrants are valued based on the last bid price.

Fixed Income

Domestic and global fixed income securities with an active market and Preferred stocks are valued based on bid prices.

Private Equity and Private Real Assets

The fair value of all private equity and private real asset investments are determined based on valuations provided in good faith by the General Partners or fund managers consistent with their valuation policies. Valuation assumptions are based upon the nature of the investments and underlying businesses, and valuation techniques vary based upon investment type and involve expert judgment. Private equity and private real assets funds are subject to annual independent audit.

Real Estate

Real estate directly owned by SDCERA is held in separate accounts. Limited Partner interests are valued based on the net asset value of the partnership, which is determined by the General Partners in accordance with the partnership's valuation policies. Properties are generally valued by an independent third-party appraisal performed on a rotational one-to-three-year basis consistent with the Uniform Standards of Professional Appraisal Practice. During the interim years, real estate values are adjusted for market conditions and cash flow activities. Real estate investments held in separate accounts and Limited Partner interests are subject to an annual independent audit.

Mortgage Loans

Table 67 presents SDCERA's mortgage loans payable associated with its real estate investments as of June 30, 2023. Principal includes amortization and terminal principal payments for the loan balance as of June 30, 2023, and interest includes interest payments on the forecasted loan balances, inclusive of additional draws after June 30, 2023.

Table 67
Mortgage Loans Payable
For the fiscal year ended June 30
(In Thousands)

Fiscal year payable		Principal (1)	Interest (2)	Total
2024	$	25,995	26,666	52,661
2025		137,562	22,058	159,620
2026		107,812	14,195	122,007
2027		48,580	9,583	58,163
2028		103,854	6,220	110,074
2029-2033		54,887	7,068	61,955
Total	$	478,690	85,790	564,480

(1) Principal includes amortization and terminal principal payments for the loan balances as of June 30, 2023.
(2) Interest includes interest payments on the forecasted loan balances, inclusive of additional draws after June 30, 2023.

Derivative Financial Instruments

Derivatives are used in investment portfolios to gain exposure to certain assets or markets, to protect against the risk of adverse moves in asset prices or to enhance returns. SDCERA permits its investment managers to use derivatives to implement their approved investment strategies within their portfolios provided such usage does not introduce market leverage to the total Trust Fund.

SDCERA reports the fair value of derivative instruments in the Statement of Fiduciary Net Position. **Table 68** presents SDCERA's derivative instruments as reported in the Statement of Fiduciary Net Position in the domestic equity, international equity, fixed income and private equity categories as of June 30, 2023.

Table 68
Derivative Instruments Summary
As of June 30, 2023
(In Thousands)

Derivative Type		Changes in Fair Value (1)	Fair Value	Notional Value
Swaps	$	329,317	122,956	3,459,024
Options		25,855	(404)	
Forwards		(15,976)	9,177	511,504
Futures		35,621	22,089	581,079
Total	$	374,817	153,818	4,551,607

(1) All changes in the fair value of these derivatives are reported as investment income in the Statement of Changes in Fiduciary Net Position.

Swaps

Swaps are contracts by which the parties agree to exchange cash flows and usually involve exchanging a fixed cash flow for a variable cash flow. For example, one party may agree to receive a fixed interest payment in exchange for the total return of an equity index. Swaps do not trade on exchanges. **Table 69** presents SDCERA's Swaps by Type as of June 30, 2023.

Table 69
Swaps by Type
As of June 30, 2023
(In Thousands)

Type	Description/ Counterparty		Notional Value	Fair Value
Cleared Interest Rate Swaps	Chicago Mercantile Exchange Inc			311
Cleared Interest Rate Swaps	LCH Ltd			(7,632)
Total Return Swaps	BNP Paribas SA	$	58,434	4,172
Total Return Swaps	Citibank NA		416,298	10,926
Total Return Swaps	First Union National Bank/Charlotte NC		140,589	8,121
Total Return Swaps	HSBC Bank PLC		428,904	19,347
Total Return Swaps	JPMorgan Chase Bank NA		586,682	22,474
Total Return Swaps	Merrill Lynch & Co Inc		110,868	4,395
Total Return Swaps	Morgan Stanley & Co International PLC		517,726	(1,584)
Total Return Swaps	Royal Bank of Canada		636,856	36,320
Total Return Swaps	UBS AG/London		120,544	6,986
Total Return Swaps	Merrill Lynch International		147,917	5,434
Total Return Swaps	Wells Fargo Bank		294,206	13,686
Total		$	3,459,024	122,956

Options

Options are contracts that give the buyer the right, but not the obligation, to buy or sell an asset at a pre-determined price by a specified date. While options may be privately negotiated, the majority of options are standardized contracts that trade on an exchange. **Table 70** presents SDCERA's Options by Type as of June 30, 2023.

Table 70
Options by Type
As of June 30, 2023
(In Thousands)

Type		Notional Value	Fair Value
Call	$		(2)
Put			(402)
Total	$		(404)

Forwards

Forwards are non-standardized, binding contracts between two parties to buy and sell an asset at a specified price at a certain future date; they do not trade on an exchange. Forwards settle at the end of the contract term. **Table 71** presents SDCERA's Forward Contracts by Type as of June 30, 2023.

Table 71
Forward Contracts by Type
As of June 30, 2023
(In Thousands)

Type		Notional Value	Fair Value
Foreign Currency Forwards	$	511,504	9,177
Total	$	511,504	9,177

Futures

Futures are standardized, binding contracts to buy and sell an asset at a specified price by a certain date. Futures are exchange-traded and settle daily. For SDCERA, net gains and losses for the daily settlements are included in the Statement of Changes in Fiduciary Net Position. **Table 72** presents a summary of SDCERA's Futures Contracts by Type as of June 30, 2023.

Table 72
Futures Contracts by Type
As of June 30, 2023
(In Thousands)

Type		Notional Value	Fair Value
Equity Futures	$	746,272	19,046
Fixed Income Futures		(165,193)	3,043
Total	$	581,079	22,089

Deposits And Investments

SDCERA retains investment managers who specialize in particular asset classes and are subject to the guidelines and controls established in SDCERA's Investment Policy Statement (IPS). SDCERA contracts with The Bank of New York Mellon (BNY Mellon) to custody Plan assets.

SDCERA's Investment Philosophy is contained in the Investment Policy Statement (IPS) and is based on Modern Portfolio Theory, which posits that a diversified portfolio with capitalization-weighted allocations to multiple asset classes will maximize Trust Fund returns and diversify against the risk of loss. Interest rate and credit risks are embedded in a capitalization-weighted portfolio, cannot be diversified away, and are observed in the expected and realized volatilities of the Trust Fund, its components, and the benchmarks. This is reviewed and reported to the Retirement Board monthly.

Any risks from deviations from the capitalization-weighted benchmarks are taken by active investment managers and these risks are captured by the expected and realized tracking error of each manager. These data are also reviewed by staff and are reported to the Retirement Board monthly at a summary level for the total Trust Fund. Chapters II.A (Investment Philosophy), III.E (Investment Manager Requirements), IV.F (Risk Measurement and Management) and G (Tracking Error), and VI.A (Asset Class Allocations, Ranges and Update Cycle) and B (Total Trust Fund Benchmarks) of the Investment Policy Statement are the formal policy statements that address these risks and overall risk management.

Highly Sensitive Investments

As of June 30, 2023, SDCERA's investments included collateralized mortgage obligations (CMO) and mortgage-backed securities totaling $176.6 million. These securities are highly sensitive to interest rate fluctuations and are subject to prepayment risk in a period of declining interest rates.

Annual Rate of Return

In FY 2023, the annual money-weighted rate of return for the Trust Fund, net of fees, was 9.5%. The money-weighted rate of return reflects investment performance, net of fees, adjusted for the timing of cash flows and the amounts invested. The money-weighted rate of return can be different than the time-weighted rate of return for the SDCERA-PP, which was 9.6%, net of fees for FY 2023.

Investment Risk

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, investment risk disclosure is required for interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk) and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that a change in interest rates will adversely impact the fair value of an investment. In general, an investment's maturity and coupon rate affect how much its price will change as a result of fluctuations in market interest rates. Interest rate risk is monitored and managed by SDCERA's investment managers in accordance with the interest rate risk parameters specified in each manager's investment guidelines.

Table 73 presents exposure to interest rate risk in terms of maturity as of June 30, 2023.

Table 73
Investment Maturities by Type
As of June 30, 2023
(In Thousands)

	Investment Maturities (in years)				
Investment Type	Less than 1	1 - 5	6 - 10	More than 10	Totals
Agency CMO or Mortgage-Backed	$ 25,912			70,374	96,286
Asset Backed	99,836	104,226	2,315	465	206,842
Commingled Funds	231,843	608,682	121,343	594,947	1,556,815
Convertibles	5,299	100,299		1,445	107,043
Corporates	152,742	775,270	42,031	30,494	1,000,537
Municipal	186				186
Non-Agency CMO or Mortgage-Backed		2,039		78,312	80,351
Private Placements	1,055,751	952,092	350,022	279,624	2,637,489
Sovereign Debt	606				606
US Government Debt	162,465	440,691	196,922	198,638	998,716
Totals	$ 1,734,640	2,983,299	712,633	1,254,299	6,684,871

Credit Risk

Credit risk is the risk that a bond issuer or counterparty will fail to make timely interest and principal payments and thus default on its obligations. Credit risk is influenced by the issuers or counterparty's financial position and prior history of payments or defaults. Credit rating agencies evaluate borrowers' creditworthiness and issue ratings on debt issuances to designate the level of confidence that the borrower will honor its debt obligations as agreed. Credit rate risk is monitored and managed by SDCERA's investment managers in accordance with the credit rating parameters specified in each manager's investment guidelines.

Table 74 and **Table 75** present SDCERA's fixed income securities ratings by category as of June 30, 2023. Credit ratings were issued by Standard & Poor's (S&P) Global Ratings. The weighted average credit rating of Below Investment Grade assets was B.

Table 74
Credit Risk
As of June 30, 2023
(In Thousands)

Investment Type	AAA	AA	A	BBB	Below Investment Grade	Not Rated	Totals
Agency CMO or Mortgage-Backed	$ 96,286						96,286
Asset Backed	95,163	5,109	1,858		12,681	92,031	206,842
Commingled Funds	1,031,992	74,943	155,187	135,316	95	159,282	1,556,815
Convertibles			2		4,690	102,351	107,043
Corporates		15,706	547,665		388,108	49,058	1,000,537
Municipal						186	186
Non-Agency CMO or Mortgage-Backed	13,234	1,164	7,884		8,446	49,623	80,351
Private Placements	716,952	21,683	237,681		895,232	765,941	2,637,489
Sovereign Debt					606		606
US Government Debt	998,716						998,716
Totals	$ 2,952,343	118,605	950,277	135,316	1,309,858	1,218,472	6,684,871

Table 75
Credit Risk Percentage of Holdings
As of June 30, 2023

Investment Type	AAA	AA	A	BBB	Below Investment Grade	Not Rated
Agency CMO or Mortgage-Backed	3.3%					
Asset Backed	3.2%	4.3%	0.2%		1.0%	7.5%
Commingled Funds	34.9%	63.2%	16.3%	100.0%		13.1%
Convertibles					0.4%	8.4%
Corporates		13.2%	57.7%		29.6%	4.0%
Municipal						
Non-Agency CMO or Mortgage - Backed	0.5%	1.0%	0.8%		0.6%	4.1%
Private Placements	24.3%	18.3%	25.0%		68.3%	62.9%
Sovereign Debt					0.1%	
U.S. Government Debt	33.8%					
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Agency Collateralized Mortgage Obligations or Mortgage-Backed Securities

Agency collateralized mortgage obligations (CMOs) or mortgage-backed securities are securities issued by an agency that use mortgages as collateral.

Asset-Backed

Asset-backed securities are securities that are collateralized by a pool of assets such as loans, leases, credit card debt, royalties or receivables.

Commingled Funds

Commingled funds are professionally managed diversified investment portfolios comprised of assets from multiple investors and managed as a single portfolio. Commingled funds are not publicly traded and participation in them is typically limited to institutional investors.

Convertibles

Convertibles are securities that can be converted into other securities under specified conditions, such as convertible bonds or preferred stock that can be converted into shares of common stock.

Corporates

Corporates refer to debt securities issued by domestic or foreign corporations.

Municipal

Municipal bonds are debt securities issued by a state, county, city, redevelopment agency, special purpose district, school district or similar entity.

Non-Agency CMOs or Mortgage-Backed Securities

Non-Agency CMOs or mortgage-backed securities are domestic and foreign securities that use mortgages as collateral but are issued by an entity other than an agency.

Private Placements

Private placements are domestic and foreign stocks or bonds sold to pre-selected investors and institutions rather than in the open market.

Sovereign Debt

Sovereign debt refers to fixed income securities issued by the central governments of countries other than the U.S.

U.S. Government Debt

U.S. Government debt refers to fixed income securities issued by the United States of America, such as Treasury notes and bonds.

Derivative Credit Risk

Derivative instruments generally have a maturity of one year or less. **Table 76** presents counterparty credit ratings related to swaps and forward contracts in SDCERA's portfolio as of June 30, 2023. Credit ratings were issued by S&P Global Ratings.

Table 76
Credit Risk of Derivatives at Fair Value
As of June 30, 2023
(In Thousands)

Credit Rating	Swaps	Forwards
A+	$ 81,441	130
A		8,308
A-		(132)
AA-	28,688	871
Not Rated	12,827	
Total subject to credit risk	$ 122,956	9,177

Concentration of Credit Risk

Credit risk concentration refers to the risk of loss that could occur from a disproportionately large exposure to any single credit risk, such as investing a large proportion of a portfolio's assets in a single security or in the securities of a single issuer. As of June 30, 2023, in conformance with GASB Statements No. 40 and No. 67, no single issuer exceeded 5% of SDCERA's total investments or represented 5% or more of its total net position. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are exempt from GASB disclosure requirements.

Foreign Currency Risk

Foreign currency risk is the risk that a change in exchange rates will adversely impact the value of an investment. **Table 77** presents SDCERA's Net Exposure to Foreign Currency Risk. Foreign currency risk is monitored and managed by SDCERA's investment managers in accordance with the foreign currency exposure parameters specified in each manager's investment guidelines.

Table 77
Net Exposure to Foreign Currency Risk
As of June 30, 2023
(In Thousands)

Currency Name		Equity	Fixed Income	Foreign Exchange Contracts	Cash & Cash Equivalents	Commingled Funds	Total
Euro Currency Unit	$	58,796	283,889	(733)	6,926	234,854	583,732
Japanese Yen				(298)	139,580	167,396	306,678
Pound Sterling			47,466	29	1,399	103,462	152,356
Hong Kong Dollar					23	139,398	139,421
Taiwan Dollar				(3)		82,033	82,030
Indian Rupee						78,861	78,861
Canadian Dollar			16,670	(1)	7,368	51,359	75,396
Australian Dollar			9,470	118	2,151	57,293	69,032
Swiss Franc					895	67,068	67,963
South Korean Won						66,310	66,310
Brazilian Real		2			612	30,126	30,740
Chinese Yuan Renminbi						24,361	24,361
Swedish Krona					111	23,783	23,894
Saudi Riyal						21,297	21,297
Danish Krone				(1)	281	20,352	20,632
South African Rand					2	17,687	17,689
Mexican Peso					39	13,279	13,318
Thailand Baht						11,402	11,402
Indonesian Rupiah				(23)		11,176	11,153
Singapore Dollar					63	9,504	9,567
Malaysian Ringgit						7,382	7,382
Norwegian Krone					7	7,204	7,211
Uae Dirham						6,400	6,400
Chilean Peso						5,390	5,390
Qatar Rials						4,826	4,826
Polish Zloty					1	4,824	4,825
Israeli Shekel				(1)		4,782	4,781
Turkish Lira						3,659	3,659
Philippines Peso						3,199	3,199
New Zealand Dollar					383	1,795	2,178
Other (Less Than $2 Million Holdings)				(4)	12	2,867	2,875
Total	$	58,798	357,495	(917)	159,853	1,283,329	1,858,558

SDCERA also had indirect exposure to foreign currency through its investment in DFA Emerging Markets Value Portfolio (NASDAQ: DFEVX), an institutional mutual fund that invests primarily in shares of foreign equities. As of June 30, 2023, SDCERA's investment in this mutual fund totaled $97.3 million. Detailed information about the fund is available at: us.dimensional.com.

Custodial Credit Risk

Custodial credit risk is the risk of being unable to recover the value of investment or collateral securities in the possession of an outside party. Custodial credit risk is influenced by how the securities are insured and registered and where they are held. SDCERA's investments are insured, registered or held by the SDCERA-PP or its agent in the SDCERA-PP's name and therefore not exposed to custodial credit risk.

Securities Lending

SDCERA's IPS permits the SDCERA-PP to enter into securities lending transactions. SDCERA lends U.S. Government obligations, domestic and international bonds and equities to brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. SDCERA's securities lending agent BNY Mellon manages the securities lending program and receives securities and/or cash as collateral. Cash and non-cash collateral are pledged at between 102% or 105% of the fair value of domestic securities and international securities on loan, respectively. There are no restrictions on the amount of securities that can be loaned at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the cash collateral. BNY Mellon is required to indemnify SDCERA if the borrowers fail to return the borrowed securities.

As of June 30, 2023, the SDCERA-PP had $584.2 million in securities on loan and held cash and non-cash collateral of $637.3 million from borrowers.

Table 78 presents SDCERA's Securities Lending Transactions as of June 30, 2023.

Table 78
Securities Lending Transactions
As of June 30, 2023
(In Thousands)

		SDCERA Securities Lent	Cash and Non-Cash Collateral
Lent for cash collateral:			
Domestic corporate	$	84,884	87,058
Domestic equities		3,834	3,946
U.S. government debt		5,819	5,939
International equities		375	382
Lent for securities collateral:			
Domestic corporate		3,242	3,340
Domestic equities		12,639	13,657
U.S. government debt		461,915	510,234
International corporate		1,895	1,991
Exchange Traded		9,645	10,725
Total	$	584,248	637,272

BNY Mellon invests the cash collateral for securities lending in a separately managed, short-term investment account. As shown in **Table 79**, at June 30, 2023, the short-term investment account consisted of 100.1% overnight repurchase agreements and 0.2% asset-backed securities.

Table 79
Securities Lending Investments
As of June 30, 2023
(In Thousands)

		Fair value	% of Total
Repurchase agreements	$	97,411	100.1%
Asset-backed floating		170	0.2%
Other (cash)		(279)	(0.3%)
Total	$	97,302	100.0%

The time deposits and asset-backed securities were rated A by S&P Global Ratings. SDCERA does not have the ability to pledge or sell collateral securities without a borrower default. As of June 30, 2023, SDCERA had no credit risk exposure to borrowers.

Fair Value of Investments

SDCERA measures and records its investments using fair value measurement guidelines in accordance with generally accepted accounting principles. These guidelines recognize a three-level fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

Table 80 presents a schedule of SDCERA's Fair Value Measurements as of June 30, 2023. Values are derived from BNY Mellon and are presented based on securities classification. Amounts per asset class, when aggregated, correspond to values presented in the Statement of Fiduciary Net Position.

Table 80
Fair Value Measurements
As of June 30, 2023
(In Thousands)

		Total as of 6/30/2023	Level 1	Level 2	Level 3
Investments by Fair Value Level:					
Equity Securities:					
Domestic Equity Securities	$	3,299,849	103,284	1,154,613	2,041,952
International Equity Securities		717,781	(1,377)	277,486	441,672
Total Equity Securities		4,017,630	101,907	1,432,099	2,483,624
Fixed Income Securities		7,136,599	1,185,891	5,874,544	76,164
Private Equity		241,810			241,810
Private Real Assets		71,351			71,351
Real Estate		615,676			615,676
Total Investments by Fair Value Level		12,083,066	1,287,798	7,306,643	3,488,625
Investments measured at Net Asset Value (NAV):					
Private Equity		234,393			
Private Real Assets		349,549			
Real Estate		779,836			
Total Investments measured at NAV		1,363,778			
Investments Derivative Instruments:					
Forwards		9,177		9,177	
Futures		22,089	22,089		
Options		(404)		(404)	
Swaps		122,956		122,956	
Total Investments Derivative Instruments		153,818	22,089	131,729	
Total investments Measured at Fair Value		13,600,662			
Investments Securities Lending Collateral:					
Collateral payable for securities lending		97,324		97,324	
Total Collateral from securities lending	$	97,324	-	97,324	

Values derived from custodian bank and presented based on securities classification. Amounts per asset class, when aggregated, correspond to values as presented in the Statement of Fiduciary Net Position.

Fixed income and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Securities classified as Level 2 are valued using matrix pricing, market corroborated pricing and inputs such as yield curves and indices. Securities classified as Level 3 are valued using investment manager pricing for private placements, private equities and real estate.

Investments valued using the net asset value (NAV) per share or its equivalent are considered "alternative investments" and, unlike more traditional investments, generally do not have readily- obtainable market values and take the form of limited partnerships. SDCERA invests in the following alternate investments:

Private Equity Funds. These funds generally invest in illiquid, non-publicly traded equity and debt securities and partnership interests. Investments in these Limited Partnership investments are stated at fair value in accordance with U.S. generally accepted accounting principles and Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*.

Private Real Assets Funds. These funds generally invest in agriculture, energy, infrastructure, metals and mining, and timber assets. The investments are typically illiquid and non-publicly traded.

Real Estate Funds. These funds invest both in U.S. and foreign commercial real estate. The fair values of the investments have been determined using the NAV per share or its equivalent of SDCERA-PP's ownership interest in partners' capital. Generally, these investments cannot be redeemed. Distributions from each fund are received when income is distributed or when the underlying investments in the funds are liquidated.

SDCERA values alternative investments based on the partnerships' financial statements. If June 30 statements are available, those values are used. If partnerships have fiscal years ending dates other than June 30, the value is obtained from the most recently available valuation combined with subsequent calls and distributions.

Table 81 presents a schedule of the unfunded commitments, redemption frequency and redemption notice period for SDCERA's Alternative Investments Measured at Net Asset Value, as of June 30, 2023.

Table 81
Investments Measured at Net Assets Value (NAV)
As of June 30, 2023
(In Thousands)

		Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds	$	234,393	134,132	Not Eligible	N/A
Private Real Assets Funds		349,549	85,770	Variable	Variable
Real Estate Funds		779,836	237,078	Variable	Variable
Total Investments measured at NAV	$	1,363,778	456,980		

Commitments And Contingencies

Derivative Instruments

Through certain investment managers, SDCERA is a party to derivative financial instruments. Derivative instruments include but are not limited to contracts for delayed delivery of securities, commodities or currencies in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Risks arise from the possible inability of counterparties to meet the terms of their contract. The risk of loss from these financial instruments includes credit risk and market risk, which refers to the possibility that future changes in market prices may make such financial instruments less valuable.

Unfunded Commitments

The Statement of Fiduciary Net Position does not reflect unfunded commitments to invest in private equity funds in the amount of $134.1 million, real estate funds in the amount of $237.1 million and private real asset funds in the amount of $85.8 million. SDCERA funds these commitments from SDCERA-PP assets over multiple fiscal years.